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If you have sold or transferred all your shares in Newtree Group Holdings Limited (the "Company"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Newtree Group Holdings Limited
友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



INCU Corporate Finance Limited

**Independent Financial adviser to the Independent
Board Committee and the Independent Shareholders**

Nuada Limited

Corporate Finance Advisory

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 8 to 42 of this circular. A letter of advice from the Independent Board Committee is set out on pages 43 to 44 of this circular. A letter of advice of Nuada Limited, the Independent Financial Adviser, containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 63 of this circular.

A notice convening the EGM of the Company to be held at 3/F, Nexus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 12 April 2013 at 11:00 a.m. is set out on pages 150 to 152 of this circular.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

25 March 2013

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Acquisitions”	together, the China Energy Acquisition, the China Petro Acquisition and the China Coal Acquisition
“Actual Profit”	the actual audited net profit after tax and before any extraordinary or exceptional items (as defined in the HKGAAP as amended from time to time, where applicable) and before all non-cash items (as defined in the HKGAAP as amended from time to time, where applicable) of China Coal Alliances from 1 April 2013 to 31 March 2014
“Agreements”	together, the China Energy Agreement, the China Petro Agreement and the China Coal Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of the Directors from time to time
“Business Day”	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding a Saturday, Sunday or public holiday)
“BVI”	British Virgin Islands
“China Coal”	China Indonesia Alliances Coal Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share of which is owned by the Vendor
“China Coal Acquisition”	the acquisition of the China Coal Sale Share pursuant to the China Coal Agreement
“China Coal Agreement”	the conditional sale and purchase agreement dated 23 January 2013 entered into between Star Fantasy and the Vendor relating to the China Coal Acquisition
“China Coal Alliances”	China Coal Alliances Trading Company Limited, a company incorporated in Hong Kong with limited liability, the issued share of which is owned as to 90% by China Coal and 10% by the Vendor
“China Coal Alliances Customer”	the customer of China Coal Alliances, being the PRC Customer

DEFINITIONS

“China Coal Alliances Supplier”	the supplier of China Coal Alliances, being the Supplier
“China Coal Alliances Valuation”	an independent professional valuation performed by Greater China Appraisal on fair value of the business enterprise value of China Coal Alliances as at 31 December 2012
“China Coal Completion”	completion of the China Coal Acquisition in accordance with the terms and conditions of the China Coal Agreement
“China Coal Consideration”	the total consideration of HK\$36,000,000 to be paid by Star Fantasy to the Vendor for the China Coal Acquisition pursuant to the China Coal Agreement
“China Coal Consideration Shares”	17,536,585 new Shares to be allotted and issued by the Company to the Vendor at the issue price of HK\$1.64 per Share in part satisfaction of HK\$28,760,000 of the China Coal Consideration
“China Coal Group”	China Coal and its 90% owned subsidiary China Coal Alliances
“China Coal Sale Share”	1 share of US\$1.00, being the entire issued share capital of China Coal as at the date of the China Coal Agreement which is legally and beneficially owned by the Vendor
“China Energy”	China Energy Trading Company Limited, a company incorporated in Hong Kong with limited liability, the issued share of which is owned as to 90% by China Friendship and 10% by the Vendor
“China Energy Acquisition”	the acquisition of the China Energy Sale Shares and the China Energy Sale Loan pursuant to the China Energy Agreement
“China Energy Agreement”	the conditional sale and purchase agreement dated 23 January 2013 entered into between Star Fantasy and the Vendor relating to the China Energy Acquisition
“China Energy Customer”	the customer of China Energy, being the PRC Customer

DEFINITIONS

“China Energy Completion”	completion of the China Energy Acquisition in accordance with the terms and conditions of the China Energy Agreement
“China Energy Consideration”	the consideration of HK\$4,100,000 to be paid by Star Fantasy to the Vendor for the China Energy Acquisition pursuant to the China Energy Agreement
“China Energy Consideration Shares”	2,500,000 new Shares to be allotted and issued by the Company to the Vendor at the issue price of HK\$1.64 per Share in satisfaction of the China Energy Consideration
“China Energy Sale Loan”	all obligations, liabilities and debts owing or incurred by China Energy to the Vendor on or at any time prior to the China Energy Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on China Energy Completion
“China Energy Sale Shares”	100,000 shares of HK\$1.00 each, being 10% of the entire issued share capital of China Energy as at the date of the China Energy Agreement which are legally and beneficially owned by the Vendor
“China Energy Supplier”	the supplier of China Energy, being the Supplier
“China Energy Valuation”	an independent professional valuation performed by Greater China Appraisal on the fair value of the business enterprise value of China Energy as at 30 September 2012
“China Friendship”	China Indonesia Friendship Coal Trading Company Limited, a company incorporated in the British Virgin Islands with limited liability
“China International Resources”	China International Resources Trading Company Limited, a company incorporated in Hong Kong with limited liability, a connected person of the Group
“China Petro”	China Petro-chemical Resources Trading Company Limited, a company incorporated in Hong Kong with limited liability, the issued share of which is owned as to 90% by Sino-Singapore and 10% by the Vendor
“China Petro Acquisition”	the acquisition of the China Petro Sale Shares pursuant to the China Petro Agreement

DEFINITIONS

“China Petro Agreement”	the conditional sale and purchase agreement dated 23 January 2013 entered into between Sino-Singapore and the Vendor relating to the China Petro Acquisition
“China Petro Completion”	completion of the China Petro Acquisition in accordance with the terms and conditions of the China Petro Agreement
“China Petro Consideration”	the consideration of HK\$2,490,000 to be paid by Sino-Singapore to the Vendor for the China Petro Acquisition pursuant to the China Petro Agreement
“China Petro Consideration Shares”	1,518,292 new Shares to be allotted and issued by the Company to the Vendor at the issue price of HK\$1.64 per Share in satisfaction of the China Petro Consideration
“China Petro Customer”	the customer of China Petro, being the PRC Customer
“China Petro Sale Shares”	100,000 shares of HK\$1.00 each, being 10% of the entire issued share capital of China Petro as at the date of the China Petro Agreement which is legally and beneficially owned by the Vendor
“China Petro Supplier”	the supplier of China Petro, being the Supplier
“China Petro Valuation”	an independent professional valuation performed by Greater China Appraisal on the fair value of the equity interests in China Petro as at 30 September 2012
“Company”	Newtree Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 1323)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares(s)”	the Share(s) to be issued under the Acquisitions, being the China Energy Consideration Shares, the China Petro Consideration Shares and the China Coal Consideration Shares
“Director(s)”	director(s) of the Company from time to time

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 12 April 2013 at 11:00 a.m. to consider and, if thought fit, approve the China Energy Agreement, the China Petro Agreement, the China Coal Agreement and the transactions contemplated respectively thereunder including the issue and allotment of the Consideration Shares
“Enlarged Group”	the Group after completion of the Acquisitions
“Financial Adviser” or “INCU”	INCU Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“Greater China Appraisal”	Greater China Appraisal Limited, an independent valuer
“Group”	the Company and its subsidiaries from time to time
“HKGAAAP”	accounting principles, standards, and practices generally accepted in Hong Kong, including but not limited to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors formed to advise (after taking into consideration the advice of the Independent Financial Adviser) the Independent Shareholders as to the fairness and reasonableness of the Acquisitions
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions

DEFINITIONS

“Independent Shareholder(s)”	Shareholders other than the Vendor, who are required by the Listing Rules to abstain from voting on the resolutions approving the China Energy Agreement, the China Petro Agreement, the China Coal Agreement and the transactions contemplated respectively thereunder
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Latest Practicable Date”	20 March 2013, being the latest practicable date prior to the printing of this circular of the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M.T.B.E.”	methyl tertiary butyl ether, a chemical compound used for gasoline blending
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Customer”	state-owned enterprise of the PRC, an Independent Third Party, and a customer of China Energy, China Petro and China Coal Alliances
“Previous Acquisition”	the acquisition of 90% equity interests in China Petro by the Group which completed on 6 December 2011
“Profit Guarantee”	the profit guarantee provided by the Vendor to Star Fantasy under the China Coal Agreement in respect of the Actual Profit
“Promissory Note”	the promissory note in the principal amount of HK\$4,000,000 to be issued by the Company in favour of the Vendor for the purpose of settling part of the China Coal Consideration

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s) from time to time
“Sino-Singapore”	Sino-Singapore (Offshore) Chemical Resources Trading Company Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, and the purchaser to the China Petro Agreement
“Star Fantasy”	Star Fantasy International Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company, and the purchaser to the China Energy Agreement and the China Coal Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	a company incorporated in Singapore with limited liability, an Independent Third Party, the supplier of China Energy, China Petro and China Coal Alliances
“Vendor”	Mr. Woo Man Wai, David, a Hong Kong resident, the vendor of the China Coal Acquisition, the China Energy Acquisition and the China Petro Acquisition, a connected person of the Company
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$” or “USD”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



Newtree Group Holdings Limited 友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

Executive Directors:

Mr. Chum Hon Sing (*Chairman*)
Mr. Wong Wai Sing
(Vice Chairman and Chief Executive Officer)
Mr. Lee Chi Shing, Caesar
Mr. Tsang Ho Ka, Eugene
Ms. Yick Mi Ching, Dawnibilly
Ms. Sung Ting Yee

Independent non-executive Directors:

Mr. Kwok Kam Tim
Mr. Kinley Lincoln James Lloyd
Dr. Hui Chik Kwan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters:

Flat L, 12/F,
Macau Finance Centre
Rua de Pequim, Macau

Head office of business

in Hong Kong:
Room 601
6/F, Aon China Building
No. 29 Queen's Road Central
Central, Hong Kong

25 March 2013

To the Shareholders

Dear Sir or Madam

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 23 January 2013 and 15 March 2013 in relation to the Acquisitions. On 23 January 2013, the Group entered into the China Energy Agreement, China Petro Agreement and the China Coal Agreement. On 15 March 2013, the Group entered into extension letters for the extension of Long Stop Date of the China Energy Agreement, China Petro Agreement and the China Coal Agreement.

LETTER FROM THE BOARD

Pursuant to the China Energy Agreement, Star Fantasy (as purchaser) (a direct wholly-owned subsidiary of the Company) has conditionally agreed to acquire the China Energy Sale Shares (representing 10% of the entire issued share capital in China Energy) and the China Energy Sale Loan from the Vendor at a total consideration of HK\$4,100,000. The China Energy Consideration shall be settled by Star Fantasy by procuring the Company to issue the China Energy Consideration Shares, credited as fully paid, to the Vendor at the China Energy Completion.

Pursuant to the China Petro Agreement, Sino-Singapore (as purchaser) (an indirect wholly-owned subsidiary of the Company) has conditionally agreed to acquire the China Petro Sale Shares (representing 10% of the entire issued share capital in China Petro) from the Vendor at a total consideration of HK\$2,490,000. The China Petro Consideration shall be settled by Sino-Singapore by procuring the Company to issue the China Petro Consideration Shares, credited as fully paid, to the Vendor at the China Petro Completion.

Pursuant to the China Coal Agreement, Star Fantasy (as purchaser) has conditionally agreed to acquire the China Coal Sale Share (representing the entire issued share capital in China Coal) from the Vendor at a consideration of HK\$36,000,000. The China Coal Consideration shall be settled by Star Fantasy at the China Coal Completion in the following manner: (i) HK\$4,000,000 shall be satisfied by Star Fantasy procuring the Company to issue the Promissory Note; (ii) HK\$3,240,000 shall be payable in cash by Star Fantasy; and (iii) HK\$28,760,000 shall be satisfied by Star Fantasy by procuring the Company to issue the China Coal Consideration Shares, credited as fully paid, to the Vendor.

The purposes of this circular are, among others, (i) to provide you with further details of the Acquisitions; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Acquisitions; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions; (iv) the valuation reports of China Energy, China Petro and China Coal Alliances prepared by Greater China Appraisal; (v) the letters from the reporting accountant relating to the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation; (vi) the letters from INCU relating to the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation; and (vii) to give you a notice convening the EGM.

LETTER FROM THE BOARD

II. THE CHINA ENERGY AGREEMENT

Date: 23 January 2013 (after trading hours)

Parties:

Purchaser: Star Fantasy, a direct wholly-owned subsidiary of the Company

Vendor: Mr. Woo Man Wai, David

Assets to be acquired

Pursuant to the China Energy Agreement, Star Fantasy has conditionally agreed to acquire and the Vendor has conditionally agreed to sell: (i) the China Energy Sale Shares, representing 10% of the issued share capital of China Energy as at the Latest Practicable Date; and (ii) the China Energy Sale Loan. As at the date of the China Energy Agreement and the Latest Practicable Date, the China Energy Sale Loan amounted to approximately HK\$1,950,000.

China Energy Consideration

The China Energy Consideration is HK\$4,100,000 which shall be settled by Star Fantasy by procuring the Company to issue the China Energy Consideration Shares, credited as fully paid, to the Vendor at the China Energy Completion.

The China Energy Consideration was arrived at after arm's length negotiations between the Vendor and Star Fantasy mainly based on (i) an independent professional valuation performed by Greater China Appraisal that the fair value of business enterprise value of China Energy is HK\$41,000,000 as at 30 September 2012 (in which 10% equity interests in China Energy will be acquired by the Group); (ii) the current business opportunities under the China Energy Supplier Agreements (as defined below) and the China Energy Customer Agreements (as defined below) entered into by China Energy; (iii) the increasing demand from the PRC for coal; and (iv) the potential returns from the investment in China Energy will contribute positively to the financial results of the Group. The China Energy Valuation was based on the discounted cash flow methodology. Given that the China Energy Valuation involves the use of the discounted cash flow methodology, the China Energy Valuation prepared by Greater China Appraisal is regarded as a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rule 14.62 of the Listing Rules are applicable accordingly.

The principal assumptions upon which the profit forecast for China Energy was made are set out in "Appendix I – the China Energy Valuation" to this circular. The underlying assumptions (such as financial projections and business plans of the targets) provided by the Board to Greater China Appraisal under the China Energy Valuation are based on historical figures, and the major revenues and cost forecast are supported by the

LETTER FROM THE BOARD

underlying contracts and agreements. Accordingly the Board considered that the underlying assumptions under the China Energy Valuation provided to Greater China Appraisal are fair and reasonable.

In accordance with Rule 14.62 of the Listing Rules, the Company has engaged its reporting accountant, Poon Wing Ho Certified Public Accountant (Practising), to review the accounting policies and calculations under the China Energy Valuation. Poon Wing Ho Certified Public Accountant (Practising) is satisfied with the calculations under the China Energy Valuation. A letter from Poon Wing Ho Certified Public Accountant (Practising) for the purpose of Rule 14.62 of the Listing Rules is set out in “Appendix IV – Letter from the reporting accountant in relation to the forecast underlying the China Energy Valuation” to this circular.

Also in accordance with Rule 14.62(3) of the Listing Rules, the Company has engaged the Financial Adviser to review the procedures undertaken by the Directors in preparing the forecast underlying the China Energy Valuation prepared by Greater China Appraisal. The Financial Adviser is satisfied that the forecast has been made by the Board after due and careful enquiry. A letter from the Financial Adviser for the purpose of Rule 14.62(3) of the Listing Rules is set out in “Appendix VII – Letter from the Financial Adviser in relation to the forecast underlying the China Energy Valuation” to this circular.

The Board (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) consider (i) the China Energy Consideration is fair and reasonable; and (ii) the China Energy Agreement is on normal commercial terms and are fair and reasonable, and the entering into of the China Energy Agreement is in the interests of the Group and the Shareholders as a whole.

Conditions precedent of the China Energy Agreement

China Energy Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) Star Fantasy being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of China Energy;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and China Energy in respect of the China Energy Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (c) the passing by the Independent Shareholders at the EGM approving the China Energy Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the China Energy Consideration Shares;

LETTER FROM THE BOARD

- (d) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the China Energy Consideration Shares;
- (e) the obtaining of a PRC legal opinion (in form and substance satisfactory to Star Fantasy) from a PRC legal adviser appointed by Star Fantasy in relation to the China Energy Ancillary Documents (as defined below);
- (f) the Vendor's warranties remaining true and accurate in all respects; and
- (g) Star Fantasy's warranties remaining true and accurate in all respects.

Conditions (a), (e) and (f) (to the extent it is capable of being waived) above are waivable by Star Fantasy under the China Energy Agreement. Star Fantasy has no current intention to waive such conditions. Condition (g) (to the extent it is capable of being waived) above is waivable by the Vendor under the China Energy Agreement. Conditions (b), (c) and (d) are incapable of being waived by both parties. As at the Latest Practicable Date, the Company has no intention to waive any of the conditions precedent for the China Energy Agreement.

Long stop date of the China Energy Agreement

If any of the conditions has not been satisfied (or, as the case may be, waived by the Vendor or Star Fantasy) on or before 4:00 p.m. on 29 March 2013 (extended to 30 April 2013 pursuant to an extension letter dated 15 March 2013) or such later date as the Vendor and Star Fantasy may agree, the China Energy Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities towards each other under the China Energy Agreement save for any antecedent breaches of the terms thereof.

China Energy Completion

The China Energy Completion shall take place at 4:00 p.m. within three (3) Business Days after all the conditions of the China Energy Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and Star Fantasy.

Upon China Energy Completion, the fair value of the Group's 10% equity interests in China Energy will be accounted for as a financial asset and classified as a non-current asset of the Group.

LETTER FROM THE BOARD

Information on China Energy

China Energy is a company incorporated in Hong Kong on 24 June 2010 with limited liability, 90% equity interests in China Energy is owned by China Friendship, an indirect wholly-owned subsidiary of Ming Kei Holdings Limited (Stock Code: 8239) and 10% equity interests is owned by the Vendor. As at the Latest Practicable Date, Mr. Wong Wai Sing and Mr. Tsang Ho Ka, Eugene are the Directors of the Company, Mr. Wong Wai Sing is the non-executive director and chairman of the Ming Kei Holdings Limited and Mr. Tsang Ho Ka, Eugene is the non-executive director of the Ming Kei Holdings Limited respectively, Mr. Wong Wai Sing and its associates and Mr. Tsang Ho Ka, Eugene are interested in 112,076 and nil shares of Ming Kei Holdings Limited respectively. As advised by the Vendor, the incorporation cost of China Energy incurred by the Vendor was approximately HK\$8,000. China Energy is principally engaged in the business of coal trading. In relation to such business, China Energy has entered into the following:

1. a legally binding master framework purchase agreement dated 24 July 2010 and two supplemental agreements dated 10 August 2010 and 29 September 2010 respectively (jointly the “**China Energy Supplier Agreements**”) with the Supplier pursuant to which (i) the Supplier agreed to sell and China Energy agreed to, among other matters, source from the Supplier 30,000 metric tonnes of coal (with up or down 10% fluctuation) each month for an initial term of three years commencing from 24 July 2010 to 23 July 2013 (ii) China Energy had paid in advance for a refundable supplier deposit of US\$2.5 million (equivalent to approximately HK\$19.5 million), such deposit shall be refunded within three working days upon China Energy’s request in writing to the Supplier. Except for special circumstances or exceptional cases, the China Energy Supplier Agreements will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the renewal term of the China Energy Supplier Agreements will remain unchanged;
2. a legally binding master framework purchase agreement dated 30 July 2010 and a supplemental agreement dated 24 November 2010 (jointly the “**China Energy Customer Agreements**”) with the PRC Customer, pursuant to which the PRC Customer agreed to buy and China Energy agreed to sell 30,000 metric tonnes of coal (with up or down 10% fluctuation) each month for a term of three years commencing from 30 July 2010 to 29 July 2013 and except for special circumstances or exceptional cases, the China Energy Customer Agreements will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the China Energy Customer Agreements will remain unchanged (the China Energy Supplier Agreements and the China Energy Customer Agreements, together referred as the “**China Energy Ancillary Documents**”);
3. a customer guarantee dated 30 July 2010 given by the PRC Customer, pursuant to which the PRC Customer provided that (i) in the event that the refundable supplier deposit of US\$2.5 million was not refunded by the Supplier pursuant to the China Energy Supplier Agreements, the PRC Customer shall be responsible to pay China Energy an amount equivalent to the refundable supplier deposit; and (ii) the net profit of China Energy for each year shall not be less than 10% of the amount of the refundable supplier deposit;

LETTER FROM THE BOARD

4. confirmation letters relating to handling service income: (i) a confirmation letter dated 1 December 2010 given by the PRC Customer to China Energy, pursuant to which the PRC Customer agreed to pay handling service fee to China Energy which will be based on the actual operating cost incurred by China Energy on the coal trading business in Indonesia (such as agency fee, loading charge, port charge and insurance) and authorised an Independent Third Party to verify and remit such handling service fee to China Energy; and (ii) a confirmation letter dated 1 December 2010 given by the Independent Third Party, authorised by the PRC Customer, to China Energy that it will verify and remit on behalf of the PRC Customer the handling service fee to China Energy equivalent to the actual operating cost incurred by China Energy in the coal trading operation plus a 10% charge on the actual operating cost;
5. a marketing and operational consultancy service agreement dated 1 December 2010 with China International Resources, (the “**China Energy Marketing Service Agreement**”), pursuant to which China Energy agreed to pay China International Resources an annual service fee equivalent to 10% on the gross profit of China Energy to China International Resources for the provision of services provided by China International Resources with a period term from 1 December 2010 to 29 July 2013. China International Resources agreed to provide China Energy with the latest information in the international and PRC coal market and advices on the coal trading operation and business in Indonesia during the period term of the China Energy Marketing Service Agreement.

According to the respective terms set out under the China Energy Ancillary Documents, in any event any party cannot fulfill its obligation under the China Energy Ancillary Documents, the other party is entitled to terminate the China Energy Ancillary Documents and be recovered all losses, costs and expenses (including legal expenses) incurred by it, pursuant to the China Energy Ancillary Documents.

Based on the representation made by the Vendor, the Directors consider that the terms and conditions of the aforesaid agreements are made on normal commercial terms after arm’s length negotiations between China Energy with the counterparties.

As advised by the Vendor, the PRC Customer is willing to pay the handling service fee to China Energy because the PRC Customer is relying on China Energy to obtain suitable coal it needs.

Having considered that (i) the pre-existing agreements with the PRC Customer and the Supplier have assured the possibility of positive price gap for the coal trading business; and (ii) the arrangement to reimburse actual operating cost with premium as handling service income (which is verified by an Independent Third Party) is also beneficial to China Energy as it will provide an additional source of income, the Board considers that such pre-existing agreements have ensured the profitability of the business of China Energy and are in the interest of China Energy.

LETTER FROM THE BOARD

Operating model for China Energy

The China Energy Supplier Agreements and the China Energy Customer Agreements are master agreements setting out the principal supplier and customer relationship with China Energy respectively. Under the current operation, China Energy will enter into separate purchase orders and sales contracts for each individual transaction with reference to the terms under the China Energy Supplier Agreements and the China Energy Customer Agreements respectively.

In current practice, when sale is to be made to customer, China Energy will negotiate with the customer for an individual sales contract, based on all the terms agreed in the master agreements (if any), with additional terms such as: (i) the actual quantity of coals for each individual transaction; (ii) the coal specification; (iii) selling price (which will be with reference to the coal price of international market as at the time of entering into the sales contract); and (iv) estimated date of delivery. Once the terms of the sales contract as stated above are preliminary agreed between China Energy and the customer, China Energy will negotiate with the Supplier for requesting the same coal quantity and specification to be specified in the sales contract. Before the sales contract are finalised, China Energy will negotiate with the Supplier for the final terms of the purchase order. China Energy will negotiate with the customer and the Supplier to adjust the selling price and or the purchase cost. Subject to the bargaining power of China Energy, the price negotiation will continue until each of the parties is satisfied and China Energy is satisfied with the gross profit margin of the transaction. Once the terms of the sales contract and the purchase order are finally agreed with profitable price gap, China Energy will sign the sales contract and the purchase order and arrange the shipment.

Under the China Energy Customer Agreements, there is no specified term guarantee that there will have a positive price gap, however, China Energy would negotiate with the PRC Customer to adjust the selling price in order to ensure that there is a positive price gap between the purchase cost and the selling price of at least US\$2 per metric tonne, subject to the bargaining power of China Energy, the price gap could exceed US\$2 per metric tonne. As advised by the Vendor and according to the past experience, such positive price gap was achieved since commencement of the coal trading business for China Energy.

It is provided that save for special circumstances or exceptional cases, each of the China Energy Supplier Agreements and the China Energy Customer Agreements will be renewed automatically at their respective expirations. These special circumstances or exceptional cases include the events of force majeure such as change in rules and regulations, occurrence of natural disasters that materially affecting the operation of China Energy. As at the Latest Practicable Date, no special circumstances would render the non-renewal of the China Energy Supplier Agreements and the China Energy Customer Agreements.

LETTER FROM THE BOARD

During the period from 1 April 2012 to 31 December 2012, the China Energy Customer Agreements contributed the entire sale, and the total revenue and gross profit generated from the China Energy Customer Agreements were approximately HK\$69.10 million and approximately HK\$3.77 million respectively. The gross profit margin was approximately 5.46%.

Value-added services that China Energy provided to the PRC Customer include without limitation to: (i) sourcing of coals for suitable quality from Indonesia according to the specification required by customers; (ii) arranging transportation of the coals to loading port in Indonesia; (iii) arranging insurance coverage for the delivery of coals (from the place where China Energy obtains delivery of the coals to the loading port in Indonesia); (iv) arranging inspection and sampling services for obtaining the certificate of coal specification and weight issued by an independent professional inspection company in Indonesia before the coals shipments are made to customers as part of China Energy's effort in maintaining quality control; and (v) to pay the port charges (if any).

Financial information of China Energy

Set out below is the financial information of China Energy which has been prepared in accordance with the HKGAAP:

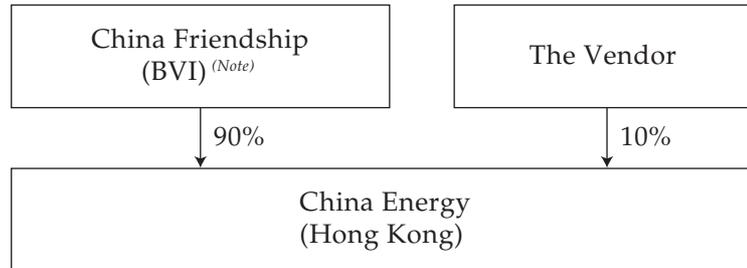
	Period from 24 June 2010 (date of incorporation of China Energy) to 31 March 2011 (audited) HK\$	For the year ended 31 March 2012 (audited) HK\$
Net profit before tax	2,305,922	4,924,570
Net profit after tax	1,925,152	4,122,225
	As at 31 March 2011 (audited) HK\$	As at 31 March 2012 (audited) HK\$
Net assets value	2,925,152	3,047,377

LETTER FROM THE BOARD

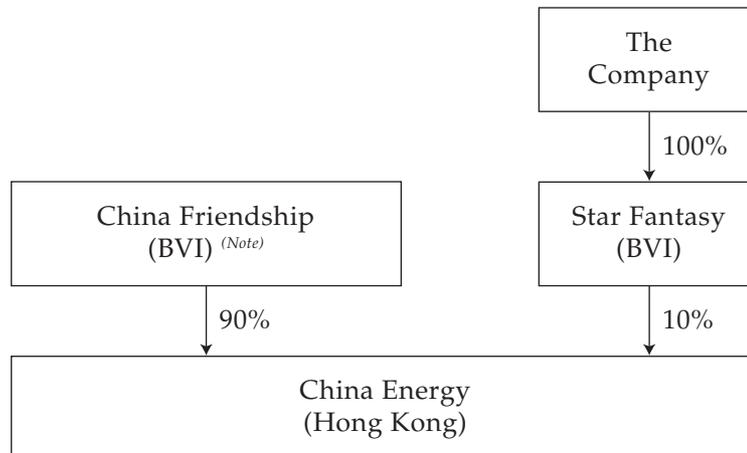
Group structure

The following charts show the shareholding structure of China Energy immediately before and after the China Energy Completion:

Shareholding structure of China Energy immediately before the China Energy Completion



Shareholding structure of China Energy immediately upon the China Energy Completion



Note: China Friendship is an indirect wholly-owned subsidiary of Ming Kei Holdings Limited (Stock Code: 8239), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Information on Star Fantasy

Star Fantasy is a direct wholly-owned subsidiary of the Company and it is an investment holding company.

LETTER FROM THE BOARD

Information on the Vendor

The Vendor, Mr. Woo Man Wai, David is a Hong Kong citizen, he has extensive industry experience in the M.T.B.E. and coal trading industry in the PRC, Singapore and Indonesia. In December 2011, the Group acquired 90% equity interests in China Petro, since then he remained as director of China Petro to oversee the business operation of China Petro. As China Petro is a 90% owned subsidiary of the Group. The Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

III. THE CHINA PETRO AGREEMENT

Date: 23 January 2013 (after trading hours)

Parties:

Purchaser: Sino-Singapore, an indirect wholly-owned subsidiary of the Company

Vendor: Mr. Woo Man Wai, David

Assets to be acquired

Pursuant to the China Petro Agreement, Sino-Singapore has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the China Petro Sale Shares, representing 10% of the issued share capital of China Petro as at the Latest Practicable Date.

China Petro Consideration

The China Petro Consideration is HK\$2,490,000 which shall be settled by Sino-Singapore by procuring the Company to issue the China Petro Consideration Shares, credited as fully paid, to the Vendor at the China Petro Completion.

The China Petro Consideration was arrived at after arm's length negotiations between the Vendor and Sino-Singapore mainly based on: (i) an independent professional valuation performed by Greater China Appraisal that the fair value of entire equity interests in China Petro is HK\$27,500,000 as at 30 September 2012 (in which 10% equity interests in China Petro will be acquired by the Group); (ii) the financial performance and profitability of China Petro; and (iii) the continued and steady demand of M.T.B.E. from the PRC. The China Petro Valuation was based on the discounted cash flow methodology. Given that the China Petro Valuation involves the use of the discounted cash flow methodology, the China Petro Valuation prepared by the Greater China Appraisal is regarded as a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rule 14.62 of the Listing Rules are applicable accordingly.

LETTER FROM THE BOARD

The principal assumptions upon which the profit forecast for China Petro was made are set out in “Appendix II – the China Petro Valuation” to this circular. The underlying assumptions (such as financial projections and business plans of the targets) provided by the Board to Greater China Appraisal under the China Petro Valuation are based on historical figures, and the major revenues and cost forecast are supported by the underlying contracts and agreements. Accordingly the Board considered that the underlying assumptions under the China Petro Valuation provided to the Greater China Appraisal are fair and reasonable.

In accordance with Rule 14.62 of the Listing Rules, the Company has engaged its reporting accountant, Poon Wing Ho Certified Public Accountant (Practising), to review the accounting policies and calculations under the China Petro Valuation. Poon Wing Ho Certified Public Accountant (Practising) is satisfied with the calculations under the China Petro Valuation. A letter from Poon Wing Ho Certified Public Accountant (Practising) for the purpose of Rule 14.62 of the Listing Rules is set out in “Appendix V – Letter from the reporting accountant in relation to the China Petro Valuation” to this circular.

Also in accordance with Rule 14.62(3) of the Listing Rules, the Company has engaged the Financial Adviser to review the procedures undertaken by the Directors in preparing the forecast underlying the China Petro Valuation prepared by Greater China Appraisal. The Financial Adviser is satisfied that the forecast has been made by the Board after due and careful enquiry. A letter from the Financial Adviser for the purpose of Rule 14.62(3) of the Listing Rules is set out in “Appendix VIII – Letter from the Financial Adviser in relation to the forecast underlying the China Petro Valuation” to this circular.

The Board (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) consider (i) the China Petro Consideration is fair and reasonable; and (ii) the China Petro Agreement is on normal commercial terms and are fair and reasonable, and the entering into of the China Petro Agreement is in the interests of the Group and the Shareholders as a whole.

Conditions precedent of the China Petro Agreement

The China Petro Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and China Petro in respect of the China Petro Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (b) the passing by the Independent Shareholders at the EGM approving the China Petro Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the China Petro Consideration Shares;

LETTER FROM THE BOARD

- (c) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the China Petro Consideration Shares;
- (d) the Vendor's warranties remaining true and accurate in all respects; and
- (e) Sino-Singapore's warranties remaining true and accurate in all respects.

Condition (d) (to the extent it is capable of being waived) above is waivable by Sino-Singapore under the China Petro Agreement. Sino-Singapore has no current intention to waive such condition. Condition (e) (to the extent it is capable of being waived) above is waivable by the Vendor under the China Petro Agreement. Conditions (a), (b) and (c) are incapable of being waived by both parties. As at the Latest Practicable Date, the Company has no intention to waive any of the conditions precedent for the China Petro Agreement.

Long stop date of the China Petro Agreement

If any of the conditions has not been satisfied (or, as the case may be, waived by the Vendor or Sino-Singapore) on or before 4:00 p.m. on 29 March 2013 (extended to 30 April 2013 pursuant to an extension letter dated 15 March 2013) or such later date as the Vendor and Sino-Singapore may agree, the China Petro Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities towards each other under the China Petro Agreement save for any antecedent breaches of the terms thereof.

China Petro Completion

The China Petro Completion shall take place at 4:00 p.m. within three (3) Business Days after all the conditions of the China Petro Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and Sino-Singapore.

Upon the China Petro Completion, China Petro will become an indirect wholly-owned subsidiary of the Group and the financial results of China Petro will continue to be consolidated into the consolidated financial statements of the Group.

Information on China Petro

Reference is made to the announcement of the Company dated 15 November 2011 and 6 December 2011 in relation to the acquisition of 90% indirect equity interests in China Petro ("**Previous Acquisition**"). China Petro is a company incorporated in Hong Kong on 28 April 2011 with limited liability. As at the date of the China Petro Agreement, 90% equity interests in China Petro is owned by the Group through the equity interests in Sino-Singapore and the remaining 10% equity interests of China Petro is owned by the Vendor. As advised by the Vendor, the incorporation cost of China Petro incurred by the

LETTER FROM THE BOARD

Vendor was approximately HK\$10,000. China Petro is principally engaged in the business of M.T.B.E. trading. In relation to such business, China Petro has entered into the following:

1. a legally binding master framework purchase agreement dated 1 July 2011 and supplemental agreements dated 1 November 2011 and 8 June 2012 (jointly the “**China Petro Supplier Agreements**”) with a company incorporated in Singapore (the “**China Petro Supplier**”) pursuant to which (i) the Supplier agreed to sell and China Petro agreed to, among other matters, source from the Supplier at least 20,000 metric tonnes of M.T.B.E. each year for an initial term of one year commencing from 1 July 2011 to 30 June 2012, which has already been renewed for 18 months to 31 December 2013; and (ii) China Petro has paid in advance for a refundable supplier deposit in the amount of US\$2.75 million (equivalent to approximately HK\$21.45 million), such deposit shall be refunded within three working days in the event the China Petro Supplier Agreements are terminated or upon the China Petro’s request in writing to the Supplier. Except for special circumstances or exceptional cases, the China Petro Supplier Agreements will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the China Petro Supplier Agreements will remain unchanged;
2. a legally binding master framework purchase agreement dated 1 July 2011 and three supplemental agreements dated 1 November 2011, 8 June 2012 and 31 August 2012 respectively (jointly the “**China Petro Customer Agreements**”) with the PRC Customer, pursuant to which (i) the PRC Customer agreed to buy and China Petro agreed to sell at least 20,000 metric tonnes of M.T.B.E. each year for an initial term of one year commencing from 1 July 2011 to 30 June 2012, which has already been renewed for 18 months to 31 December 2013; and (ii) the PRC Customer guaranteed that there will be a positive price gap between the purchase cost for China Petro and the selling price of the M.T.B.E. with reference to historical average gross profit margin ratio from the M.T.B.E. trading transactions among China Petro and the PRC Customer. Except for special circumstances or exceptional cases, the China Petro Customer Agreements will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the China Petro Customer Agreements will remain unchanged (the China Petro Supplier Agreements and the China Petro Customer Agreements, together referred as the “**China Petro Ancillary Documents**”);
3. a customer guarantee dated 1 November 2011 given by the PRC Customer, pursuant to which the PRC Customer provided that in the event that the refundable supplier deposit of US\$2.75 million was not refunded by the Supplier pursuant to the China Petro Supplier Agreements, the PRC Customer shall be responsible to pay China Petro an amount equivalent to the refundable supplier deposit;

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4. a legally binding purchase contract dated 1 January 2013 with the PRC Customer, pursuant to which the PRC Customer agreed to buy and China Petro agreed to sell not less than 20,000 metric tonnes of M.T.B.E. for a term of one year commencing from 1 January 2013 to 31 December 2013;
5. a legally binding purchase contract dated 1 January 2013 with the Supplier, pursuant to which the China Petro agreed to buy and the Supplier agreed to sell not less than 20,000 metric tonnes of M.T.B.E. for a term of one year commencing from 1 January 2013 to 31 December 2013;
6. Confirmation letters relating to handling service income: (i) a confirmation letter dated 30 December 2011 given by the PRC Customer to China Petro, pursuant to which the PRC Customer agreed to pay handling service fee to China Petro which will be based on the actual operating cost incurred by China Petro on the M.T.B.E. trading business in Singapore (such as agency fee, loading charge and insurance) and authorised an Independent Third Party to verify and remit such handling service fee to China Petro; and (ii) a confirmation letter dated 30 December 2011 given by the Independent Third Party, authorised by the PRC Customer, to China Petro that it will verify and remit on behalf of the PRC Customer the handling service fee to China Petro equivalent to the actual operating cost incurred by China Petro in the M.T.B.E. trading operation plus a 20% charge on the actual operating cost;
7. a marketing and operational consultancy service agreement dated 1 January 2013 with China International Resources (the "**China Petro Marketing Service Agreement**"), pursuant to which China Petro agreed to pay China International Resources an annual service fee of US\$276,000 (equivalent to approximately HK\$2,140,000) for the provision of services provided by China International Resources with a period term from 1 January 2013 to 31 December 2013. China International Resources agreed to provide China Petro the latest information on M.T.B.E. products from the international and PRC market and advices on the M.T.B.E. trading operation and business in Singapore during the period term of the China Petro Marketing Service Agreement.

According to the respective terms set out under the China Petro Ancillary Documents, in any event any party cannot fulfill its obligation under the China Petro Ancillary Documents, the other party is entitled to terminate the China Petro Ancillary Documents and be recovered all losses, costs and expenses (including legal expenses) incurred by it pursuant to the China Petro Ancillary Documents.

Based on the representation made by the Vendor, the Directors consider that the terms and conditions of the aforesaid agreements are made on normal commercial terms after arm's length negotiations between China Petro with the counterparties.

LETTER FROM THE BOARD

As advised by the Vendor, the PRC Customer is willing to pay the handling service fee to China Petro because the PRC Customer is relying on China Petro to obtain suitable M.T.B.E. products it needs.

Having considered that (i) the pre-existing agreements with the PRC Customer and the Supplier have assured that there will be positive price gap for the M.T.B.E. trading business; and (ii) the arrangement to reimburse actual operating cost with premium as handling service income (which is verified by an Independent Third Party) is also beneficial to China Petro as it will provide an additional source of income, the Board considers that such pre-existing agreements have ensured the profitability of the business of China Petro and are in the interest of China Petro.

Operating model of China Petro

The China Petro Supplier Agreements and the China Petro Customer Agreements are master agreements setting out the principal supplier and customer relationship with China Petro respectively. Under the current operation, China Petro entered into an annual sales contract and annual purchase contract with the customer and supplier setting out among others, the minimum annual quantity to be traded, the M.T.B.E. specification and settlement requirements.

In the current practice, when sale is to be made to customer, China Petro will negotiate with the customer for an individual sales order, based on all the terms agreed in the master agreements (if any), and annual purchase and sales contracts with additional terms such as: (i) the actual quantity of M.T.B.E. for each individual transaction; (ii) the selling price (with reference to the M.T.B.E. price of international market as at the time of entering into the sales order); and (iii) estimated date of delivery. Once the terms of the sales order have been preliminary agreed between China Petro and the customer, China Petro will place purchase order to the Supplier with the same M.T.B.E. quantity with the Supplier for the final terms of the purchase order. China Petro will negotiate with the customer and the Supplier to adjust the selling price and or the purchase cost. Subject to the bargaining power of China Petro, the price negotiation will continue until each of the parties is satisfied and China Petro is satisfied with the gross profit margin of the transaction, China Petro will sign the purchase order and the sales order and arrange the shipment.

In accordance with the China Petro Customer Agreements, the PRC Customer may make reference to average historical gross profit margin ratio to determine the selling price. During the period from 1 April 2012 to 30 September 2012, the China Petro Customer Agreements contributed approximately 98.98% of the total sales, and the total gross revenue and gross profit generated from the China Petro Customer Agreements were approximately HK\$123.69 million and approximately HK\$3.81 million respectively. The gross profit margin is approximately 3.08%.

Value-added services that China Petro provided to the PRC Customer include without limitation to: (i) sourcing of M.T.B.E. for suitable quality from Singapore according to the specification required by customers; (ii) arranging delivery of the M.T.B.E. to loading port in Singapore; and (iii) arranging insurance coverage for the delivery of M.T.B.E. in Singapore.

LETTER FROM THE BOARD

It is provided that save for special circumstances or exceptional cases, each of the China Petro Supplier Agreements and the China Petro Customer Agreements will be renewed automatically at their respective expiration. Pursuant to the China Petro Supplier Agreements and the China Petro Customer Agreements, these special circumstances or exceptional cases include the events of force majeure such as change in rules and regulations, occurrence of natural disasters that materially affecting the operation of China Petro. As at the Latest Practicable Date, no special circumstances that would render the non-renewal of the China Petro Supplier Agreements and the China Petro Customer Agreements.

Financial information of China Petro

Set out below is the financial information of China Petro which has been prepared in accordance with the HKGAAP:

	Period from 28 April 2011 (date of incorporation of China Petro) to 31 March 2012 (audited) HK\$
Net profit before tax	1,230,568
Net profit after tax	1,026,127
	As at 31 March 2012 (audited) HK\$
Net assets value	2,026,127

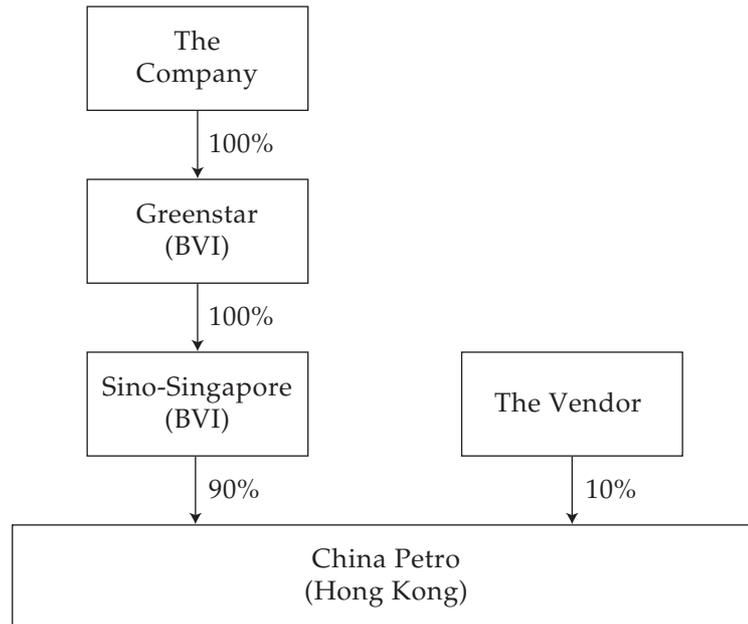
Note: The profit guarantee under the Previous Acquisition that the audited net profit after tax and before any extraordinary items or exceptional items and before all non-cash items of China Petro for the period from 1 January 2012 to 31 December 2012 of not less than HK\$2,700,000 has been fulfilled as announced in the announcement of the Company dated 14 January 2013.

LETTER FROM THE BOARD

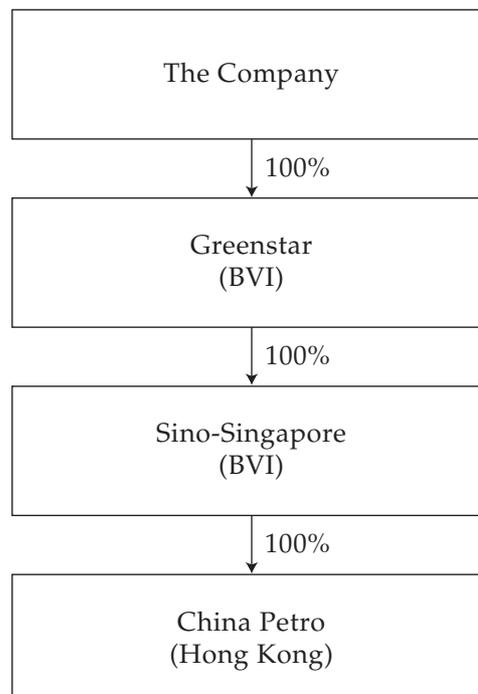
Group structure

The following charts show the shareholding structure of China Petro immediately before and after the China Petro Completion:

Shareholding structure of China Petro immediately before the China Petro Completion



Shareholding structure of China Petro immediately after the China Petro Completion



LETTER FROM THE BOARD

Information on Sino-Singapore

Sino-Singapore is an indirect wholly-owned subsidiary of the Company. Sino-Singapore is an investment holding company. As at the Latest Practicable Date, Sino-Singapore is interested in 90% equity interests in China Petro.

IV. THE CHINA COAL AGREEMENT

Date: 23 January 2013 (after trading hours)

Parties:

Purchaser: Star Fantasy, a direct wholly-owned subsidiary of the Company

Vendor: Mr. Woo Man Wai, David

Assets to be acquired

Pursuant to the China Coal Agreement, Star Fantasy has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the China Coal Sale Share, representing the entire issued share capital of China Coal as at the Latest Practicable Date.

China Coal Consideration

The China Coal Consideration is HK\$36,000,000 and shall be settled at the China Coal Completion by Star Fantasy in the following manner:

- (i) HK\$4,000,000 shall be satisfied by Star Fantasy by procuring the Company to issue the Promissory Note which shall be held by Star Fantasy until the Profit Guarantee (or consideration adjustment, where applicable) is satisfied; and
- (ii) HK\$3,240,000 shall be payable by Star Fantasy in cash; and
- (iii) HK\$28,760,000 shall be satisfied by Star Fantasy by procuring the Company to issue the China Coal Consideration Shares, credited as fully paid, to the Vendor.

The cash portion of the China Coal Consideration will be financed by internal resources of the Group.

The China Coal Consideration was arrived at after arm's length negotiations between the Vendor and Star Fantasy mainly based on (i) an independent professional valuation performed by Greater China Appraisal that the fair value of business enterprise value of China Coal Alliances is HK\$40,000,000 as at 31 December 2012 (in which 90% equity interests in China Coal Alliances will be acquired by the Group through the equity interests in China Coal); (ii) the Profit Guarantee with consideration adjustment; (iii) the future business opportunities under the China Coal Alliances Ancillary Documents (as

LETTER FROM THE BOARD

defined below) entered into by China Coal Alliances; (iv) increasing demand from PRC for coal; and (v) the steady revenue derived from the coal trading business in the China Coal Group contributing directly to the financial results of the Group after the China Coal Completion.

The China Coal Alliances Valuation was based on the discounted cash flow methodology. Given that the China Coal Alliances Valuation involves the use of the discounted cash flow methodology, the China Coal Alliances Valuation prepared by Greater China Appraisal is regarded as a profit forecast under Rule 14.61 of the Listing Rules and the requirements under Rule 14.62 of the Listing Rules are applicable accordingly.

The principal assumptions upon which the profit forecast for China Coal was made are set out in “Appendix III – the China Coal Alliances Valuation” to this circular. The underlying assumptions (such as financial projections and business plans of the targets) provided by the Board to Greater China Appraisal under the China Coal Alliances Valuation and the major revenues and cost forecast are supported by the underlying contracts and agreements. Accordingly the Board considered that the underlying assumptions under the China Coal Alliances Valuation provided to the Greater China Appraisal are fair and reasonable.

In accordance with Rule 14.62 of the Listing Rules, the Company has engaged its reporting accountant, Poon Wing Ho Certified Public Accountant (Practising), to review the accounting policies and calculations under the China Coal Alliances Valuation. Poon Wing Ho Certified Public Accountant (Practising) is satisfied with the calculations under the China Coal Alliances Valuation. A letter from Poon Wing Ho Certified Public Accountant (Practising) for the purpose of Rule 14.62 of the Listing Rules is set out in “Appendix VI – Letter from the reporting accountant in relation to the China Coal Alliances Valuation” to this circular.

Also in accordance with Rule 14.62(3) of the Listing Rules, the Company has engaged the Financial Adviser to review the procedures undertaken by the Directors in preparing the forecast underlying the China Coal Alliances Valuation prepared by Greater China Appraisal. The Financial Adviser is satisfied that the forecast has been made by the Board after due and careful enquiry. A letter from the Financial Adviser for the purpose of Rule 14.62(3) of the Listing Rules is set out in “Appendix IX – Letter from the Financial Adviser in relation to the forecast underlying the China Coal Alliances Valuation” to this circular.

The Board (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) consider (i) the China Coal Consideration is fair and reasonable; and (ii) the China Coal Agreement is on normal commercial terms and are fair and reasonable, and the entering into of the China Coal Agreement is in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions precedent of the China Coal Agreement

The China Coal Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) Star Fantasy being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the China Coal Group;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the China Coal Group in respect of the China Coal Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (c) the passing by the independent Shareholders at the EGM approving the China Coal Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the China Coal Consideration Shares and the issue of the Promissory Note;
- (d) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the China Coal Consideration Shares;
- (e) the obtaining of a PRC legal opinion (in form and substance satisfactory to Star Fantasy) from a PRC legal adviser appointed by Star Fantasy in relation to the China Coal Alliances Ancillary Documents (as defined below);
- (f) the Vendor's warranties remaining true and accurate in all respects;
- (g) Star Fantasy's warranties remaining true and accurate in all respects; and
- (h) the obtaining of a valuation report by Star Fantasy stating the fair value of 100% business enterprise value of China Coal Alliances to be not less than or equal to HK\$40,000,000.

Conditions (a), (e), (f) and (h) (to the extent it is capable of being waived) above are waivable by Star Fantasy under the China Coal Agreement. Star Fantasy has no current intention to waive such conditions. Condition (g) (to the extent it is capable of being waived) above is waivable by the Vendor under the China Coal Agreement. Conditions (b), (c) and (d) are incapable of being waived by both parties. As at the Latest Practicable Date, the conditions precedent (h) of China Coal Agreement has been satisfied. As at the Latest Practicable Date, the Company has no intention to waive any of the conditions precedent for the China Coal Agreement.

LETTER FROM THE BOARD

Long stop date of the China Coal Agreement

If any of the conditions has not been satisfied (or, as the case may be, waived by the Vendor or Star Fantasy) on or before 4:00 p.m. on 29 March 2013 (extended to 30 April 2013 pursuant to an extension letter dated 15 March 2013) or such later date as the Vendor and Star Fantasy may agree, the China Coal Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities under the China Coal Agreement save for any antecedent breaches of the terms thereof.

China Coal Completion

The China Coal Completion shall take place at 4:00 p.m. within three (3) Business Days after all the conditions of the China Coal Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and Star Fantasy.

Upon the China Coal Completion, China Coal will become an indirect wholly-owned subsidiary of the Company. The financial results of the China Coal Group will be consolidated into the consolidated financial statements of the Group.

Consideration adjustment

The Vendor has guaranteed to Star Fantasy that the Actual Profit of China Coal Alliances shall be not less than the Profit Guarantee, being not less than HK\$4,000,000 for the period from 1 April 2013 to 31 March 2014.

The Profit Guarantee was based on the expected profit to be generated from the secured China Coal Alliances Supplier Agreement (as defined below) and China Coal Alliances Customer Agreement (as defined below), taken into account (i) the expected quantity of coals to be purchased and delivered under the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement; (ii) the expected margin per metric tonne sold for the coal trading as indicated thereunder though the price may be fluctuated with that of the international coal price; and (iii) the estimation of costs involved in running the coal trading business.

In the event that the Profit Guarantee is not achieved, the China Coal Consideration will be adjusted downwards by setting off against the payment obligations of the Company under the Promissory Note on a dollar to dollar basis for an amount equivalent to the difference between the Profit Guarantee and the Actual Profit.

In the event that China Coal Alliances records a loss for the period from 1 April 2013 to 31 March 2014, the Actual Profit shall be deemed to be zero. As such, the amount to be set off shall be the total principal value of the Promissory Note, being HK\$4,000,000.

LETTER FROM THE BOARD

In the event that the Actual Profit is less than the Profit Guarantee (the “**Shortfall**”) for the financial year ending 31 March 2014, the Shortfall shall be set off against the principal value of the Promissory Note. The Company will make announcement in accordance with Rule 2.07C of the Listing Rules regarding the Shortfall and will include details in its next published annual report and accounts containing the opinion of the independent non-executive Directors as to whether the Vendor has fulfilled his obligations under the Profit Guarantee (or consideration adjustment, where applicable).

Further announcement will be made by the Company regarding the status of the Profit Guarantee (or consideration adjustment, where applicable) as and when appropriate.

The Promissory Note

The principal amount of the Promissory Note is HK\$4,000,000, which is repayable in one lump sum on maturity on the date falling three (3) years after the date of issue. The Promissory Note does not bear any interest. The Company has the right to redeem the Promissory Note prior to its maturity. The Promissory Note may be assigned or transferred in whole or in part (in multiples of HK\$1,000,000) of its outstanding principal amount. The Vendor will deposit the Promissory Note in Star Fantasy until the fulfillment of the Profit Guarantee (or consideration adjustment, where applicable). The Promissory Note may, with prior notice of the Company, be freely transferable and assignable to any Independent Third Parties.

Information on the China Coal Group

China Coal is a company incorporated in the British Virgin Islands on 14 December 2012 with limited liability. It is an investment holding company. As advised by the Vendor, the incorporation cost of the China Coal Group incurred by the Vendor was approximately HK\$14,000.

China Coal Alliances is a company incorporated in Hong Kong on 24 December 2012 with limited liability, 90% equity interests in China Coal Alliances is owned by China Coal and the remaining 10% equity interests is owned by the Vendor. China Coal Alliances is principally engaged in the business of coal trading. In relation to such business, China Coal Alliances has entered into the following:

1. a legally binding master framework purchase agreement dated 4 January 2013 (“**China Coal Alliances Supplier Agreement**”) with the Supplier pursuant to which the Supplier has agreed to sell and China Coal Alliances has agreed to, among other matters, source from the Supplier 25,000 metric tonnes of coal (with up or down 10% fluctuation) each month for an initial term of three years commencing from 1 March 2013 to 29 February 2016 and except for special circumstances or exceptional cases, the China Coal Alliances Supplier Agreement will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the China Coal Alliances Supplier Agreement will remain unchanged.

LETTER FROM THE BOARD

2. a legally binding master framework purchase agreement dated 4 January 2013 (“**China Coal Alliances Customer Agreement**”, together with the China Coal Alliances Supplier Agreement, the “**China Coal Alliances Ancillary Documents**”) with the PRC Customer, pursuant to which (i) the PRC Customer has agreed to buy and China Coal Alliances has agreed to sell 25,000 metric tonnes of coal (with up or down 10% fluctuation) each month for an initial term of three years commencing from 1 March 2013 to 29 February 2016; (ii) the PRC Customer undertook to ensure that there is a positive price gap between the purchase cost of China Coal Alliances and the selling price of at least US\$2 per metric tonne of coal. Except for special circumstances or exceptional cases, the China Coal Alliances Customer Agreement will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the China Coal Alliances Customer Agreement will remain unchanged.
3. Confirmation letters relating to handling service income: (i) a confirmation letter dated 11 January 2013 given by the PRC Customer to China Coal Alliances, pursuant to which the PRC Customer agreed to pay handling service fee to China Coal Alliances which will be based on the actual operating cost incurred by China Coal Alliances on the coal trading business in Indonesia (such as agency fee, loading charge, port charge and insurance) and authorised an Independent Third Party to verify and remit such handling service fee to China Coal Alliances; and (ii) a confirmation letter dated 11 January 2013 given by the Independent Third Party, authorised by the PRC Customer, to China Coal Alliances that it will verify and remit on behalf of the PRC Customer the handling service fee to China Coal Alliances equivalent to the actual operating cost incurred by China Coal Alliances in the coal trading operation plus a 10% charge on the actual operating cost.
4. a marketing and operational consultancy service agreement dated 11 January 2013, entered into between China Coal Alliances and China International Resources (the “**China Coal Alliances Marketing Service Agreement**”), pursuant to which China Coal Alliances agreed to pay China International Resources an annual service fee of US\$24,000 (equivalent to approximately HK\$187,000) for the provision of services provided by China International Resources with a period term from 1 March 2013 to 29 February 2016. China International Resources agreed to provide China Coal Alliances with the latest information in the international and PRC coal market and advices on the coal trading operation and business in the Indonesia during the period term of the China Coal Alliances Marketing Service Agreement.

According to the respective terms set out under the China Coal Alliances Ancillary Documents, in any event any party cannot fulfill its obligation under the China Coal Alliances Ancillary Documents, the other party is entitled to terminate the China Coal Alliances Ancillary Documents and be recovered all losses, costs and expenses (including legal expenses) incurred by it, pursuant to the China Coal Alliances Ancillary Documents.

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Based on the representation made by the Vendor, the Directors consider that the terms and conditions of the aforesaid agreements are made on normal commercial terms after arm's length negotiations between China Coal Alliances with the counterparties.

As advised by the Vendor, the PRC Customer is willing to pay the handling service fee to China Coal Alliances because the PRC Customer is relying on China Coal Alliances to obtain suitable coal it needs.

Having considered that (i) the pre-existing agreements with the PRC Customer and the Supplier have assured that there will be positive price gap for the coal trading business, (ii) the arrangement to reimburse actual operating cost with premium as handling service income (which is verified by an Independent Third Party) is also beneficial to China Coal Alliances as it will provide an additional source of income, the Board considers that such pre-existing agreements have ensured the profitability of the business of China Coal Alliances and are in the interest of China Coal Alliances.

Operating model of China Coal Alliances

The China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement are master agreements setting out the principal supplier and customer relationship respectively with China Coal Alliances. Under the current intention, China Coal Alliances will enter into an annual/monthly sales contract and annual/monthly purchase contract with the customer and supplier setting out among others, the minimum annual quantity to be traded, the coal specification and settlement requirements.

In current intention, when sale is to be made to customer, China Coal Alliances will negotiate with the customer for an individual sales order based on the terms agreed in the master agreement (if any) and annual purchase and sales contracts with additional terms such as: (i) the actual quantity of coals for each individual transaction; (ii) selling price (with reference to the coal price of international market as at the time of entering into the sales order); and (iii) estimated date of delivery. Once the terms of the sales order as stated above are preliminary agreed between China Coal Alliances and the PRC Customer, China Coal Alliances will negotiate with the Supplier for the same coal quantity and specification specified in the sales order. Before the sales order is finalised, China Coal Alliances will negotiate with the supplier for the final terms of the purchase order. China Coal Alliances will negotiate with the PRC Customer and the Supplier to adjust the selling price and or the purchase cost, subject to the bargaining power of China Coal Alliances. The price negotiation will continue until each of the parties is satisfied and China Coal Alliances is satisfied with the gross profit margin of the transaction. Once the terms of the purchase order and the sales order are finally agreed, China Coal Alliances will sign the purchase order and the sales order and arrange the shipment.

In accordance with the China Coal Alliances Customer Agreement, it is agreed with the PRC Customer that there is a positive price gap between the purchase cost and the selling price of at least US\$2 per metric tonne. Based on the expected quality of coal to be traded and the US\$2 positive price gap, the gross profit of the China Coal Alliances from the sales to the PRC Customer will be approximately HK\$4.67 million (being 25,000 x 12 x US\$2 x 7.78) per year. As the China Coal Alliances has only one customer as at the Latest

LETTER FROM THE BOARD

Practicable Date, it is expected that in the first year of operation, all of the revenue and gross profit will be generated from the China Coal Alliances Customer Agreement, unless there is additional customer.

Value-added services that China Coal Alliances will provide to the PRC Customer include without limitation to: (i) sourcing of coals for suitable quality from Indonesia according to the coal specification required by customers; (ii) arranging transportation of the coal to loading port in Indonesia; (iii) arranging insurance coverage for the delivery of coal (from the place where China Coal Alliances obtains delivery of the coals to the loading port in Indonesia); (iv) arranging inspection and sampling services for obtaining the certificate of coal specification and weight issued by an independent professional inspection company in Indonesia before the coal shipments are made to customers as part of China Coal Alliances' effort in maintaining quality control; and (v) paying the port charges (if any).

It is provided that save for special circumstances or exceptional cases, each of the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement will be renewed automatically at expiration. These special circumstances or exceptional cases include the events of force majeure such as change in rules and regulations, natural disasters that materially affecting the operation of China Coal Alliances. As at the Latest Practicable Date, no special circumstances would render the non-renewal of the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement.

Financial information on the China Coal Group

Set out below is the unaudited consolidated management accounts of the China Coal Group for the period from 14 December 2012 to 31 December 2012, which has been prepared in accordance with the HKGAAP:

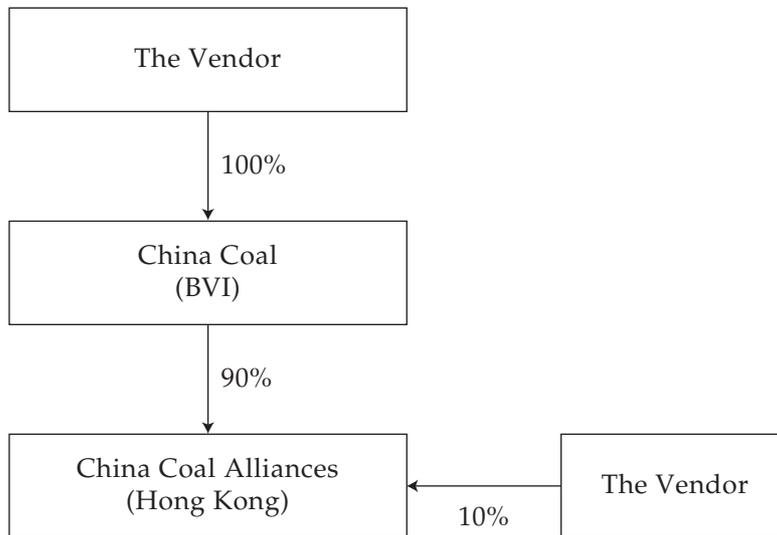
	Period from 14 December 2012 (date of incorporation of China Coal) to 31 December 2012 (unaudited) HK\$
Net loss before tax	20,645
Net loss after tax	20,645
Net loss after tax and non-controlling interest	19,420
	As at 31 December 2012 (unaudited) HK\$
Net assets value	79,363

LETTER FROM THE BOARD

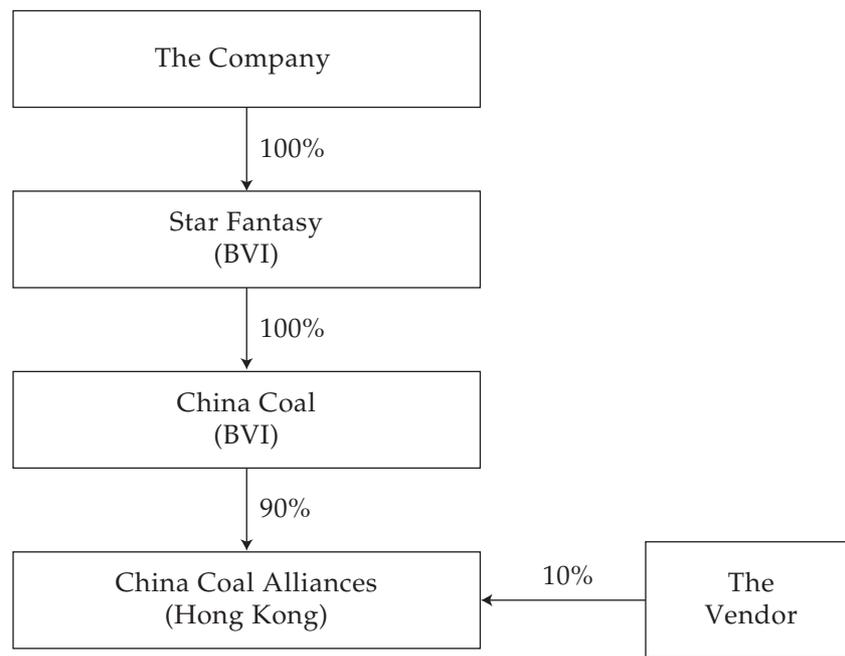
Group structure

The following charts show the shareholding structure of companies comprising the China Coal Group immediately before and after the China Coal Completion:

Shareholding structure of the China Coal Group immediately before the China Coal Completion



Shareholding structure of the China Coal Group immediately upon the China Coal Completion



LETTER FROM THE BOARD

V. INFORMATION ON THE SUPPLIER

The Supplier is a company incorporated in Singapore and an Independent Third Party. The Supplier is the supplier of China Energy, China Petro and China Coal Alliances. As advised by the Vendor, the Vendor has established business relationship with the Supplier since 2009 and he is not connected with the Supplier (as defined under the Listing Rules). The Group has established business relationship with the Supplier since the completion of the Previous Acquisition.

VI. INFORMATION ON THE PRC CUSTOMER

The PRC Customer is a state-owned enterprise of the PRC and an Independent Third Party. The PRC Customer is a customer of China Energy, China Petro and China Coal Alliances. As advised by the Vendor, the Vendor has established business relationship with the PRC Customer since 2004 and he is not connected with the PRC Customer (as defined under the Listing Rules). The Group has established business relationship with the Supplier since the completion of the Previous Acquisition.

As advised by the Vendor, the PRC Customer is relying on the expertise and business connection of China Energy, China Petro and China Coal Alliances and the value added services provided by China Energy, China Petro and China Coal Alliances. The PRC Customer can ensure the reliability and stable supply of those products as per the specification they require, without providing extra human resources/expertise (with relevant qualifications) overseas or extra spending on arranging the value added services, which are currently arranged by China Energy, China Petro and China Coal Alliances, whereas the PRC Customer may not have sufficient internal resources or expertise or relevant experiences to provide the value added services in Singapore/Indonesia (as it involves professional knowledge and judgment on that specific areas such as sourcing overseas, arranging local transportation in Singapore/Indonesia and/or arranging inspection and sampling services in Indonesia).

In addition, due to certain culture and language barriers between the PRC, with Singapore and Indonesia, the PRC Customer prefers to order the resources they need from companies in Hong Kong, such as China Energy, China Petro and China Coal Alliances, instead of directly sourcing from suppliers located in other countries within Asia Pacific regions, other than in Hong Kong. As such, China Energy, China Petro and China Coal Alliances have become a bridge between the PRC Customer and the Supplier.

VII. THE CONSIDERATION SHARES

Upon completion of the Acquisitions, the Company shall issue in total 21,554,877 Consideration Shares to the Vendor at the issue price of HK\$1.64 per Consideration Share.

The China Energy Consideration Shares represent (i) approximately 0.38% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 0.37% of the issued share capital of the Company immediately after China Energy

LETTER FROM THE BOARD

Acquisition; and (iii) approximately 0.36% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

The China Petro Consideration Shares represent (i) approximately 0.23% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 0.23% of the issued share capital of the Company immediately after China Petro Acquisition; and (iii) approximately 0.22% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

The China Coal Consideration Shares represent (i) approximately 2.63% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 2.56% of the issued share capital of the Company immediately after China Coal Acquisition; and (iii) approximately 2.55% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

The issue price of HK\$1.64 per Consideration Share was determined after arm's length negotiation between the parties to the Agreements after taking into account the prevailing market price of the Shares at the time of entering into the Agreements, which represents:

- (i) a discount of approximately 18.81% to the closing price per Share of HK\$2.02 as quoted on the Stock Exchange on 23 January 2013, being the date on which the Agreements were entered into;
- (ii) a discount of approximately 19.13% to the average of the closing prices per Share of HK\$2.028 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Agreements; and
- (iii) a discount of approximately 17.59% to the closing price per Share of HK\$1.99 as quoted on the Stock Exchange on 20 March 2013, being the Latest Practicable Date.

The Directors (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) consider that the issue price of the Consideration Shares is fair and reasonable.

The Company has made an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

The Directors will seek the approval of the Independent Shareholders for the grant of the specific mandate to authorise the Directors to allot and issue the Consideration Shares at the EGM.

LETTER FROM THE BOARD

VIII. REASONS FOR THE ACQUISITIONS

The Group is principally engaged in trading and manufacturing of the clinical and household hygienic disposables; agency service and trading of M.T.B.E. products; and trading of household consumables.

As at the Latest Practicable Date, the Group, through its indirectly wholly-owned subsidiary, is interested in 90% equity interests in China Petro. As the profit guarantee had been fulfilled under the Previous Acquisition (as announced in the announcement of the Company dated 14 January 2013), the Directors were optimistic on the business of China Petro and considered that the acquisition of the remaining interest in China Petro will enable the Group to maximise its share of profits to be derived from the M.T.B.E. trading business of China Petro in the future.

The Directors consider that the acquisition of the equity interests in China Energy and China Coal which principally engage in the business of coal trading (i) represents an opportunity of the Company to diversify into new business and tap into the coal trading business; (ii) strengthens the existing trading business of the Group; and (iii) provides the Group with a stable revenue source and contribution to the Company in the future, and believe that the Acquisitions would further enhance the future growth of the Group in order to maximise returns to Shareholders. As at the Latest Practicable Date, the Company has no current intention to downsize or scale down its existing business.

Taking into account the benefits of the Acquisitions, the Directors (including the independent non-executive Directors, after taking into consideration the advice and recommendation of the Independent Financial Adviser) are of the view that the terms of the Acquisitions are fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

It is provided under the respective customer agreements and supplier agreements of China Energy, China Petro and China Coal Alliances that except for special circumstances or exceptional cases, those agreements will be renewed at maturity in accordance with the terms of the respective customer agreements and supplier agreements. At this material time of the acquisitions of China Energy and China Petro, there is proven profitability of China Energy and China Petro, which was mainly generated from the respective customer agreements secured by China Energy and China Petro. It is also expected that with the guaranteed margin under the China Coal Alliances Customer Agreement, China Coal Alliances will also have positive profit contribution towards the Group. The underlying assumptions (such as financial projections and business plans of the targets) provided by the Board to Greater China Appraisal are based on historical figures and the forecast of major revenues and cost supported by the underlying contracts and agreements. The discount rate under the valuations has already taken into account the risks of the earnings projections on the valuations. Accordingly, the Board considers that the underlying assumptions provided to Greater China Appraisal are fair and reasonable.

LETTER FROM THE BOARD

In light of the above, the Board considers that the China Petro Valuation, the China Energy Valuation and the China Coal Alliances Valuation are fair and reasonable reference for determining the considerations of the Acquisitions.

As advised by the Board, the impairment testing is determined by the Company with reference to the independent valuation provided by independent valuer. The consideration of the Acquisitions was based on the valuation of China Energy, China Petro as at 30 September 2012 and the valuation of China Coal Alliances as at 31 December 2012 respectively. Based on these valuations and there is no material change to the respective trading business up to the Latest Practicable Date, and there is no event that will affect the future profits to be generated from the business under China Energy, China Petro and China Coal Alliances, the Directors do not foresee any material impairment on the investments made or to be made up to the Latest Practicable Date.

IX. SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE ACQUISITIONS

The following table shows the shareholding structure (i) as at the as at the Latest Practicable Date; (ii) upon completion of the Acquisitions and the issue of all the Consideration Shares:

	As at the Latest Practicable Date		Immediately after completion of the Acquisitions and the issue of all the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>
Shareholders				
Twin Star Global Limited <i>(Note)</i>	340,267,659	51.04%	340,267,659	49.44%
The Vendor	-	-	21,554,877	3.13%
Public Shareholders	<u>326,398,341</u>	<u>48.96%</u>	<u>326,398,341</u>	<u>47.43%</u>
Total	<u><u>666,666,000</u></u>	<u><u>100%</u></u>	<u><u>688,220,877</u></u>	<u><u>100%</u></u>

Note: Mr. Wong Wai Sing and Mr. Chum Hon Sing are the directors and shareholders of Twin Star Global Limited, a company beneficially owned by Mr. Wong Wai Sing and Mr. Chum Hon Sing as to 50% and 50% respectively, and the executive directors of the Company and are deemed to be interested in 340,267,659 Shares held by Twin Star Global Limited.

LETTER FROM THE BOARD

X. CONTINUING CONNECTED TRANSACTION

After completion of the Previous Acquisition, the Group entered into the China Petro Marketing Service Agreement with China International Resources. China International Resources is a company incorporated in Hong Kong with limited liability, 10% equity interests in China International Resources is owned by the Vendor and 90% equity interests is owned by Jing Li Investment Company Limited (“Jing Li”), which 50% equity interests in Jing Li is owned by the Vendor and another 50% equity interests is owned by an Independent Third Party. As such, China International Resources and Jing Li is a connected person of the Company. The entering into of the China Petro Marketing Service Agreement constituted a continuing connected transaction of the Group. Given the relevant applicable percentage ratios are less than 1%, the entering into China Petro Marketing Service Agreement constituted a continuing connected transaction exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under chapter 14A under the Listing Rules.

After completion of the Acquisitions, the Company will be interested in 90% in China Coal Alliances and 10% in China Energy, the China Coal Alliances Marketing Service Agreement and the China Energy Marketing Service Agreement entered into with China International Resources will also become continuing connected transactions of the Company after China Coal Completion and China Energy Completion. The relevant applicable percentage ratios of China Energy Marketing Service Agreement and the China Coal Alliances Marketing Service Agreement when aggregated with the China Petro Marketing Service Agreement will be less than 1%, and the continuing connected transactions under the China Coal Alliances Marketing Service Agreement and the China Energy Marketing Service Agreement are exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under chapter 14A under the Listing Rules.

XI. RISK FACTORS

The business risk of the operation of China Energy, China Petro and China Coal Alliances are the risks relating to the reliance on their respective customers and suppliers.

It is also expected that at the start-up stage of business of China Coal Alliances, it will source all of the coal through the Supplier. There is no assurance that the Supplier will not terminate the respective supplier agreements early or continue to fulfil the terms set out under the respective supplier agreements. If China Energy, China Petro or the China Coal Group fails to identify new suppliers successfully, the business of China Energy, China Petro and the China Coal Group may not be sustainable, and its results of operation, financial condition and prospects may be materially and adversely affected. The Group will try to source new suppliers which are reliable to minimise the risk if necessary.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the historic revenue of China Energy are entirely generated from the PRC Customer and the historic revenue of China Petro are mainly generated from the PRC Customer. As at the Latest Practicable Date, China Coal Alliances' business is yet to begin and has secured the PRC Customer only. There is no assurance that the PRC Customer will not terminate the customer agreements early or continue to fulfil the terms set out under the respective customer agreements. If China Energy, China Petro or the China Coal Group fails to identify new customers, the business of China Energy, China Petro and the China Coal Group may not be sustainable, and its results of operation, financial condition and prospects may be materially and adversely affected. As advised by the Vendor, China Energy, China Petro and China Coal Alliances will continue to explore new customers source and expands its customer base. However, unlike other trading business, the products the target companies traded/to be traded are relatively huge in size. China Energy, China Petro and China Coal Alliances will have to exercise their judgement to minimize the risk arising from the difficulty in collection of trade receivables and potential trade disputes by careful selection of customers, who have good financial background and track record. Therefore, it takes time for China Energy, China Petro and China Coal Alliances to source additional customers. In the year 2012, China Petro have successfully secured one more customer for the sale of M.T.B.E. products, notwithstanding that the amount is relatively small, the Group will continue to reduce the reliance of major customers by actively looking for opportunities to expand the customer bases. Leveraging on the past experiences and solid co-operation relationship with the state-owned enterprise, the management of China Energy, China Petro and China Coal Alliances is optimistic on the expansion of their respective customer bases in the future.

The considerations of the Acquisitions are based on the fair value as determined under the China Energy Valuation, China Petro Valuation and China Coal Alliances Valuation which are prepared based on the discounted cash flow methodology. The Company is essentially acquiring the dividend potential of China Energy and the contractual revenue stream in China Petro and China Coal Alliances, which might not actually be achievable in the future in the event the business of China Energy, China Petro and/ or China Coal Alliances could not sustain due to non-renewal or early termination of the customer and supplier agreements respectively. In addition, Greater China Appraisal has applied the assumptions of perpetual income stream with a long term growth rate of 3% per annum on the cash flow to be generated from year 2016 onwards under the China Energy Valuation and China Coal Alliances Valuation. The perpetual cash flow assumption assumes that the customer and supplier agreements will be renewed at their respective maturity for the continuity of it business, while the long term growth rate (applied after 2016) assumes that the business of China Energy and China Coal Alliances will grow in the same pace with the nominal inflation rate, which is with reference to the long-term sustainable growth rate and inflation rate in the region which is based on the average of the 10 year inflation rate in the PRC from 2003 to 2012. The Board considered that the application of the basis is fair and reasonable. However, Shareholder are advised that such assumptions on the perpetual income steam and the growth rate might not be achievable in the event there is non-renewal or early termination of customer and supplier agreements. The long term growth rate applied is also a hypothetical general trend of economic growth in the long run which might not represent nor guarantee that there is or there will be a continuous growth of the business in the future forever. As at the Latest Practicable Date, as advised by the Vendor, there is no special circumstances which would render non-renewal of the customer agreements and supplier agreements.

LETTER FROM THE BOARD

XII. LISTING RULES IMPLICATIONS

As the Acquisitions involve the same Vendor, the Acquisitions are aggregated pursuant to Rule 14.22 of the Listing Rules.

As the relevant applicable percentage ratios in respect of the Acquisitions in aggregate exceeds 5% but all the percentage ratios are less than 25%, the Acquisitions constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules.

Since the Vendor is a director and a substantial shareholder of China Petro, being an indirect 90% owned subsidiary of the Company, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisitions also constitute connected transactions of the Company. Since certain applicable percentage ratios of the Acquisitions in aggregate exceed 5% and the aggregate consideration of the Acquisitions is more than HK\$10 million, the Acquisitions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the Vendor is a director and a substantial shareholder of China Petro, being an indirect 90% owned subsidiary of the Company, the Vendor is deemed to have a material interest in the Acquisitions and is required to abstain from voting on the resolutions approving the Acquisitions. As at the Latest Practicable Date, the Vendor does not have any Shares in the Company. As none of the Directors has a material interest in the Acquisitions, no Director is required to abstain from voting on the board resolution approving the Acquisitions.

XIII. EGM

Set out on pages 150 and 152 is a notice convening the EGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 12 April 2013 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Acquisitions and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) if you so wish.

LETTER FROM THE BOARD

XIV. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to the terms of the Agreements and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders the terms of the Agreements and the transactions contemplated thereunder and how to vote at the EGM in relation to the resolutions in respect thereof.

The text of the letter from the Independent Board Committee is set out on pages 43 to 44 of this circular, the text of the letter from Independent Financial Adviser containing its advice is set out on pages 45 to 63 of this circular.

XV. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 43 to 44 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 45 to 63 of this circular, considers that the Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties thereto and that the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the board of Directors of
Newtree Group Holdings Limited
Mr. Chum Hon Sing
Chairman and Executive Director



Newtree Group Holdings Limited
友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

25 March 2013

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular dated 25 March 2013 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Acquisitions and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote at the EGM. Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of Nuada’s advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 45 to 63 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 42 to the Circular and the additional information set out in the appendices of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the advice of Nuada, we consider that the Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisitions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Kwok Kam Tim

*Independent
non-executive Director*

Mr. Kinley Lincoln

James Lloyd
*Independent
non-executive Director*

Dr. Hui Chik Kwan

*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited setting out its opinion regarding the Acquisitions prepared for the purpose of incorporation in this circular.

Nuada Limited

Corporate Finance Advisory

19th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號 BLINK 19字樓

25 March 2013

*To the Independent Board Committee and the Independent Shareholders
of Newtree Group Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Acquisitions, details of which are set out in the letter from the Board (the “**Board’s Letter**”) contained in the circular of the Company dated 25 March 2013 to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 23 January 2013,

- (i) Star Fantasy (a direct wholly-owned subsidiary of the Company) as purchaser and the Vendor as vendor entered into the China Energy Agreement, pursuant to which Star Fantasy conditionally agreed to acquire and the Vendor conditionally agreed to sell the China Energy Sale Shares, representing 10% of the entire issued capital of China Energy, and the China Energy Sale Loan for an aggregate consideration of HK\$4,100,000.
- (ii) Sino-Singapore (an indirect wholly-owned subsidiary of the Company) as purchaser and the Vendor as vendor entered into the China Petro Agreement, pursuant to which Sino-Singapore conditionally agreed to acquire and the Vendor conditionally agreed to sell the China Petro Sale Shares, representing 10% of the entire issued capital of China Petro, for a consideration of HK\$2,490,000.
- (iii) Star Fantasy as purchaser and the Vendor as vendor entered into the China Coal Agreement, pursuant to which Star Fantasy conditionally agree to acquire and the Vendor conditionally agree to sell the China Coal Sale Share, representing the entire issued capital of China Coal (which in turn is interested in 90% equity interest in China Coal Alliances), for a consideration of HK\$36,000,000.

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As the Acquisitions involve the same Vendor, the Acquisitions are aggregated pursuant to Rule 14.22 of the Listing Rules. As the relevant applicable percentage ratios in respect of the Acquisitions in aggregate exceeds 5% but all the percentage ratios are less than 25%, the Acquisitions constitute discloseable transactions on the part of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules.

Since the Vendor is a director and substantial shareholder of China Petro, being an indirect non wholly-owned subsidiary of the Company, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisitions constitute connected transactions of the Company. Since certain applicable percentage ratios of the Acquisitions in aggregate exceed 5% and the aggregate consideration of the Acquisitions is more than HK\$10 million, the Acquisitions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the Acquisitions are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We are appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in those regards.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, the Company and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Directors, the Company and its management in connection with the Acquisitions and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the China Energy Agreement, the China Petro Agreement and the China Coal Agreement. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Acquisitions. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM. We have not, however, carried out any independent

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verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, China Energy, China Petro, China Coal and/or their respective subsidiaries or associates and/or any of their partners. Neither have we carried out any independent verification or investigation of the market research information reviewed or referred to by us. We have not studied, investigated nor verified the validity of all legal and/or compliance aspects of, and procedural aspects for, the China Energy Agreement, the China Petro Agreement and the China Coal Agreement as well as the China Energy Ancillary Documents (as defined below), the China Petro Ancillary Documents (as defined below), the China Coal Alliances Ancillary Documents (as defined below) and any agreements/documents relating to the business of China Energy, China Petro, China Coal and/or their respective subsidiaries or associates and/or any of their partners.

We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the China Energy Agreement, the China Petro Agreement and the China Coal Agreement as well as the China Energy Ancillary Documents (as defined below), the China Petro Ancillary Documents (as defined below), the China Coal Alliances Ancillary Documents (as defined below) and any agreements/documents relating to the business of China Energy, China Petro, China Coal and/or their respective subsidiaries or associates and/or any of their partners have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Acquisitions.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Acquisitions. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Acquisitions and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background and reasons for the Acquisitions

The Group is principally engaged in trading and manufacturing of the clinical and household hygienic disposables; trading of M.T.B.E. products; and trading of household consumables.

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The Group entered into the M.T.B.E business through the acquisition of the entire equity interest in Sino-Singapore, which in turn is interested in 90% of China Petro, completed in December 2011, details of which are set out in the announcements dated 15 November 2011 and 6 December 2011 (the “**Previous Acquisition**”). The remaining 10% equity interest of China Petro is held by the Vendor. Under the Previous Acquisition, the Vendor has irrevocably guaranteed to the Group that the actual audited net profit after tax and before any extraordinary items or exceptional items (as defined in the HKGAAP, where applicable) and before all non-cash items (as defined in the HKGAAP) of China Petro for the period from 1 January 2012 to 31 December 2012 shall in aggregate be not less than HK\$2,700,000 (the “**Guaranteed Profit**”).

As disclosed in the announcement dated 14 January 2013, the Guaranteed Profit had been fulfilled under the Previous Acquisition. In view of the fulfillment of the Guaranteed Profit, the Directors are optimistic on the business of China Petro and considered that the acquisition of the remaining interest in China Petro will enable the Group to maximize its share of profits to be derived from the M.T.B.E. business of China Petro in the future.

China Energy is principally engaged in the business of coal trading, and is currently owned as to 90% by China Friendship and 10% by the Vendor. China Friendship is an indirect wholly-owned subsidiary of Ming Kei Holdings Limited, a company listed on the Stock Exchange. As at the Latest Practicable Date, Mr. Wong Wai Sing and Mr. Tsang Ho Ka, Eugene are the Directors of the Company, Mr. Wong Wai Sing is the non-executive director and chairman of the Ming Kei Holdings Limited and Mr. Tsang Ho Ka, Eugene is the non-executive director of the Ming Kei Holdings Limited respectively, Mr. Wong Wai Sing and its associates and Mr. Tsang Ho Ka, Eugene are interested in 112,076 and nil shares of Ming Kei Holdings Limited respectively Details regarding the shareholdings of Mr. Wong Wai Sing in the Company are set out in the Board’s Letter.

China Coal currently holds 90% equity interest in China Coal Alliances, which is principally engaged in the business of coal trading. The remaining 10% equity interest in China Coal Alliances is currently owned by the Vendor. The entire issued capital of China Coal is wholly owned by the Vendor.

The Directors consider the acquisition of the interest in China Energy and China Coal (i) represents an opportunity of the Company to diversify into new business and tap into the coal trading business; (ii) strengthens the existing trading business of the Group; and (iii) provides the Group with a stable income source and contribution to the Group in the future, and believe that the Acquisitions would further enhance future growth of the Company in order to maximize returns to Shareholders.

Taking into account the Group’s recent diversification in trading of energy materials, we consider that the Acquisitions represent opportunities for the Group to further enhance its revenue sources, and are in line with the business development of the Group and in the ordinary and usual course of business of the Group.

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Financial information regarding China Energy, China Petro and China Coal Group

China Energy

As advised by the Company, the main sources of income of China Energy comes from trading of coal. China Energy entered into (i) a legally binding master framework agreement dated 24 July 2010, as supplemented by two supplemental agreements dated 10 August 2010 and 29 September 2010 respectively, (together, the “**China Energy Supplier Agreements**”) with the Supplier, pursuant to which the Supplier agreed to sell and China Energy agreed to, among other matters, source from the Supplier 30,000 metric tonnes of coal each month (with 10% up/down fluctuation) for an initial term of three years commencing from 24 July 2010 to 23 July 2013 and except for special circumstances or exceptional cases, the China Energy Supplier Agreements will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the renewal term of the China Energy Supplier Agreements will remain unchanged; and (ii) a legal binding master framework agreement dated 30 July 2010 (as supplemented by a supplemental agreement dated 24 November 2010)(together, the “**China Energy Customer Agreements**”) with the PRC Customer, pursuant to which the PRC Customer has agreed to buy and China Energy has agreed to sell 30,000 metric tonnes of coal each month (with 10% up/down fluctuation) for a term of three years commencing from 30 July 2010 to 29 July 2013 and expect for special circumstances or exceptional cases, the China Energy Customer Agreements will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the renewal term of the China Energy Customer Agreements will remain unchanged (the China Energy Customer Agreements, together with the China Energy Supplier Agreements, the “**China Energy Ancillary Documents**”). For details regarding the China Energy Ancillary Documents, please refer to the section headed “Information on China Energy” in the Board’s Letter.

Set out below is the financial information of China Energy which has been prepared in accordance with the HKGAAP:

	Period from 24 June 2010 (date of incorporation of China Energy) to 31 March 2011 (audited) <i>HK\$</i>	For the year ended 31 March 2012 (audited) <i>HK\$</i>
Revenue	53,555,468	99,306,511
Net profit before tax	2,305,922	4,924,570
Net profit after tax	1,925,152	4,122,225
	As at 31 March 2011 (audited) <i>HK\$</i>	As 31 March 2012 (audited) <i>HK\$</i>
Net assets value	2,925,152	3,047,377

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The China Energy Supplier Agreements and the China Energy Customer Agreements had enabled China Energy to generate steady income. According to the management account of China Energy provided by the Company, the unaudited revenue of China Energy from 1 April to 30 September 2012 amounted to approximately HK\$45,872,171.

According to the management account of China Energy provided by the Company, the net assets of China Energy amounted to approximately HK\$4,937,703, comprising current assets of approximately HK\$62,924,915 and current liabilities of approximately HK\$57,987,212 (including the China Energy Sale Loan of approximately HK\$1,950,000), as at 30 September 2012.

As advised by the Company, China Energy did not have any capital commitment and litigations as at the Latest Practicable Date.

Upon the China Energy Completion, the fair value of the Group's 10% equity interests in China Energy will be accounted for as a financial asset and classified as a non-current asset of the Group.

China Petro

As advised by the Company, the main sources of income of China Petro comes from trading of M.T.B.E. products. China Petro entered into (i) a legally binding master framework agreement dated 1 July 2011, as supplemented by supplemental agreements dated 1 November 2011 and 8 June 2012 respectively, (together, the "**China Petro Supplier Agreements**") with the Supplier, pursuant to which the Supplier agreed to sell and China Petro agreed to, among other matters, source from the Supplier 2,000 metric tonnes of M.T.B.E. every five weeks and at least 20,000 metric tonnes of M.T.B.E. per year for an initial term of one year commencing from 1 July 2011 to 30 June 2012 and except for special circumstances or exceptional cases, the China Petro Supplier Agreements will be renewed automatically upon its expiration and the parties' responsibilities, terms and conditions of the renewal term of the China Petro Supplier Agreements will remain unchanged; and (ii) a legally binding master framework agreement dated 1 July 2011, as supplemented by supplemental agreements dated 1 November 2011, 8 June 2012 and 31 August 2012 respectively, with the PRC Customer, pursuant to which the PRC Customer has agreed to buy and China Petro has agreed to sell 2,000 metric tonnes of M.T.B.E. every five weeks and at least 20,000 metric tonnes of M.T.B.E. per year for an initial term of one year from 1 July 2011 to 30 June 2012 (together, the "**China Petro Customer Agreements**") (the China Petro Customer Agreements, together with the China Petro Supplier Agreements, the "**China Petro Ancillary Documents**"). For details regarding the China Petro Ancillary Documents, please refer to the section headed "Information on China Petro" in the Board's Letter. The China Petro Supplier Agreements and the China Petro Customer Agreements have been renewed for 18 months to 31 December 2013.

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Set out below is the financial information of China Petro which has been prepared in accordance with the HKGAAP:

	Period from 28 April 2011 (date of incorporation of China Petro) to 31 March 2012 (audited) HK\$
Revenue	807,300
Net profit before taxation	1,230,568
Net profit after taxation	1,026,127
	As at 31 March 2012 (audited) HK\$
Net assets value	2,026,127

The China Petro Supplier Agreements and the China Petro Customer Agreements has enabled China Petro to generate steady income. According to the management account of China Petro provided by the Company, the unaudited revenue of China Petro from 1 April to 30 September 2012 amounted to approximately HK\$47,236,605.

In view of China Petro being an indirect 90% owned subsidiary of the Company upon completion of the Previous Acquisition, China Petro had generated income and profit to the Group. As mentioned in the section headed "Background and reasons for the Acquisitions" above, the Guaranteed Profit had been fulfilled under the Previous Acquisition.

According to the management account of China Petro provided by the Company, the net assets of China Petro amounted to approximately HK\$5,166,414, comprising current assets of approximately HK\$148,385,927 and current liabilities of approximately HK\$143,219,513, as at 30 September 2012.

As advised by the Company, China Petro did not have any capital commitment and litigation as at the Latest Practicable Date.

Upon the China Petro Completion, China Petro will become an indirect wholly-owned subsidiary of the Group and the accounts of China Petro will continue to be consolidated into the consolidated financial statements of the Group.

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China Coal Group

As advised by the Company, the main sources of income of the China Coal Group will be trading of coal conducted through China Coal Alliances, being the 90% owned subsidiary of China Coal. China Coal Alliances entered into (i) a legally binding master framework agreement dated 4 January 2013 (the “**China Coal Alliances Supplier Agreement**”) with the Supplier, pursuant to which the Supplier agreed to sell and China Coal Alliances agreed to, among other matters, source from the Supplier 25,000 metric tonnes of coal each month (with 10% up/down fluctuation) for an initial term of three years commencing from 1 March 2013 to 29 February 2016 and except for special circumstances or exceptional cases, the China Coal Alliances Supplier Agreement will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the renewal term of the China Coal Alliances Supplier Agreement will remain unchanged; and (ii) a legal binding master framework agreement dated 4 January 2013 (the “**China Coal Alliances Customer Agreement**”) with the PRC Customer, pursuant to which the PRC Customer has agreed to buy and China Coal Alliances has agreed to sell 25,000 metric tonnes of coal each month (with 10% up/down fluctuation) for an initial term of three years commencing from 1 March 2013 to 29 February 2016 and expect for special circumstances or exceptional cases, the China Coal Alliances Customer Agreement will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the renewal term of the China Coal Alliances Customer Agreement will remain unchanged (the China Coal Alliances Customer Agreement, together with the China Coal Alliances Supplier Agreement, the “**China Coal Alliances Ancillary Documents**”). For details regarding the China Coal Alliances Ancillary Documents, please refer to the section headed “Information on the China Coal Group” in the Board’s Letter.

Set out below is the unaudited consolidated management accounts of the China Coal Group which has been prepared in accordance with the HKGAAP:

	Period from 14 December 2012 (date of incorporation of China Coal) to 31 December 2012 (unaudited) HK\$
Revenue	Nil
Net loss before tax	20,645
Net loss after tax	20,645
Net loss after tax and non-controlling interest	19,420
	As at 31 December 2012 (unaudited) HK\$
Net assets value	79,363

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The China Coal Alliances Ancillary Documents are expected to enable China Coal Alliances to generate steady income. Given the China Coal Alliances Ancillary Documents became effective from 1 March 2013, the China Coal Group recorded nil revenue for the period from 14 December 2012 (date of incorporation of China Coal) to 31 December 2012 according to the consolidated management account of the China Coal Group provided by the Company.

The net assets of approximately HK\$79,363 of the China Coal Group as at 31 December 2012 comprise current assets of approximately HK\$100,008 and current liabilities of approximately HK\$20,645. As advised by the Company, China Coal did not have any capital commitment and litigation as at the Latest Practicable Date.

Upon the China Coal Completion, China Coal will become an indirect wholly-owned subsidiary of the Company. The accounts of the China Coal Group will be consolidated into the consolidated financial statements of the Group.

Principal terms of the China Energy Agreement, the China Petro Agreement and the China Coal Agreement

The China Energy Consideration, the China Petro Consideration and the China Coal Consideration

Pursuant to the terms of the China Energy Agreement, the China Energy Consideration for the acquisition of the China Energy Sale Shares, representing 10% of the entire issued share capital of China Energy, and the China Energy Sale Loan is HK\$4,100,000, which shall be settled by Star Fantasy by procuring the Company to issue 2,500,000 China Energy Consideration Shares, credited as fully paid, to the Vendor at the China Energy Completion.

Pursuant to the terms of the China Petro Agreement, the China Petro Consideration for the acquisition of the China Petro Sale Shares, representing 10% of the entire issued share capital of China Petro is HK\$2,490,000, which shall be settled by Sino-Singapore by procuring the Company to issue 1,518,292 China Petro Consideration Shares, credited as fully paid, to the Vendor at the China Petro Completion.

Pursuant to the terms of the China Coal Agreement, the China Coal Consideration for the acquisition of the China Coal Sale Share, representing the entire issued share capital of China Coal (which in turn is interested in 90% equity interests in China Coal Alliances), is HK\$36,000,000, which shall be settled by Star Fantasy as to (i) HK\$4,000,000 by procuring the Company to issue the Promissory Note which shall be held by Star Fantasy until the Profit Guarantee is satisfied; (ii) HK\$3,240,000 by cash; and (iii) HK\$28,760,000 by procuring the Company to issue 17,536,585 China Coal Consideration Shares, credited as fully paid, to the Vendor at the China Coal Completion. The cash portion of the China Coal Consideration will be financed by internal resources of the Group.

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The Valuations

In assessing the fairness and reasonableness of the China Energy Consideration, the China Petro Consideration and the China Coal Consideration respectively, we have reviewed each of the valuation reports prepared by Greater China Appraisal Limited (the “**Valuer**”) regarding the fair value of China Energy (the “**China Energy Valuation**”), China Petro (the “**China Petro Valuation**”) and China Coal Alliances (the “**China Coal Alliances Valuation**”), copies of which are set out in Appendix I, II and III to the Circular respectively, and discussed with the Valuer regarding, among other things, the assumptions, basis and methodologies adopted therein. We note that the Valuer have considered the market approach, the cost approach/value approach and the income approach, being three commonly used valuation methodologies, in valuing the business enterprise of China Energy, China Petro and China Coal Alliances respectively and had selected the income approach with the adoption of the discounted cash flow methodology based on the relevant financial projections. We understand from the Valuer that the income approach was selected taking into consideration that (i) market approach is rejected since each coal trading business in markets contains specific terms and conditions which make the transactions become incomparable or there are no sufficient comparable transactions in the public market, and acquisitions frequently involves specific buyers who pay a premium/discount under their unique circumstances which makes it difficult to know if the price paid truly represents the approximate price of the transaction; (ii) the cost approach/value approach is rejected as the fair value of the subject business enterprises is determined by cash flow generated from the trading, expenditure incurred/to be incurred, cost from drafting the legal documents do not truly reflect the value of the subject business enterprises or the value of the subject business enterprises which are considered as going concern is determined by the ability to generate stream of economic benefits in future, rather than the cost of replacement; and (iii) the income approach is accepted as the fair value of the subject business enterprises is determined by the generation of economic benefit streams in future, which, being the cash flows generated from the subject business enterprises, can be reasonably identified in order to evaluate the fair value.

We have also discussed with the Valuer regarding the determination of the discount rate adopted under the discounted cash flow methodology by the Valuer which had been derived using the Weighted Average Cost of Capital (“**WACC**”) with reference to the required rate of return demanded by investors for similar business. We are given to understand that the rate of return has factored in (a) the systematic risks comprising (i) the risk-free return, which is the yields of the Hong Kong Exchange Fund Note, (ii) the beta, which is arrived at taking into account the stock data for the relevant comparable companies (the “**Comparables**”), and (iii) the equity risk premium; and (b) the non-systemic risks comprising (i) the small company premium; and (ii) the specific risk adjustment. In particular, as noted from the Valuer, the selection criteria of the Comparables are listed companies conducting business of petrochemical products for the China Petro Valuation and business of coal mining, refining and trading for the China Energy Valuation and the China Coal Alliances Valuation. We understand that the purpose for the adoption of the beta is to factor in the systemic risks (i.e. the risks common to companies engaged in the same industry) exposed to the subject businesses. As the systemic risks of the mining, refinery and trading businesses in the coal/M.T.B.E. industry would also be exposed to the subject businesses which engage in the coal/M.T.B.E. industry, we consider that it is prudent and appropriate to factor in such systemic risks,

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and the beta derived from the Comparables (e.g. including those engaging mining and refinery businesses) selected in the valuation model does serve the purpose of factoring in such systemic risks generally exposed to the industry in which the subject businesses operate. In addition, the non-systemic risks (i.e. the risks specific to the subject businesses) have been factored in by applying the small company premium and specific risk adjustment. Given the discount rate is determined taking into account the risk-free return, the beta derived based on the stock data of the Comparables, the equity risk premium, the relatively small size and the specific risks involved in the subject businesses, we consider that the discount rate adopted in the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation respectively reasonable and appropriate.

Based on our review of each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation and discussion with the Valuer and the management of the Company regarding, among other things, (i) the scope of work of the each of the valuations; (ii) the assumptions, basis and methodologies, in particular the discount rate adopted under the discounted cash flow methodology and the major assumptions relating to the each of the valuations and underlying financial projections; and (iii) the valuation performed by the Valuer in preparing the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation respectively, including review of the financial projections of China Energy, China Petro and China Coal Alliances respectively and the worksheets prepared by the Valuer in respect of the parameters of the Comparables and the computation of the net present value of the China Energy, China Petro and China Coal Alliances respectively, we consider the valuation performed by the Valuer as well as the basis, assumptions and methodologies adopted for each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation appropriate.

In addition, in compliance with Rule 14.62 of the Listing Rules that for each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation, the Company has obtained (i) letters from INCU Corporate Finance Limited, being financial adviser to the Company, confirming that they are satisfied that the forecast in each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation has been made by the Directors after due and careful enquiry, copies of which are set out in Appendix VII, VIII and IX to the Circular respectively (the “**FA Letters**”) and (ii) letters from its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing in each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation (the “**Auditor Letters**”), copies of which are set out in Appendix IV, V and VI to the Circular respectively.

Upon our review of and discussion with the Valuer and the management of the Company regarding major assumptions of each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation and the underlying financial projections as well as the relevant supporting information (where appropriate), and taking into account the FA Letters and the Auditor Letters, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the assumptions underlying each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation.

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In particular, in relation to the underlying financial projections relating to the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation respectively, we have reviewed (a) the relevant terms under each of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents stipulating, amongst others, the relevant quantity and the relevant purchase cost/selling price of coal or M.T.B.E. to be traded thereunder, and the respective period term and automatic renewal terms thereunder; (b) the historical sales and income/expenses record of China Energy and China Petro; (c) each of the letters of confirmation in relation to reimbursement of the operational and selling expenses and the handling service fee payable to China Energy, China Petro and China Coal Alliances respectively (the “**Confirmation Letters**”), details of which are set out in item 4 under the section headed “Information on China Energy, item 6 under the section headed “Information on China Petro” and item 3 under the section headed “Information on the China Coal Group” in the Board’s Letter; and (d) each of the agreements in relation to the marketing and operational consultancy services (the “**Consultancy Agreements**”), details of which are set out in item 5 under the section headed “Information on China Energy”, item 7 under the section headed “Information on China Petro” and item 4 under the section headed “Information on the China Coal Group” in the Board’s Letter.

Upon our review of the above, we understand that (i) the relevant projected revenue and gross profit based on the relevant projected quantity and purchase cost/selling price of coal or M.T.B.E. is in line with the relevant terms under the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents as well as the relevant historical sales record of China Energy and China Petro; and (ii) the projected operating expenses and income are in line with the historical expenses/income record of China Energy and China Petro, the Confirmation Letters and the Consultancy Agreements. In particular, as noted from the respective terms of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents, the gross profit margin for the trading of coal is/is expected to be USD2 per metric tonne for China Energy and China Coal Alliances, and for the trading of M.T.B.E. products is/is expected to be 3% over its purchase cost for China Petro, and the selling and operational expenses of China Energy, China Petro and China Coal Alliances for the respective trading activity shall be fully reimbursed under the respective Confirmation Letters. Furthermore, as advised by the Company, based on the existing business nature, operations and cost structure of China Energy, China Petro and China Coal Alliances, the administrative expenses of China Energy, China Petro and China Coal Alliances would be minimal, mainly including taxation services fee, bank charges and annual government charges. As such, we consider that the projected earnings of the underlying financial projections relating to the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation respectively fair and reasonable. However, notwithstanding the foregoing, the Independent Shareholders should note that the profitability of China Energy, China Petro and China Coal Alliances in the future is not ascertained in case of any changes in the business of China Energy, China Petro and China Coal Alliances and/or the economic and market conditions affecting the financial results, including but not limited to the costing and/or profit margin of the entities.

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In addition, it is noted that the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation are prepared on a going concern basis. As advised by the Valuer, as an automatic renewal term is in place under each of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents, the business of China Energy, China Petro and China Coal Alliances is assumed to operate continuously, and in particular for the underlying financial projection of China Petro until 2027. According to the respective terms of each of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents, it is stipulated that each of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents, except for special circumstances or exceptional cases, will be renewed automatically upon its expiration and the parties' responsibilities, terms and conditions of the relevant renewal term will remain unchanged. As stated in the Board's Letter, such special circumstances or exceptional cases include the events of force majeure such as change in rules and regulations, occurrence of natural disasters that materially affecting the operation of China Energy, China Petro and China Coal Alliances respectively. Given (i) we are not in the position to forecast the occurrence or non-occurrence of any such special circumstances or exceptional cases, and have no reason to suspect the non-renewal/termination of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents; and (ii) each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation has factored in the systemic risks and non-systemic risks, in particular the small company premium and the specific risk adjustment, as detailed above, we consider that the preparation of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation on a going concern basis and the assumptions of continuous operations of business of China Energy and China Coal Alliances as well as economic benefit streams of China Petro until 2027 fair and reasonable. Furthermore, as advised by the Valuer, in the China Energy Valuation and the China Coal Alliances Valuation respectively, the Gordon Growth Model is applied to estimate the terminal value of China Energy in 2016 and China Coal Alliances in 2016, the calculation equation of which is set out in the China Energy Valuation and the China Coal Alliances Valuation respectively, and the long-term growth rate of 3% on yearly basis, which is determined with reference to the long-term sustainable growth rate and inflation rate in the region, is applied in such calculation equation. As such, we consider that the respective terminal value of China Energy in 2016 and China Coal Alliances in 2016 is determined with theoretical grounds and such long-term growth rate of 3% is determined with reasonable grounds. However, the Independent Shareholders should note that the economic cycle may fluctuate from time to time and such long-term growth rate represents the hypothetical general trend of economic growth in the long run (notionally projected based on empirical economic data), instead of the actual realisation of such long-term growth rate in the future. Nevertheless, notwithstanding the foregoing, the Independent Shareholders should note that the income stream of China Energy, China Petro and China Coal Alliances relies heavily on the renewal and proper implementation of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents respectively, and any non-renewal/termination of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents or default in implementing the terms thereof might adversely affect the business and the profitability of China Energy, China Petro and China Coal Alliances respectively.

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We have considered the Auditor Letters regarding the accuracy of the calculations in respect of each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation and have not performed independent verification of the accuracy of such calculations. Nevertheless, our opinion in relation to the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation as stated above does not in any manner imply that the financial projections based on which each of the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation is made will be actually achieved in the future and we disclaim any liabilities in relation to any discrepancy between the respective financial projections of China Energy, China Petro and China Coal Alliances and the respective actual financial performance of the China Energy, China Petro and China Coal Alliances in the future. Furthermore, the Independent Shareholders are reminded that the profitability of the China Energy, China Petro and China Coal Alliances in the future is uncertain, in particular taking into account the risks involved in the businesses of China Energy, China Petro and China Coal Alliances, including the risks relating to the changes in the economic and market conditions, the reliance on the renewal of the China Energy Ancillary Documents, China Petro Ancillary Documents and China Coal Alliances Ancillary Documents and the default in implementing the China Energy Ancillary Documents, China Petro Ancillary Documents and China Coal Alliances Ancillary Documents. Details regarding the business risks of the operation of China Energy, China Petro and China Coal Alliances relating to the reliance on their respective customers and suppliers are set out in the section headed “RISK FACTORS” in the Board’s Letter.

According to the China Energy Valuation, the appraised value of China Energy amounted to HK\$41,000,000) as at 30 September 2012 (the “**China Energy Appraised Value**”). Accordingly, the China Energy Consideration of HK\$4,100,000 is equivalent to the China Energy Appraised Value attributable to 10% equity interests in China Energy of HK\$4,100,000. As such, we consider that the China Energy Consideration is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

According to the China Petro Valuation, the appraised value of China Petro amounted to HK\$27,500,000) as at 30 September 2012 (the “**China Petro Appraised Value**”). Accordingly, the China Petro Consideration of HK\$2,490,000 represents a discount of approximately 9.45% to the China Petro Appraised Value attributable to 10% equity interests in China Petro of HK\$2,750,000. As such, we consider that the China Petro Consideration is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

According to the China Coal Alliances Valuation, the appraised value of China Coal Alliances amounted to HK\$40,000,000) as at 31 December 2012 (the “**China Coal Alliances Appraised Value**”). Accordingly, the China Coal Consideration of HK\$36,000,000 is equivalent to the China Coal Alliances Appraised Value attributable to 90% equity interests in China Coal Alliances of HK\$36,000,000. As such, we consider that the China Coal Consideration is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Allotment and issue of Consideration Shares under the Acquisitions

As at the Latest Practicable Date, the Company had an issued share capital of 666,666,000 Shares.

Pursuant to the China Energy Agreement, the China Energy Consideration shall be settled by the issue and allotment of 2,500,000 China Energy Consideration Shares to the Vendor, representing (i) approximately 0.37% of the issued share capital of the Company immediately after the China Energy Acquisition; and (ii) approximately 0.36% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

Pursuant to the China Petro Agreement, the China Petro Consideration shall be settled by the issue and allotment of 1,518,292 China Petro Consideration Shares to the Vendor, representing (i) approximately 0.23% of the issued share capital of the Company immediately after the China Petro Acquisition; and (ii) approximately 0.22% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

Pursuant to the China Coal Agreement, the China Coal Consideration shall be partially settled by the issue and allotment of 17,536,585 China Coal Consideration Shares to the Vendor, representing (i) approximately 2.56% of the issued share capital of the Company immediately after the China Coal Acquisition; and (ii) approximately 2.55% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

Assuming completion of all the Acquisitions, the Company shall issue in total 21,554,877 Consideration Shares, representing approximately 3.13% of the issued share capital of the Company as enlarged by the allotment and issue of all the Consideration Shares under the Acquisitions.

The issue price of HK\$1.64 per Consideration Share (the “**Issue Price**”) represents:

- (i) a discount of approximately 18.81% to the closing price per Share of HK\$2.02 as quoted on the Stock Exchange on 23 January 2013, being the date on which the Agreements were entered into;
- (ii) a discount of approximately 19.13% to the average of the closing price per Share of HK\$2.028 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Agreements; and
- (iii) a discount of approximately 17.59% to the closing price per Share of HK\$1.99 as quoted on the Stock Exchange on the Latest Practicable Date.

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The table below sets out (i) the highest and lowest trading volume of the Shares; (ii) the average daily trading volume of the Shares (the “**Average Volume**”); and (iii) the percentage of the Average Volume to the total number of 666,666,000 Shares in issue as at the date of the announcement (the “**Total Issued Shares**”) and the total number of 315,736,390 Shares held by public Shareholders as at date of the announcement (the “**Total Public Shares**”) respectively for each of the twelve calendar months prior to the date of the Agreements up to and including the Latest Practicable Date (the “**Review Period**”):

	Highest trading volume	Lowest trading volume	Average Volume	Percentage to Average Volume to the Total Issue Shares (%)	Percentage to Average Volume to the Total Public Shares (%)
2012					
January	7,982,000	0	2,292,333	0.334	0.726
February	5,966,000	220,000	1,967,714	0.295	0.623
March	24,316,000	434,000	7,265,059	1.090	2.301
April	24,166,000	966,000	8,024,556	1.204	2.542
May	18,386,000	224,000	5,819,000	0.873	1.843
June	13,596,000	246,000	2,101,619	0.315	0.666
July	10,924,000	200,000	2,339,048	0.351	0.741
August	11,404,000	140,000	3,235,304	0.485	1.025
September	13,346,000	84,000	2,808,900	0.421	0.890
October	6,594,000	332,000	2,373,300	0.356	0.752
November	11,734,000	532,000	2,253,182	0.338	0.714
December	6,374,000	44,000	2,908,200	0.436	0.921
2013					
January	19,644,000	110,000	4,679,548	0.702	1.482
February	9,998,000	60,000	3,239,059	0.486	1.026
March (up to the Latest Practicable Date)	7,886,000	3,554	2,196,111	0.329	0.696

Note: Trading of Shares was suspended from 12 March 2012 to 16 March 2012.

Data source: Website of the Stock Exchange (www.hkex.com.hk)

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As illustrated in the table above, the trading volume of the Shares during the Review Period had been in general thin, with the highest Average Volume amounted to 8,024,556 Shares recorded in April 2012, representing approximately 1.204% to the Total Issued Shares and approximately 2.542% to the Total Public Shares respectively.

Despite the Issue Price represents discounts to prevailing market prices of the Shares as set out above, we consider that the determination of the Issue Price is justifiable given (i) the thin liquidity of the Shares during the Review Period; and (ii) there would be no cash outlay for the China Energy Acquisition and the China Petro Acquisition, and the cash outlay for the China Coal Acquisition would be reduced, by the issue of the Consideration Shares, which would enable the Group to retain cash resources for its business operation and development. As such, we consider that the Issue Price is acceptable and is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We, however, would like to draw the Independent Shareholders' attention that the allotment and issue of the Consideration Shares will inevitably dilute the shareholdings of the existing public Shareholders in the Company. For illustrative purpose, with reference to the shareholding table as set out under the section headed "IX. SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION OF THE ACQUISITIONS" in the Board's Letter, assuming the issue and allotment of the all the Consideration Shares, the aggregate shareholding of the existing public Shareholders would be decreased from 48.96% as at the Latest Practicable Date to 47.43%, and the Vendor would become interested in approximately 3.13% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. Nevertheless, we are of the view that the settlement of the China Energy Consideration and the China Petro Consideration, and the partial settlement of the China Coal Consideration by the allotment and issue of Consideration Shares, instead of settlement in full by cash for the Acquisitions, are in the interests of the Company and the Shareholders as a whole in that the Company could have the flexibility to retain more cash resources and working capital for its day-to-day operations and future development.

The Profit Guarantee and the Promissory Note under the China Coal Acquisition

Pursuant to the terms of the China Coal Agreement, the Vendor has guaranteed to Star Fantasy that the Actual Profit of China Coal Alliances shall be not less than the Profit Guarantee, being not less than HK\$4,000,000 for the period from 1 April 2013 and 31 March 2014. In the event that the Profit Guarantee is not achieved, the China Coal Consideration will be adjusted downwards by setting off against the payment obligations of the Company under the Promissory Note on a dollar to dollar basis for an amount equivalent to the difference between the Profit Guarantee and the Actual Profit. In the event that China Coal Alliances records a loss for the period from 1 April 2013 to 31 March 2014, the Actual Profit shall be deemed to be zero. As such, the amount to be set off shall be the total principal value of the Promissory Note, being HK\$4,000,000.

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Taking into account the preliminary stage of operation of China Coal Alliances as detailed in the sub-section headed “China Coal Group” under section headed “Financial information regarding China Energy, China Petro and China Coal Group” above, we consider the Profit Guarantee is in the interests for the Group and the Shareholders as a whole and is fair and reasonable so far as the Group and the Independent Shareholders are concerned.

The principal amount of the Promissory Note is HK\$4,000,000, which is payable in one lump sum on maturity on the date falling three (3) years after the date of issue. The Promissory Note does not bear any interest. The Company has to right to redeem the Promissory Note prior to its maturity. The Promissory Note may be assigned or transferred in whole or in part (in multiples of HK\$1,000,000) of its outstanding principal amount. The Vendor will deposit the Promissory Note in Star Fantasy until the fulfillment of the Profit Guarantee. The Promissory Note may, with prior notice of the Company, be freely transferable and assignable to any Independent Third Parties.

Given the Promissory Note is non-interest bearing, we consider that the issue of the Promissory Note for partial settlement of the China Coal Consideration would reduce immediate cash outflow of the Group for the China Coal Acquisition as well as provide additional safeguard to the Group for avoiding the risk of non-fulfillment of the Vendor’s payment obligations under the Profit Guarantee in the event that the Actual Profit is less than the Profit Guarantee, and thus is in the interests for the Group and the Shareholders as a whole and is fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Conclusion

Taking into account (i) the Group is principally engaged in trading and manufacturing of the clinical and household hygienic disposables; trading of M.T.B.E. products; and trading of household consumables; (ii) the Group’s recent diversification in trading of energy materials; (iii) the Acquisitions represent opportunities for the Group to further enhance its revenue sources; (iv) the income stream and the profit-making record of China Energy and China Petro respectively; (v) the expected income stream of China Coal Alliances; (vi) the China Energy Valuation, the China Petro Valuation and the China Coal Alliances Valuation, and the fairness and reasonableness of the China Energy Consideration, the China Petro Consideration and the China Coal Consideration respectively; (vii) the merits of the issue of the Consideration Shares for settlement of the China Energy Consideration and the China Petro Consideration and partial settlement of the China Coal Consideration, and the fairness and reasonableness of the Issue Price; and (viii) the merits of the Profit Guarantee and the Promissory Note under the China Coal Acquisition as detailed above, we consider that the terms of each of the China Energy Agreement, the China Petro Agreement and the China Coal Agreement are on normal commercial terms and fair and reasonable, and each of the China Energy Acquisition, the China Petro Acquisition and the China Coal Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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However, we would like to reiterate that notwithstanding the foregoing, the Independent Shareholders should note that (i) the profitability of China Energy, China Petro and China Coal Alliances in the future is not ascertained in case of any changes in the business of China Energy, China Petro and China Coal Alliances respectively and/or the economic and market conditions affecting the financial results, including but not limited to the costing and/or profit margin of the entities; and (ii) the income stream of China Energy, China Petro and China Coal Alliances relies heavily on the renewal and proper implementation of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents, and any non-renewal/termination of the China Energy Ancillary Documents, the China Petro Ancillary Documents and the China Coal Alliances Ancillary Documents or default in implementing the terms thereof might adversely affect the business and the profitability of China Energy, China Petro and China Coal Alliances respectively. Details regarding the business risks of the operation of China Energy, China Petro and China Coal Alliances relating to the reliance on their respective customers and suppliers are set out in the section headed "XI. RISK FACTORS" in the Board's Letter.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that each of the China Energy Acquisition, the China Petro Acquisition and the China Coal Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and the terms of each of the China Energy Agreement, the China Petro Agreement and the China Coal Agreement are on normal commercial terms and fair and reasonable. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the China Energy Acquisition, the China Petro Acquisition and the China Coal Acquisition.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director



25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Room 601, 6/F.
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

Re: Valuation of Business Enterprise Value of China Energy Trading Company Limited

At your request, we were engaged to assist you in the valuation analysis pertaining to the fair value of 100% and 10% of business enterprise value of China Energy Trading Company Limited (“**China Energy**”) as at 30 September 2012 (the “**Valuation Date**”), solely as a reference used by Newtree Group Holdings Limited (the “**Company**”) for investment purpose. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purposes without our express written consent. The standard of value is fair value; while the premise of value is going concern.

Our work was performed subject to the assumptions, limiting conditions and general service conditions described in this report.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

PURPOSE OF ENGAGEMENT

As aforementioned, the purpose of this particular engagement is to assist the management of the Company in determining the fair value of the business enterprise value of China Energy as at the Valuation Date for investment purpose only.

BASIS OF VALUATION

We have valued the business enterprise value of China Energy on the basis of fair value. According to the International Valuation Standard (2011 Edition) published by International Valuation Standards Council (“IVSC”), fair value is *“the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.”*

Our valuation has been prepared in accordance with the International Valuation Standards (2011 Edition) on business valuation published by IVSC. This standard contains guideline on the basis and valuation approaches used in business valuation.

LEVEL OF VALUE

Although valuation is a range concept, current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

- **Controlling interest:** the value of the controlling interest, usually evaluating the enterprise as a whole;
- **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
- **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in a manner that it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legally permissible. Premises of value include the following:

- **Going concern:** appropriate when the business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
- **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

- **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and
- **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of the entire business itself.

This valuation is prepared on a going concern basis.

SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their estimate of the fair value of the business enterprise value of China Energy as at the Valuation Date.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value on the business enterprise value of China Energy were based on our discussions with the management of the Company, as well as a review of key transaction documents and records, including:

- Master framework purchase agreement dated 24 July 2010, two supplemental agreements dated 10 August 2010 and 29 September 2010, respectively (together referred as the “**China Energy Supplier Agreements**”) entered into between China Energy and a company incorporated in Singapore (the “**China Energy Supplier**”);
- Master framework purchase agreement dated 30 July 2010 and a supplemental agreement dated 24 November 2010 (together referred as the “**China Energy Customer Agreements**”) between China Energy and a state-owned enterprise of the PRC (the “**China Energy Customer**”).
- Monthly purchase contracts entered into between China Energy and China Energy Supplier dated 10 October 2011, 1 November 2011, 1 December 2011, 4 January 2012, 1 February 2012, 1 March 2012, 1 April 2012, 2 May 2012, 1 June 2012, 3 July 2012, 1 August 2012 and 3 September 2012 (together referred as “**Monthly Purchasing Contracts**”);
- Monthly purchase contracts entered into between China Energy and China Energy Customer dated 10 October 2011, 1 November 2011, 1 December 2011, 4 January 2012, 1 February 2012, 1 March 2012, 1 April 2012, 2 May 2012, 1 June 2012, 3 July 2012, 1 August 2012 and 3 September 2012 (together referred as “**Monthly Selling Contracts**”);
- Management account of China Energy as at the Valuation Date;
- Financial forecast of China Energy for the period from 1 October 2012 to 31 March 2013 prepared by the Company;

- Agreement signed between China Energy and China International Resources Trading Company Limited (“**China International Resources**”) dated 1 December 2010 in relation to the marketing and operational consultancy services; and
- Letter of confirmation for authorising an independent third party to pay the handling service income to China Energy on behalf of the China Energy Customer issued by the China Energy Customer dated 1 December 2010.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

ECONOMIC OVERVIEW

Indonesia is one of the member countries of the Association of Southeast Asia Nations (“**ASEAN**”) and has the largest economy among its members. In 2011, based on the World Bank data, the nominal GDP of Indonesia was about US\$846.8 billion¹. Indonesia has abundant natural resources including crude oil, natural gas, coal, tin, copper, and gold. Major economic activities include agriculture, textile and apparel, and tourism. After the severe hit from the financial crisis in 1997, Indonesia’s economy recovered and regained the investment grade rating in 2011. Even though Indonesia has a large population and abundant natural resources, its economy is interlocked with other major economies under globalization. The country’s future economic growth is still largely affected by external economic factors such as exports performance.

Economic Performance

The economy of Indonesia continued its upward momentum in 2011. GDP (purchasing power parity) in 2009, 2010 and 2011 were estimated at US\$1.008 trillion, US\$1.07 trillion and US\$1.139 trillion (all in 2011 US Dollars)². Indonesia has continued its economic growth for thirty years except for the period of the Asian financial crisis in 1997. A long term stable growth in economy provides a solid foundation for Indonesia to step up into the international, diplomatic arena and become the key member of ASEAN. We expect Indonesia will increase its diplomatic power to fight for a better and fairer treatment in any international trade disputes.

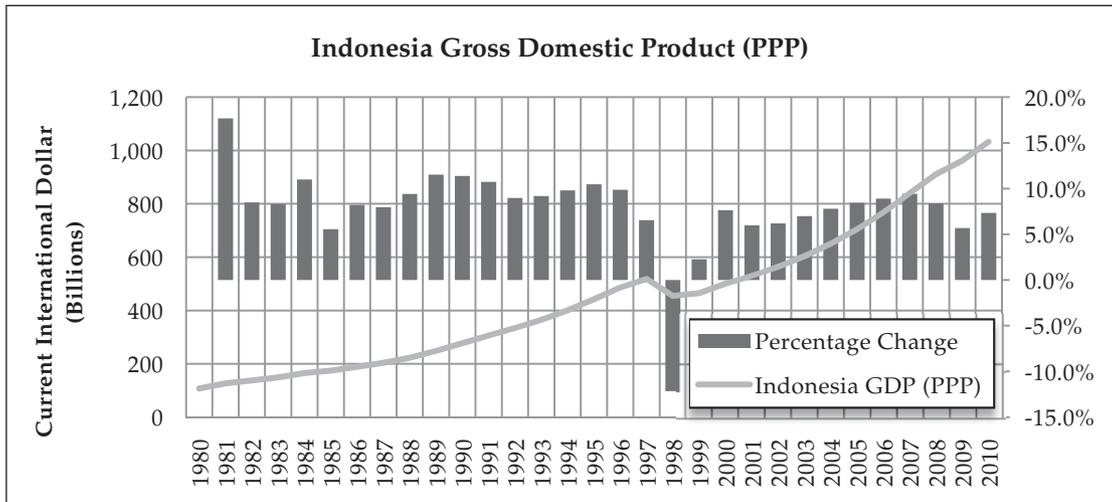
Indonesia has around 17,000 islands and 33 provinces, with the fourth largest population in the world. Its population is heavily concentrated, with around 90% of its population living on Java Island and Sumatra Island. Similar to its population, economic activities in Indonesia are highly concentrated in some districts, especially on Java Island. Regional financial development is extremely imbalance. In 2009, the GDP per capita of the strongest performance district can be up to 162 times of the weakest performing district.

¹ The World Bank Data

² CIA – The World Fact Book

Majority of the economic activities includes agriculture, mining, textile and apparel manufacturing and tourism. Rice and coffee remain the major agriculture produce of Indonesia. Mining, especially the coal sector, has increased international investors' interest after a significant number of transactions took place in the last several years. Textile and apparels have lost its aura after the recession in late 2000. Many textile companies liquidated due to the cheap products import from China. Tourism is currently the major booster of Indonesia economy, it contributed about IDR220,773 billion to the national GDP, and is expected to rise by 7.6% in 2012.

As the Indonesia economic growth still largely depends on external factors, we expect the economic growth in the short term will continue to grow at a moderate pace or even slightly going backwards due to a slow recovery in the US market and a dim prospect of the European debt crisis. However, imbalanced geographical development, poor transportation infrastructure and serious corruption problem are the major challenges to the country's economic growth.



Source: International Monetary Fund and the World Bank

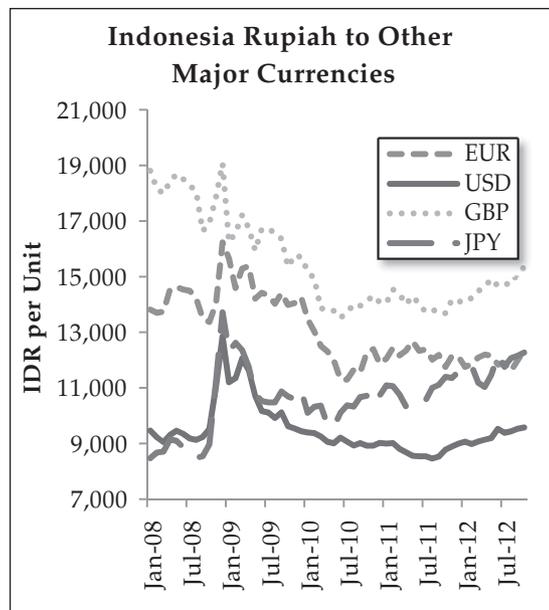
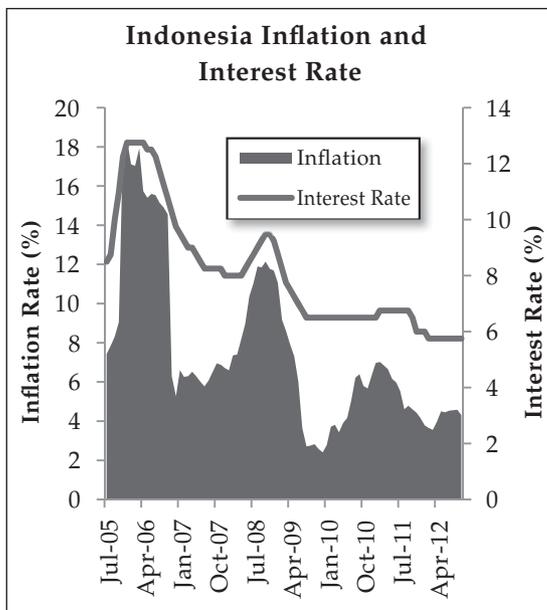
Price Stability

High inflation is always a common problem in developing countries. Indonesia faces a similar challenge but has handled the problem in the last four years. The latest inflation rate of Indonesia is 4.31%³ which is lower than the average inflation rate in the last four years (around 5%) and average inflation rate in the last decade (around 7.5%).

In February 2012, Bank of Indonesia suddenly reduced the reference interest rate for 25 basis points to a record low of 5.75%. The cut surprised the market as more than half of the economists had expected the central bank would leave the rate unchanged. However, based on the current outlooks, it is believed that inflation will continue to ease.

Lowering the interest rate will weaken the Indonesia Rupiah as the return of the Indonesia Rupiah is less attractive compared to that of other currencies. In February 2012, it was expected the Indonesian Rupiah may be weaken a bit and continue to appreciate over the medium term. After the US Government announced the third round of quantitative easing (“QE3”), all Asian currencies are expected to continuously strengthen although some economists said the impact is minimal.

Overall speaking, the price level is still considered to be stable within domestic context as the soft landing of the economy and government counter-cycle measurements. Due to the QE3, it is expected that the Indonesia Rupiah to the US Dollar would be strengthened when the hot money flows into the Asia Pacific region.



Sources: Badan Pusat Statistik and Bank of Indonesia

Remarks: JPY is in 100 units.

Source: www.xe.com

³ Badan Pusat Statistik

International Trade

Indonesia exports many different types of commodities including crude oil, natural gas, silver, coal, copper, tin, nickel, rubber, palm oil, textile, plywood and electronic equipments. Recently, the robust economic expansion in China and India has boosted the exports of coal and palm oil. Not only commodity, electronic equipment exports also maintain at high levels in recent years. Compared to other Southeast Asian countries, Indonesia is relatively less reliant on exports, which only account for less than 30% of the country's GDP.

Subject to the weak demand from the globe, the exports figure in November 2012 dropped 5.3% from the same month last year but increased 6.5% from October 2012. China has become the largest exports contributor of Indonesia, followed by Japan and the United States.

Due to the rapid expansion of the local economy, Indonesia needs to import many machineries, electronic equipments and base metals. Total imports jumped 9.41% to US\$176.11 billion⁴ in 2012.

Overall speaking, in the short run, Indonesia exports is subject to the influence from Chinese market more than from American and European markets. If the Chinese government launches more powerful policies to support the economy in 2013, the demand for base metals and coal will revive the weak exports performance. In the long run, American market recovery and ease of European debt crisis and national political unrest might continue to be the determining factors.

INDUSTRY OVERVIEW

China Energy operates coal trading business from Indonesia to China, therefore coal mining industry in Indonesia has substantial effect on the business of China Energy. Understanding about Indonesia coal mining industry can reveal some insights about the risks and opportunities of their business.

Indonesia has a strong demand in the mining sector. Recently, the coal industry is especially eye-catching to the international investors after several significant transactions in the past several years. Although the mining law of Indonesia has imposed some restrictions on foreign companies conducting mining contracting and services business locally, there remains some sizable mining contractors which are controlled by foreign entities, such as PT Thiess Contractors Indonesia. Some of the mining operators listed on the Indonesia Stock Exchange are also owned materially by overseas investors, which include PT United Tractors Tbk, PT ABM Investama Tbk and PT Delta Dunia Makmur Tbk etc.

⁴ Badan Pusat Statistik

Most of the coal reserves of Indonesia are located in East Kalimantan. Coal mines within the Kalimantan coastal areas are expected to contribute the largest share of Indonesian coal production in the future. These operations are within proximity of the coastline and only require short barging distances to reach the vessel loading points.

Coal production in Indonesia is expected to significantly expand in short to mid-term, driven by an increasing domestic and international demand on coal. The current existing mine operations are expected to account for a significant part of the growth of Indonesian coal production by 2016. Around 80% of the coal mined are exported. It is expected that the demand for coal will continue to be high both locally and internationally, and the total coal production output of Indonesia is projected to reach 499 million tonnes by 2016.

COMPANY OVERVIEW

China Indonesia Friendship Coal Trading Company Limited (“China Friendship”)

China Friendship is an investment holding company incorporated in the British Virgin Islands on 8 July 2010. China Friendship owns 90% equity interests in China Energy as at the Valuation Date.

China Energy Trading Company Limited (“China Energy”)

China Energy is a company incorporated in Hong Kong and it is directly owned by China Friendship and Woo Man Wai, David, with 90% and 10% of equity interests respectively. The principal activity of China Energy is coal trading business, and the main assets of China Energy are the coal trading agreements include the China Energy Supplier Agreements and the China Energy Customer Agreements.

In July 2010, China Energy entered into contracts that it will purchase 30,000 metric tonnes Indonesian coal per month from the China Energy Supplier at US\$58 per metric tonne. On the other hand, China Energy will sell 30,000 metric tonnes Indonesian coal per month to the China Energy Customer at US\$60 per metric tonne. However, the actual trading price had been amended and the details have been stated on page 75 of this circular. The Indonesian coal will be delivered from loading port in Indonesia to any ports in China. Both contracts start from July 2010 to July 2013 and will be renewed automatically upon expiration with same terms and conditions.

In accordance with the confirmation letter, the China Energy Customer will provide China Energy handling service income which the amount is equal to the sum of selling and operational expenses for respective coal trading activity plus 10% mark-up to offset the selling and operational expenses for the respective coal trading incurred by China Energy.

Newtree Group Holdings Limited (the “Company”)

The Company is a Hong Kong listed company with the stock code: 1323. The Company is principally engaged in the manufacture and trading of hygienic disposables for household and clinical uses. Products consist mainly of clinical waste bags, general waste bags, disposable film bags and aprons. Besides, the Company has a trading business of methyl tertiary butyl ether (“M.T.B.E.”) between Singapore and China.

VALUATION METHODOLOGIES

The valuation of any asset or business can be broadly classified into one of three approaches, namely asset approach, market approach and income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Based on the theory that the value of an asset is equal to the sum of its parts, value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have considered but rejected asset approach to arrive at the fair value of the business enterprise value of China Energy due to the following reason:

- The fair value of the business enterprise value of China Energy is determined by cash flow generated from the coal trading, expenditure incurred/to be incurred. The costs incurred for drafting the legal documents do not truly reflect the value of the business enterprise value of China Energy. This means the future economic benefit is more important in evaluating the business enterprise value of China Energy rather than the cost incurred for the development of China Energy.

Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of substitution. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected market approach to arrive at the fair value of the business enterprise value of China Energy due to the following reasons:

- Market approach is the approximate transaction price of a company/business in the market place. Since each coal trading business in markets contains specific terms and conditions which make the transactions become incomparable; and
- Available public information in relation to acquisitions frequently involves specific buyers who pay a premium/discount under their unique circumstances. This makes it difficult to know if the price paid truly represents the approximate price of the transaction.

Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to a present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We considered and accepted income approach to arrive at the fair value of the business enterprise value of China Energy as at the Valuation Date due to the following reasons:

- The fair value of the business enterprise value of China Energy is determined by the generation of economic benefit streams in the future; and
- Economic benefit streams which are the cash flows generated from the China Energy can be reasonably identified in order to evaluate the fair value.

GENERAL ASSUMPTIONS OF VALUATION

A number of assumptions have to be established in order to sufficiently support our concluded fair value of the business enterprise value of China Energy. The general assumptions adopted in this valuation are:

- there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong, China and Southeast Asia where China Energy sources coal to carry its trading business;
- there will be no significant deviation in the industry trends and market conditions from the current market expectation;

- there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- there will be no major change in the current taxation law in Hong Kong and countries of origin of our comparable companies; and
- all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application.

MAJOR ASSUMPTIONS OF VALUATION

Our development of the fair value of the business enterprise value of China Energy under income approach will be performed by using a discounted cash flow ("DCF") methodology, which requires a number of parameters, including revenue and expense forecasts, working capital requirement and capital expenditure requirement.

The basic DCF formula is set out as follows:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \frac{E_4}{(1+k)^4} + \frac{\text{Terminal Value}}{(1+k)^4}$$

- * PV = Business enterprise value of China Energy
- * E_1, E_2, E_3, E_4 = Expected free cash flows to firm of China Energy in 2013, 2014, 2015 and 2016.
- * Terminal Value = Business enterprise value of China Energy after the projection period. In the case of China Energy, we assume the terminal period is 2016.
- * k = Discount rate

In the valuation of China Energy, the management of the Company has provided us with the China Energy Supplier Agreements and China Energy Customer Agreements which set out purchase and selling price, the amount of coal per trade, period of the agreements and the renewal terms. Provided below is a brief description and analysis of the major assumptions applied in the valuation of China Energy.

Revenue and Costs of Goods Sold

As aforementioned, the China Energy Supplier Agreements state that China Energy will purchase 30,000 metric tonnes of Indonesian coal per month at US\$58 per metric tonne. On the other hand, the China Energy Customer Agreements state that China Energy will sell 30,000 metric tonnes Indonesian coal per month at US\$60 per metric tonne. Both the China Energy Supplier Agreements and the China Energy Customer Agreements have a contract period of 3 years starting from July 2010. However, China Energy adjusted the

purchase price and the selling price by entering into the Monthly Purchasing Contracts and Monthly Selling Contracts with the China Energy Supplier and the China Energy Customer. The purchase price and selling price are as follows:

Period	Purchase Price (US\$ per metric tonne)	Selling Price (US\$ per metric tonne)
November 2010 – June 2011	41	43
July – September 2011	38	40
October – December 2011	28	30
January – March 2012	30	32
April – June 2012	33	35
July – September 2012	36	38

Thus, the gross profit margin of each pair of trade has not been changed; the business enterprise value of China Energy was not affected by the above price adjustments.

<i>HKD '000</i>	Oct – Dec				
	2012	2013	2014	2015	2016
Trading Volume (tonnes)	81,000	324,000	324,000	324,000	324,000
Purchase Price (US\$ per tonne)	35	35	36.05	36.05	36.05
Selling Price (US\$ per tonne)	37	37	38.11	38.11	38.11
Revenue	23,239	92,956	95,745	95,745	95,745
Cost of Goods Sold	(21,983)	(87,931)	(90,569)	(90,569)	(90,569)
Gross Profit	1,256	5,025	5,175	5,175	5,175

* Sum of individual figures may not equal the total amount due to rounding

Selling and Operating Expenses

In the pair trade transactions, the quality of Indonesian coal needs to satisfy the specification, therefore, China Energy has to perform sampling analysis with US\$0.12 per metric tonne. In addition, there are other value-added services charges incurred by China Energy such as agency fees, port and loading charges and insurance coverage charges for the delivery of coals. Management of the Company estimated that US\$7,350 per month will be incurred for all the above mentioned value-added services charges, including charges for sampling analysis. However, the China Energy Customer will provide China Energy handling service income which the amount is equal to the sum of selling and operational expenses for the respective coal trading activity plus 10% mark-up to offset the selling and operational expenses for the respective coal trading incurred by China Energy.

Other incomes and expenses had been considered in the valuation include general office expenses, administrative expenses, management fee and the aforementioned handling service income from the China Energy Customer.

<i>HKD '000</i>	Oct – Dec				
	2012	2013	2014	2015	2016
Selling Expenses	(171)	(684)	(704)	(704)	(704)
G&A	(27)	(110)	(110)	(110)	(110)
Management Fee	(126)	(502)	(518)	(518)	(518)
Other Income					
– Handling Service Income	188	752	775	775	775
Total	(136)	(544)	(557)	(557)	(557)

* Sum of individual figures may not equal the total amount due to rounding

Capital Expenditures & Depreciation

As per discussion with the management of the Company, they expected no material capital expenditure (“CAPEX”) will be incurred during the projection period due to the nature of the business.

Corporate Income Tax Rate

We were confirmed by the management of the Company and the Company’s auditor that China Energy will be subjected to the statutory corporate income tax rate in Hong Kong which is 16.5% for the year 2012. Accordingly, we have adopted the same in our valuation during the projection periods.

Working Capital Movement

We mainly refer to terms stated on the Monthly Purchasing Contracts and Monthly Selling Contracts, and our understanding from the management of the Company regarding to the actual operation of China Energy to estimate the required working capital to sustain the operation.

- around 90 days as the sales outstanding;
- No inventory; and
- around 90 days as the payable outstanding.

Terminal Value and Long-term Growth Rate

We applied Gordon Growth Model to estimate the terminal value of China Energy in 2016.

$$\text{Terminal Value in 2016} = \text{FCFF}_{2016} \times (1 + g) / (\text{WACC} - g)$$

where FCFF_{2016} : Free Cash Flows to Firm of China Energy in 2016;
g: Long-term Growth Rate; and
WACC: Weighted Average Cost of Capital.

The long term growth rate applied is 3% with reference to the long-term sustainable growth rate and inflation rate in the region.

Duration

In accordance with the China Energy Supplier Agreements and the China Energy Customer Agreements, there are terms of automatic renewal upon expiration of both China Energy Supplier Agreements and the China Energy Customer Agreements except there are special circumstances or exceptional cases. Considering the well developed business environment of coal trading business in Asia, we assume the duration of the coal trading business of China Energy will be in perpetual. Besides, we confirmed from management of the China Energy that they decide to operate the coal trading business in going concern basis, and therefore, we believe that the assumption of perpetuity is reasonable.

SUMMARY OF FREE CASH FLOWS TO FIRM ("FCFF") PROJECTION OF CHINA ENERGY

The table below shows the projection of FCFF (HKD '000) for the valuation.

Year	Oct – Dec 2012	2013	2014	2015	2016
Revenue	23,239	92,956	95,745	95,745	95,745
– Cost of Sales	(21,983)	(87,931)	(90,569)	(90,569)	(90,569)
= Gross Profits	1,256	5,025	5,175	5,175	5,175
– Operating Expenses	(136)	(544)	(557)	(557)	(557)
= EBITDA	1,120	4,481	4,619	4,619	4,619
– Depreciation	–	–	–	–	–
= EBIT	1,120	4,481	4,619	4,619	4,619
– Income Tax	(185)	(739)	(762)	(762)	(762)
= EBIT after tax	935	3,742	3,857	3,857	3,857
+ Depreciation	–	–	–	–	–
– Capital Expenditure	–	–	–	–	–
+/- Working Capital Requirement	–	–	–	–	–
= FCFF	935	3,742	3,857	3,857	3,857

* Sum of individual figures may not equal the total amount due to rounding

DETERMINATION OF DISCOUNT RATE

We developed the cost of equity (“ R_e ”) and the cost of debt (“ R_d ”) of China Energy based on data and factors relevant to the economy and the industry as of the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital (“WACC”).

Development of Weighted Average Cost of Capital (“WACC”)

We considered market and industry data to develop the WACC for China Energy.

The traditional formula for calculating WACC is:

$$\text{WACC} = (\%D) \times (R_d) \times (1 - \text{Tax Rate}) + (\%E) \times (R_e)$$

Where

WACC	:	Weighted Average Cost of Capital;
%D	:	Weight of Interest Bearing Debt;
R_d	:	Cost of Debt;
%E	:	Weight of Equity; and
R_e	:	Cost of Equity.

Development of Cost of Equity (“ R_e ”)

We considered the Modified Capital Asset Pricing Model (“MCAPM”) to calculate the cost of equity of China Energy.

Modified Capital Asset Pricing Model

MCAPM, as applied to China Energy, can be summarized as follows:

$$R_e = R_f + \text{Beta} \times \text{ERP} + \text{RP}_s + \text{RP}_u$$

Where

R_e	:	Cost of Equity;
R_f	:	Risk Free Rate;
Beta	:	A measure of systematic risk;
ERP	:	Equity Risk Premium;
RP_s	:	Size Premium; and
RP_u	:	Specific Company Adjustment.

Risk Free Rate (“R_f”)

R_f was found by looking at the yields of the Hong Kong Exchange Fund Note. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted, which was into perpetuity in the present case. We relied on the yield of the 15-year Hong Kong Exchange Fund Note as at the Valuation Date.

Equity Risk Premium (“ERP”)

We adopted the recent 30 years equity risk premium of the market where the subject company is located and relied on International Equity Risk Premia Report Handbook 2012 published by Ibbotson Associates. For those markets that are not covered by the said publication, the equity risk premium of the US market is multiplied by the relative volatility between S&P 500 Index and equity indices of respective country where the subject company is located to obtain the equity risk premium. The volatility of the US equity market is obtained from Stocks, Bonds, Bills, and Inflation: 2012 Yearbook. The volatility of other equity indices is obtained from Bloomberg.

Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas from nine identified publicly traded guideline companies (“**Guideline Public Companies**”) with reference to the benchmark indices in the stock exchanges which the Guideline Public Companies listed in, details of which are listed in the table below. The identified betas were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the median of the Guideline Public Companies’ structure which is considered as the optimal corporate structure from market participant’s point of view.

Selection of Guideline Public Companies

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant to compute beta in our determination of the R_e.

In selecting the Guideline Public Companies, we started with a description of the company, in terms of lines of business, market location of business and other criteria.

China Energy is engaged in coal trading business in Asia, in particular between Indonesia and China, and for this valuation, we have reviewed listed companies operated in coal trading in Asia but found that there are some problems in concluding Guideline Public Companies by those listed coal trading companies. Provided below is a brief description of the problems.

Insufficient Number of Listed Companies

We have reviewed the listed companies and found that there are only few listed companies entirely engaged in coal trading business. Instead, most of the listed companies in coal industry participated in whole business stream includes mining, processing, selling and logistics of coal altogether.

Abnormal Level of Leverage

We found that the debt-to-equity ratios from the coal trading listed companies are very high and given the sample size is small, it is doubtful for us to believe whether the high leveraging level is optimal corporate structure for coal trading companies.

As mentioned above, most of listed companies in coal industry participated in whole business stream and it is reasonable to believe that coal trading companies as one of subsidiaries in coal industry shares similar systematic risk with the listed companies in coal industry. Hence, we believe that systematic risk of China Energy can be accessed by looking at listed companies in coal industry, and selling (trading) of coal can be regard as part of activities of these listed companies.

The following is the list of Guideline Public Companies that we have reviewed in connection with the valuation of the business enterprise value of China Energy.

Guideline Public Company	Ticker	Description
1. Agritrade Resources Limited	1131.HK	– Engages in the coal mining business
2. China Shenhua Energy Company Limited	1088.HK	– Operates coal, coal transportation and power business in China
3. Yanzhou Coal Mining Company Limited	1171.HK	– Engages in coal mining and production business
4. China Qinfa Group Limited	0866.HK	– Engages in coal trading, storage and transportation business
5. Hidili Industry International Development Limited	1393.HK	– Mines and produces clean and coke product
6. China Coal Energy Company Limited	1898.HK	– Mines and markets thermal and coking coal
7. Shougang Fushan Resources Group Limited	0639.HK	– Produces and sells coking coal products
8. Loudong General Nice Resources (China) Holdings Limited	0988.HK	– Engages in coke production business
9. Winsway Coking Coal Holding Limited	1733.HK	– Distributes coal in China; and – Purchases, transports, stores, processes, and wholesales imported coal

Median Un-Levered Beta

0.72

Median Re-levered Beta

1.39

Size Premium (“ RP_s ”)

RP_s , over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of China Energy, we applied the size premium return in excess of MCAPM of companies in the 10th deciles of Micro Cap segment of NYSE/AMEX/NASDAQ in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2012 Yearbook.

Specific Company Adjustment (“ RP_u ”)

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to China Energy.

Firm specific risk factors may include the following:

- Competition
- Customer Concentration
- Size
- Poor Access to Capital
- Thin Management
- Lack of Diversification
- Environmental
- Litigation
- Distribution Channels
- Old Technology
- Company Outlook

In the case of China Energy, we believe it was necessary to apply 1% of RP_u to the cost of equity as:

- Success of the business highly depends on the fulfilment of the contracts.

*Cost of Equity (“R_e”) Conclusion***MCAPM**

Risk Free Rate (“R _f ”)	0.80%
Beta	1.39
Equity Risk Premium (“ERP”)	8.34%
Size Premium (“RP _s ”)	6.10%
Specific Company Adjustment (“RP _u ”)	1.00%
Cost of Equity (“R_e”)	19.51%

Development of Cost of Debt (“R_d”)

In order to estimate the cost of debt of China Energy, we referred to the market long term lending rate. As such, we adopted the Hong Kong Prime Lending Rate as at the Valuation Date.

Development of Weighted Average Cost of Capital (“WACC”)

WACC is determined by the weighted average, at market value, of the cost of all financing sources in the capital structure. We have “levered” the subject company as if it mirrored the average percentage of debt as the comparable companies on the assumption that over time, the subject company will approach the comparable companies’ industry average amount of debt, which is the less expensive form of capital than equity, to remain competitive. Subsequent to the calculations of the cost of equity and the cost of debt, the following equation is used to develop the WACC:

$$\text{WACC} = (\%D) \times (R_d) \times (1 - \text{Tax Rate}) + (\%E) \times (R_e)$$

The calculation of the WACC, or the discount rate, therefore becomes:

WACC

Weight of Interest Bearing Debt (“%D”)	47.98%
× Cost of Debt (“R _d ”)	5.00%
× (1 – Tax)	83.50%
Weighted Cost of Debt	2.00%
+	
Weight of Equity (“%E”)	52.02%
× Cost of Equity (“R _e ”)	19.51%
Weighted Cost of Equity	10.15%
WACC	12.15%

SENSITIVITY ANALYSIS

WACC & Long-term growth rate

Both the WACC and the long-term growth rate of China Energy play a pivotal role in the valuation as they are sensitive to the business enterprise value of China Energy. The fair value of 100% business enterprise value of China Energy under different combinations of the WACC and the perpetuity growth rate are presented below:

100% Business Enterprise Value (HKD '000)
Long-term Growth Rate (%)

WACC (%)	2.0%	2.5%	3.0%	3.5%	4.0%
10.15%	47,000	49,000	52,000	55,000	59,000
11.15%	42,000	44,000	46,000	48,000	51,000
12.15%	38,000	39,000	41,000	43,000	45,000
13.15%	35,000	36,000	37,000	39,000	40,000
14.15%	32,000	33,000	34,000	35,000	36,000

SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of China Energy, and strengths/weaknesses are discussed.

Asset Approach

Replacement, Liquidation or Book Value Method N/A

Application Rejected

Market Approach

Guideline Public Company Method N/A

Application Rejected

Income Approach

Discounted Cash Flow Method

100% Business Enterprise Value of China Energy HKD41,000,000

10% Business Enterprise Value of China Energy HKD4,100,000

Application Accepted

LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against China Energy.

The opinions expressed in this report have been based on the information supplied to us by the Company and its staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

CONCLUSION OF VALUES

In conclusion, based on the analysis stated above and on the valuation method employed, it is our opinion that the fair value of 100% and 10% business enterprise value of China Energy Trading Company Limited as at 30 September 2012 are as follows:

Fair Values	<i>HKD</i>
100% Business Enterprise Value of China Energy Trading Company Limited	41,000,000
10% Business Enterprise Value of China Energy Trading Company Limited	4,100,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S.F. Choy
CFA, CVA
Director

Analyzed and Reported by:

Ferry S.F. Choy, CFA, CVA

Director

Mr. Ferry S.F. Choy, *CFA, CVA*, is experienced in performing valuation for financial reporting and IPO purpose. Most of his clients were listed companies or large private companies looking for going public. His experience covers a wide range of different industry includes food & beverage, manufacturing and information technology.

Kenneth H.M. Ng, FRM

Assistant Manager, Business Advisory

Mr. Kenneth H.M. Ng, *FRM* has substantial experience in valuation of business and intangible assets including operating licenses, mining licenses, trading contracts, customer bases, tradename and trademark. His experience covers wide range of industries including healthcare, financial services, mining, toll road, information technology, manufacturing and retail.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.



25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Room 601, 6/F.
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

Re: Business Valuation of China Petro-chemical Resources Trading Company Limited

At your request, we were engaged to assist you in the valuation analysis pertaining to the fair value of 100% and 10% equity interests in China Petro-chemical Resources Trading Company Limited (“China Petro”) as at 30 September 2012 (the “Valuation Date”), solely as a reference used by Newtree Group Holdings Limited (the “Company”) for investment purpose. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purposes without our express written consent. The standard of value is fair value; while the premise of value is going concern.

Our work was performed subject to the assumptions, limiting conditions and general service conditions described in this report.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

PURPOSE OF ENGAGEMENT

As aforementioned, the purpose of this particular engagement is to assist the management of the Company in determining the fair value of equity interests in China Petro as at the Valuation Date for the investment purpose only.

BASIS OF VALUATION

We have valued the equity interests in China Petro on the basis of fair value. According to the International Valuation Standard (2011 Edition) published by International Valuation Standards Council (“IVSC”), fair value is *“the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.”*

Our valuation has been prepared in accordance with the International Valuation Standards (2011 Edition) on business valuation published by IVSC. This standard contains guideline on the basis and valuation approaches used in business valuation.

LEVEL OF VALUE

Although valuation is a range concept, current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

- **Controlling interest:** the value of the controlling interest, usually evaluating the enterprise as a whole;
- **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
- **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in a manner that it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legally permissible. Premises of value include the following:

- **Going concern:** appropriate when the business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
- **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

- **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and
- **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of the entire business itself.

This valuation of the equity interests in China Petro is prepared on a going concern basis. The management of the Company prepares business planning and forecast for China Petro until 2027 only, our valuation considers the economic benefit streams of China Petro until 2027 and auditor of the Company, agrees with this assumption.

SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their estimate of the fair value of the equity interest in China Petro as at the Valuation Date.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value of the equity interest were based on our discussions with the management of China Petro, as well as a review of company's records and financial projections, including but not limited to:

- The sale and purchase agreement between Vendor and a wholly-owned subsidiary of the Company dated 15 November 2011;
- Master framework purchase agreement dated 1 July 2011 and supplemental agreements dated 1 November 2011 and 8 June 2012 (jointly the "**China Petro Supplier Agreements**") with a company incorporated in Singapore (the "**China Petro Supplier**");
- Master framework purchase agreement dated 1 July 2011 and three supplemental agreements dated 1 November 2011 and 8 June 2012 and 31 August 2012 respectively (jointly the "**China Petro Customer Agreements**") with a state-owned enterprise (the "**China Petro Customer**") of the PRC;
- Purchase contract between China Petro Customer and China Petro dated 31 January 2012 ("**Purchase Contract 1**");
- Purchase contract between China Petro and China Petro Supplier dated 31 January 2012 ("**Purchase Contract 2**");
- Financial forecast of China Petro for the period from 1 October 2012 to 31 March 2013 provided by the management of the Company;
- Management account of China Petro as at the Valuation Date;

- Announcement made by the Company in relation to the completion of the acquisition of the entire equity interest in Sino-Singapore (Offshore) Chemical Resources Trading Company Limited (“**Sino-Singapore**”) dated 6 December 2011;
- Exclusivity Agreement signed between the China Petro Customer and China Petro dated 1 July 2011;
- Letter of confirmation for handling service income to China Petro issued by the China Petro Customer; and
- Agreement signed between China Petro and China International Resources Trading Company Limited (“**China International Resources**”) dated 1 January 2012 in relation to the marketing and operational consultancy services.

We also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news.

ECONOMIC OVERVIEW

Singapore is one of the member countries of the Association of Southeast Asia Nations (“**ASEAN**”). In 2011, based on the International Monetary Fund (“**IMF**”) data, the nominal GDP of Singapore was about US\$259.85 billion¹. Singapore is a major exporter in Asia. Major economic activities include exports and refining imported goods. In the last decade, economy of Singapore increases sharply with a CGAR of about 12.4%. Even though Singapore does not have abundant natural resources, its unique geographic location and well developed infrastructure provides itself an advantage to operate shipping and international trading industry. Therefore, its future economic growth is still largely affected by external economic factors such as exports performance.

Economic Performance

The economy of Singapore continued its upward momentum in 2011. GDP in 2009, 2010 and 2011 were estimated at US\$185.64 billion, US\$227.38 billion and US\$259.85 billion² respectively. A long term stable growth in economy provides a solid foundation for Singapore to step up into the international, diplomatic arena and become the key member of ASEAN.

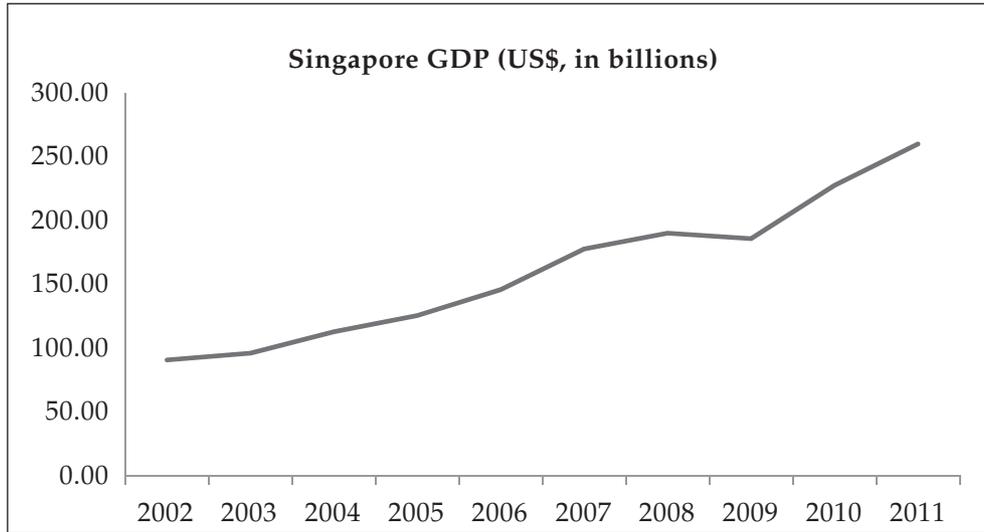
Although Singapore consists of 63 islands, Singapore Island, which is the main island of Singapore, contains 90% of total area of Singapore. Population of Singapore is about 5.3 millions³, with around 74% of its population are Chinese, 13% of its population are Malay and about 9% are Indian descent.

¹ IMF Data

² IMF Data

³ Statistics Singapore

Majority of the economic activities include exports and refining imported goods such as significant electronics, petroleum refining, chemicals, mechanical engineering and biomedical sciences sectors⁴. Tourism is currently the major booster of economy of Singapore, there were 13.2 million tourists in 2011, compared with 7.5 million tourists in 2001 which was an increase of 88% in the last decade⁵, and it is expected to rise in coming future.



Source: IMF

Price Stability

Inflation in Singapore is relatively mild compared with other member countries among ASEAN. The latest inflation rate of Singapore is 4.3%⁶ which is lower than the inflation rate in 2011 (around 5.5%).

Currency

Singapore dollar (“SGD”) keeps appreciating against US\$ in the last decade, from about SGD1.8 per US\$ in 2011 to SGD1.2 per US\$ at the end of 2012. After the US Government announced the third round of quantitative easing (“QE3”), all Asian currencies are expected to continuously strengthen although some economists said the impact is minimal.

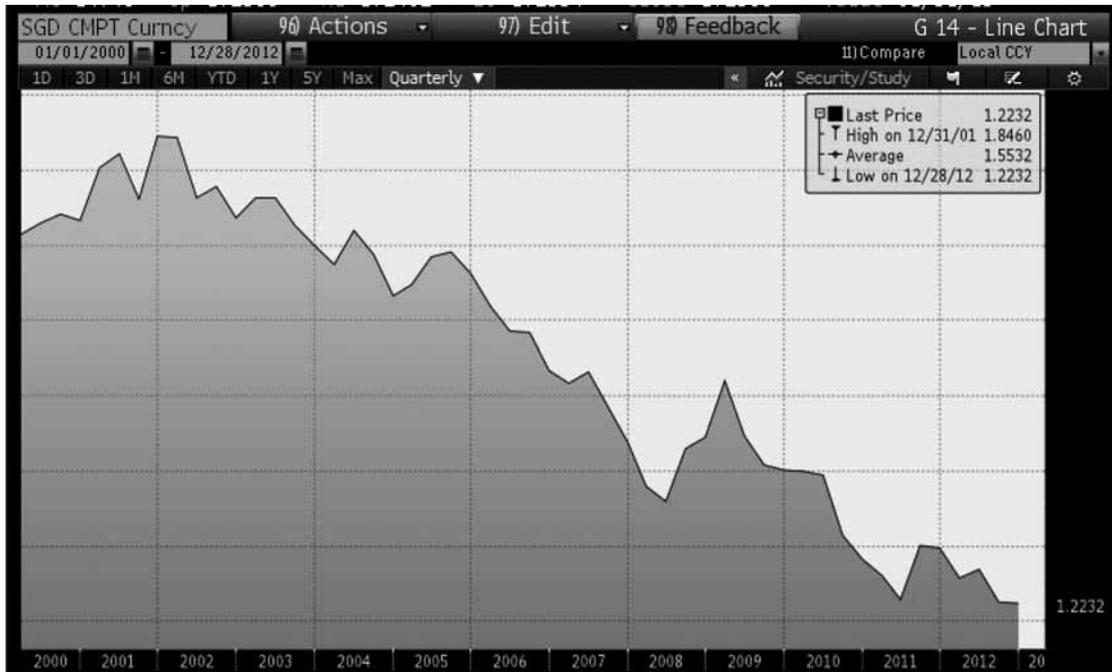
Besides, Singapore is one of the major exporters in Asia and the strengthening of SGD could affect the export of Singapore in future.

⁴ Statistics Singapore

⁵ Yearbook of Statistics Singapore, 2012

⁶ Statistics Singapore

Overall speaking, the price level is still considered to be stable within domestic context. Due to the QE3, it is expected that the SGD to the US\$ would be strengthened when the hot money flows into the Asia Pacific region.



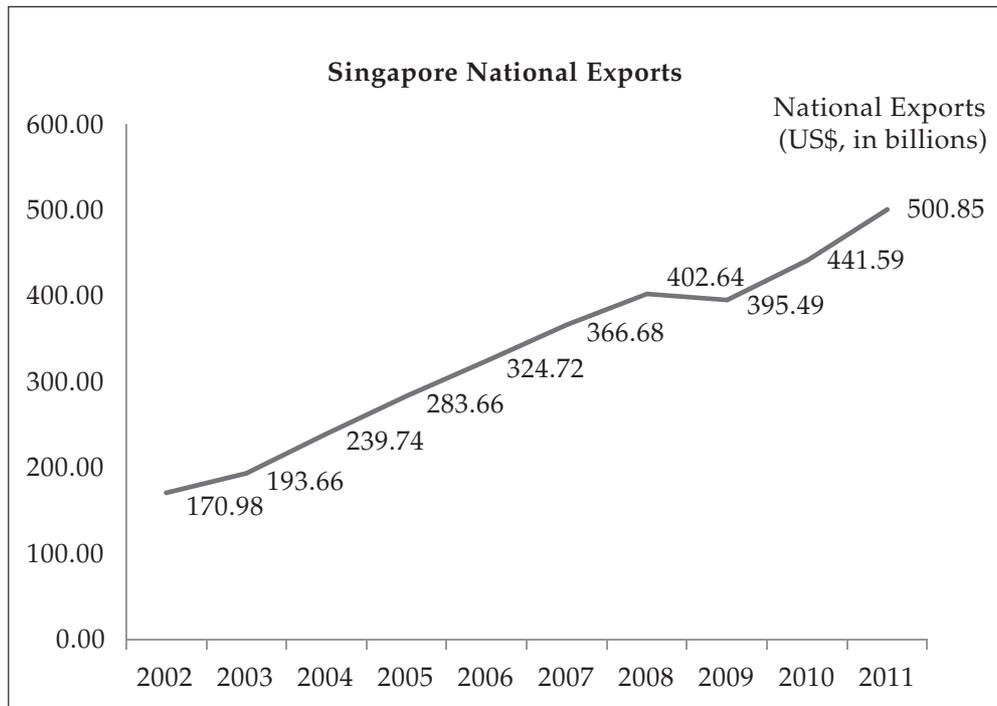
Source: Bloomberg

International Trade

As aforementioned, exports is crucial for economy of Singapore because it derives most of its revenue from international trade. Exports in Singapore increased to US\$500.85 billion in 2011 from US\$441.59 billion in 2010⁷. Products exports from Singapore include electronic goods, fuel and oil products, and chemical products. And the major trading partners include Malaysia, Indonesia, Hong Kong and China.

⁷ Statistics Singapore

Overall speaking, in the short run, Singapore exports is subject to the influence from its major trading partners more than from American and European markets. If the Chinese government launches more powerful policies to support the economy in 2013, the demand for based metals and other commodities such as coal and crude oil will increase the exports performance. In the long run, American market recovery and ease of European debt crisis and national political unrest might continue to be the determining factors.



Source: IMF

INDUSTRY OVERVIEW

Methyl Tertiary Butyl Ether ("M.T.B.E.")

M.T.B.E. is manufactured from the chemical reaction of methanol and isobutylene; it is a highly volatile, highly flammable organic compound that is colourless, sparingly soluble in water, and in liquid form with a melting point of $-109\text{ }^{\circ}\text{C}$ ($-164\text{ }^{\circ}\text{F}$) and boiling point of $55.2\text{ }^{\circ}\text{C}$ ($131\text{ }^{\circ}\text{F}$).

M.T.B.E. is a gasoline additive and often used as a fuel component in fuel for gasoline engines. M.T.B.E. is part of a chemical family commonly known as "oxygenate"; it can raise the octane number, thereby increase the oxygen content of gasoline, help gasoline to burn more completely and help preventing engine knocking.

Due to the water-soluble property of M.T.B.E., M.T.B.E. spreads more easily underground through the polluted groundwater than other gasoline components, and often creates pollution and environmental concerns when there is spillage or leakage of M.T.B.E.-contained gasoline at gas stations.

While M.T.B.E. is banned in some states in United States due to environmental and health concerns, in many other places, gasoline manufacturers have been forced to add oxygenates to gasoline in order to fulfill their local law. Other than M.T.B.E., there are other alternative compounds available as additive for gasoline, such as ethanol and some ethers such as tert-amyl methyl ether (TAME) and tetraethyl lead (TEL). However, M.T.B.E. has some distinct advantage than other oxygenates. The price of methanol is relatively lower than the price of ethanol, M.T.B.E. has a lower tendency to form explosive organic peroxides and M.T.B.E. has a higher boiling point than other oxygenates. As such, M.T.B.E. remains as the most widely produced oxygenate and used extensively in the industry.

The production of M.T.B.E. has been stable globally with the growth in Asian markets due to its fewer ethanol substitute. The Asia-Pacific region is the largest market for M.T.B.E. in 2011, accounted for over half of the world's M.T.B.E. demand. Majority of the M.T.B.E. demand in Asia-Pacific came from China.

COMPANY OVERVIEW

Newtree Group Holdings Limited (the "Company")

The Company is a Hong Kong listed company with the stock code: 1323. The Company is principally engaged in the manufacture and trading of hygienic disposables for household and clinical uses. Products consist mainly of clinical waste bags, general waste bags, disposable film bags and aprons. Besides, the Company has a trading business of M.T.B.E. between Singapore and China.

Sino-Singapore (Offshore) Chemical Resources Trading Company Limited ("Sino-Singapore")

Sino-Singapore is a company incorporated in the British Virgin Islands on 23 May 2011. It is an investment holding company. Sino-Singapore holds 90% equity interests of M.T.B.E. trading business effectively as of the Valuation Date.

China Petro-chemical Resources Trading Company Limited ("China Petro")

China Petro, a company incorporated in Hong Kong on 28 April 2011 with limited liability. The issued share of which is 90% owned by Sino-Singapore and 10% owned by Mr. Woo Man Wai, David.

China Petro has commenced the business of M.T.B.E. trading since March 2012.

VALUATION METHODOLOGIES

The valuation of any asset or business can be broadly classified into one of three approaches, namely asset approach, market approach and income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Based on the theory that the value of an asset is equal to the sum of its parts, value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have considered but rejected asset approach for the valuation of equity interests in China Petro because:

- Value of a company with businesses which are considered as going concern is determined by the ability to generate streams of economic benefits in future, rather than the cost of replacement.

Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of substitution. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected market approach for the valuation of equity interest in China Petro because:

- Market approach is the approximate transaction price of a company/business in the market place. There are no sufficient comparable transactions in the public market; and
- Acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the agreement truly represents the estimate of the transaction.

Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to a present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We have considered and applied income approach to the valuation of equity interest in China Petro because:

- Value of China Petro is determined by its ability to generate economic benefit stream in future; and
- Trading terms and details have been described under Purchase Contract 1 and Purchase Contract 2. Hence, economic benefit streams of China Petro can be reasonably identified.

GENERAL ASSUMPTIONS OF VALUATION

A number of assumptions have to be established in order to sufficiently support our concluded fair value of equity interest in China Petro. The general assumptions adopted in this valuation are:

- there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong, China and South-East Asia where China Petro sources M.T.B.E. to carry its trading business;
- there will be no significant deviation in the industry trends and market conditions from the current market expectation;
- there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- there will be no major change in the current taxation law in Hong Kong and countries of origin of our comparable companies; and
- all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application.

MAJOR ASSUMPTIONS OF VALUATION

Value of an equity interest is an economic measure reflecting the fair value of the whole business to the equity owners. Our valuation of equity interest in China Petro will be performed by using a discounted cash flow methodology, which requires a number of assumptions, including revenue and expense forecasts, working capital requirement and capital expenditure requirement.

The essential elements of DCF are: (1) the expected earnings stream to be discounted, and (2) the discount rate.

The net cash flows from the business enterprise were estimated, and we discounted the sum to a present value at the appropriate discount rate, as illustrated below:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \dots + \frac{E_n}{(1+k)^n}$$

- * PV = Sum of present value of the expected economic income as at the Valuation Date.
- * $E_1, E_2, E_3,$ etc. = Expected economic income in the 1st, 2nd, 3rd periods, and etc.
- * E_n = Expected economic income in the nth or the last period in which an element of income is expected. In the case of China Petro, we assume n is 15th year of operation in 2027.
- * k = Discount rate

The present value of the discounted cash flow represents the business enterprise value (“**BEV**”) of China Petro. We computed the equity value from the BEV by adopting the following formula:

$$\text{Equity Value} = \text{Business Enterprise Value} - \text{Total Debt} + \text{Cash and Cash Equivalents}$$

We have reviewed the calculation and discussed with the management of the Company about the validity of the projection. Our valuation is developed and based on this financial projection. The exchange rate applied in this valuation is US\$1 = HKD7.7541.

The management of the Company provided us with a financial forecast. Provided below is a brief description of major assumptions.

Quantity of M.T.B.E.

The annual trading volume of M.T.B.E. is estimated by the management of the Company. According to the China Petro Supplier Agreements and the China Petro Customer Agreements, the annual minimum trading volume is 20,000 tonnes (+/-10%) per year. Management of the Company assumes that the annual trading volume of M.T.B.E. will be 22,000 tonnes per year until 2013 and 30,000 tonnes per year afterward. As at the Valuation Date, 14,300 tonnes had been traded from April to September 2012 and it is assumed that 4,000 tonnes will be traded in rest of 2012.

Unit Price of M.T.B.E.

The unit price of M.T.B.E. is estimated by the management of the Company. According to Purchase Contract 1, China Petro can sell the M.T.B.E. product at 103% of its cost, hence unit price of M.T.B.E. is grossed up by 3% (the “**gross-up rate**”) from its unit cost.

Revenue and Cost of Goods Sold

Revenue of China Petro comes from trading M.T.B.E. product. The cost of goods sold is the cost of procuring the M.T.B.E. product from the China Petro Supplier.

<i>HKD'000</i>	Oct – Dec		
	2012	2013	2014
Trading Volume (tonnes)	4,000	22,000	30,000
Purchase Price (US\$ per tonne)	1,082	1,082	1,082
Selling Price (US\$ per tonne)	1,115	1,115	1,115
Revenue	34,581	190,197	259,359
Cost of Goods Sold	(33,574)	(184,657)	(251,805)
Gross Profit	1,007	5,540	7,554

* *Sum of individual figures may not equal the total amount due to rounding*

Operating Income/(Expenses)

Operating expenses include all the required expenses to support the operation of the business which include management fee, selling expenses, general administrative expenses (“**G&A**”), etc.

<i>HKD'000</i>	Oct – Dec		
	2012	2013	2014
Selling Expenses	(85)	(406)	(495)
G&A	(1)	(63)	(63)
Management Fee	(403)	(2,216)	(3,021)
Other Income – Handling Service Income	101	487	595
Total	<u>(387)</u>	<u>(2,197)</u>	<u>(2,985)</u>

* *sum of individual figures may not equal the total amount due to rounding*

Capital Expenditures & Depreciation

Per discussion with the management of the Company, they expected no material capital expenditure (“CAPEX”) will be incurred during the projection period due to the nature of the business.

Corporate Income Tax Rate

As China Petro operates its businesses in Hong Kong, we applied 16.5% corporate income tax rate throughout the projection period.

Working Capital Movement

We mainly refer to the comparable companies’ historical average and our understanding from client regarding to the actual operation of China Petro to estimate the required working capital to sustain the operation.

- around 90 days sales outstanding;
- No inventory; and
- around 90 days payable outstanding.

Duration

In accordance with the S&P Agreement, the China Petro Supplier Agreements and the China Petro Customer Agreements will be extended every year except there are special circumstances or exceptional cases. On 8 June 2012, one of the supplementary agreements under the China Petro Supplier Agreements and one of the supplementary agreements under the China Petro Customer Agreements were extended until 31 December 2013. However, the management of the Company prepares business planning and forecast for China Petro until 2027 only, and uses it for business evaluation. Thus, our valuation considers economic benefit streams of China Petro until 2027.

SUMMARY OF FREE CASH FLOWS TO FIRM ("FCFF") PROJECTION OF CHINA PETRO

The table below shows the projection of FCFF (HKD '000) for the valuation.

Year	Oct – Dec		
	2012	2013	2014
Revenue	34,581	190,197	259,359
– Cost of Sales	<u>(33,574)</u>	<u>(184,657)</u>	<u>(251,805)</u>
= Gross Profits	1,007	5,540	7,554
– Operating Expenses	<u>(387)</u>	<u>(2,197)</u>	<u>(2,985)</u>
= EBITDA	621	3,343	4,569
– Depreciation	<u>–</u>	<u>–</u>	<u>–</u>
= EBIT	621	3,343	4,569
– Income Tax	<u>(102)</u>	<u>(552)</u>	<u>(754)</u>
= EBIT after tax	518	2,791	3,815
+ Depreciation	–	–	–
– Capital Expenditure	–	–	–
+/- Working Capital Requirement	<u>–</u>	<u>–</u>	<u>–</u>
= FCFF	<u><u>518</u></u>	<u><u>2,791</u></u>	<u><u>3,815</u></u>

* Sum of individual figures may not equal the total amount due to rounding

DETERMINATION OF DISCOUNT RATE

We developed the cost of equity (“ R_e ”) and the cost of debt (“ R_d ”) of China Petro based on data and factors relevant to the economy, the industry and the Company as at the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital (“WACC”).

Development of Weighted Average Cost of Capital (“WACC”)

We considered market and industry data to develop the WACC for China Petro.

The traditional formula for calculating WACC is:

$$\text{WACC} = (\%D) \times (R_d) \times (1 - \text{Tax Rate}) + (\%E) \times (R_e)$$

Where

WACC	:	Weighted Average Cost of Capital
%D	:	Weight of Interest Bearing Debt;
R_d	:	Cost of Debt;
%E	:	Weight of Equity; and
R_e	:	Cost of Equity.

Development of Cost of Equity (“ R_e ”)

We considered the Modified Capital Asset Pricing Model (“MCAPM”) to calculate the cost of equity of China Petro.

Modified Capital Asset Pricing Model

MCAPM, as applied to China Petro, can be summarized as follows:

$$R_e = R_f + \text{Beta} \times \text{ERP} + \text{RP}_s + \text{RP}_u$$

Where

R_e	:	Cost of Equity;
R_f	:	Risk Free Rate;
Beta	:	A measure of systematic risk;
ERP	:	Equity Risk Premium;
RP_s	:	Size Premium; and
RP_u	:	Specific Company Adjustment.

Risk Free Rate (“R_f”)

R_f was found by looking at the yields of the Hong Kong Exchange Fund Note. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted, which was 15 years in the present case. We relied on the yield of the 15-year Hong Kong Exchange Fund Note as at the Valuation Date.

Equity Risk Premium (“ERP”)

We adopted the recent 30 years of equity risk premium of the market where the subject companies are located and relied on International Equity Risk Premia Report Handbook 2012 published by Ibbotson Associates. For those markets that are not covered by the said publication, the equity risk premium of the US market is multiplied by the relative volatility between S&P 500 Index and equity indices of respective country where the subject company is located to obtain the equity risk premium. The volatility of the US equity market is obtained from Stocks, Bonds, Bills, and Inflation: 2012 Yearbook. The volatility of other equity indices is obtained from Bloomberg.

Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas from four identified publicly traded guideline companies (“Guideline Public Companies”) with reference to the benchmark indices in the stock exchanges which the Guideline Public Companies listed in, details of which are listed in the table below. The identified betas were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the median of the Guideline Public Companies’ capital structure which is considered as the optimal corporate structure from market participant's point of view.

Selection of the Guideline Public Companies

In selecting the Guideline Public Companies, we started with a description of the company, in terms of lines of business, market location of business and other criteria.

China Petro is engaged in trading business of M.T.B.E. in Asia, in particular between Singapore and China, and for this valuation, we have reviewed listed companies operated in trading of petrochemical products in Asia but found that there are no listed companies entirely engaged in trading business of M.T.B.E.. Instead, most of listed companies in petrochemical industry participated in both production and trading of petrochemical products such as gasoline, crude oil and diesel.

Since demand of petrochemical products is highly related to the economic condition in the region. It is reasonable to believe that trading of M.T.B.E. which is a petrochemical product shares similar systematic risk with the listed companies engaged in the businesses of both production and trading of petrochemical products. Hence, we conclude that systematic risk of China Petro can be accessed by looking at listed companies engaged in the businesses of both production and trading of petrochemical products.

For this particular engagement, we have selected companies that are engaged in the similar lines of business, which are listed as follows:

Guideline Public Companies	Ticker	Description
1. China Petroleum & Chemical Corporation	0386 HK	– Refines, produces and trades petroleum and petrochemical products such as gasoline, diesel, jet fuel, kerosene, ethylene, synthetic fibers, synthetic rubber, synthetic resins, and chemical fertilizers. – Explores for and produces crude oil and natural gas in China.
2. Sinopec Shanghai Petrochemical Co. Ltd	0338 HK	– Processes crude oil into a broad range of synthetic fibers, resins and plastics, intermediate petrochemical products and petroleum products.
3. China BlueChemical Ltd	3983 HK	– Manufactures nitrogen fertilizers and produces ammonia and urea.
4. Strong Petrochemical Holdings Ltd	0852 HK	– Offers trades of crude oil, petroleum products, and petrochemical products.

Median Un-Levered Beta

0.76

Median Re-levered Beta

1.05

Size Premium ("RP_s")

RP_s, over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of China Petro, we applied the size premium return in excess of MCAPM of companies in the 10th deciles of Micro Cap segment of NYSE/AMEX/NASDAQ in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2012 Yearbook.

Specific Company Adjustment (“ RP_u ”)

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to the company being valued.

Firm specific risk factors may include the following:

- Competition
- Customer Concentration
- Size
- Poor Access to Capital
- Thin Management
- Lack of Diversification
- Environmental
- Litigation
- Distribution Channels
- Old Technology
- Company Outlook

In the case of China Petro, we believe it was necessary to apply 0.5% of RP_u to the cost of equity as:

- Account receivables of China Petro has been increased significantly and hence the risk of collection increases; and
- Success of the business highly depends on the fulfilment of the contracts.

*Cost of Equity (“R_e”) Conclusion***MCAPM**

Risk Free Rate (“R _f ”)	0.80
Beta	1.05
Equity Risk Premium (“ERP”)	8.34%
Size Premium (“RP _s ”)	6.10%
Specific Company Adjustment (“RP _u ”)	0.50%
Cost of Equity (“R_e”)	16.20

Development of Cost of Debt (“R_d”)

In order to estimate the cost of debt of China Petro, we referred to the market long term lending rate. As such, we adopted the Hong Kong Prime Lending Rate as at the Valuation Date.

Development of Weighted Average Cost of Capital (“WACC”)

WACC (being the discount rate for this valuation) is determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise’s capital structure. We have “levered” China Petro as if it mirrored the average percentage of debt as the comparable companies on the assumption that over time, China Petro would need to approach the comparable companies’ industry average amount of debt, which is the less expensive form of capital than equity, to remain competitive. Subsequent to the calculations of cost of equity and cost of debt, the following equation is used to develop WACC:

$$\text{WACC} = (\%D) \times (R_d) \times (1 - \text{Tax Rate}) + (\%E) \times (R_e)$$

The calculation of the WACC, or the discount rate, therefore becomes:

WACC

Weight of Interest Bearing Debt (%D)	31.35%
× Cost of Debt (“R _d ”)	5.00%
× (1 – Tax Rate)	83.50%
Weighted Cost of Debt	1.31%
+	
Weight of Equity (%E)	68.65%
× Cost of Equity (“R _e ”)	16.20%
Weighted Cost of Equity	11.12%
WACC	12.43%

SENSITIVITY ANALYSIS

WACC & Gross-up profit from cost of M.T.B.E.

Both the WACC and the gross-up profit from the cost of M.T.B.E. adopted play a pivotal role in the valuation as they are very sensitive to the fair value of the equity interest in China Petro. The fair value of 100% equity interest in China Petro under different combinations of the WACC and the gross-up rate are presented below:

WACC (%)	Value of 100% Equity Interest (HKD '000)				
	Gross-Up Rate (%)				
	2.0%	2.5%	3.0%	3.5%	4.0%
10.43%	21,100	25,800	30,500	35,200	40,000
11.43%	20,000	24,500	28,900	33,400	37,900
12.43%	19,000	23,200	27,500	31,700	36,000
13.43%	18,100	22,100	26,200	30,200	34,200
14.43%	17,200	21,100	24,900	28,800	32,600

SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of the China Petro, and strengths/weaknesses are discussed.

Asset Approach

Replacement, Liquidation or Book Value Method N/A

Application Rejected

Market Approach

Guideline Public Company Method N/A

Application Rejected

Income Approach

Discounted Cash Flow Method

100% equity interest in China Petro HKD27,500,000

10% equity interest in China Petro HKD2,750,000

Application Accepted

LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the China Petro.

The opinion expressed in this report has been based on the information supplied to us by the Company, and China Petro and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company and China Petro. Readers of this report may perform due diligence by themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

CONCLUSION OF VALUES

In conclusion, based on the analysis stated above and the valuation method employed, it is our opinion that the fair value of 100% and 10% equity interests in China Petro-Chemical Resources Trading Company Limited as at 30 September 2012 are as follows:

Fair Values	<i>HKD</i>
100% equity interest in China Petro-Chemical Resources Trading Company Limited	27,500,000
10% equity interest in China Petro-Chemical Resources Trading Company Limited	2,750,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S.F. Choy
CFA, CVA
Director

Analyzed and Reported by:

Ferry S.F. Choy, CFA, CVA

Director

Mr. Ferry S.F. Choy, *CFA, CVA*, is experienced in performing valuation for financial reporting and IPO purpose. Most of his clients were listed companies or large private companies looking for going public. His experience covers a wide range of different industry includes food & beverage, manufacturing and information technology.

Kenneth H.M. Ng, FRM

Assistant Manager, Business Advisory

Mr. Kenneth H.M. Ng, *FRM* has substantial experience in valuation of business and intangible assets including operating licenses, mining licenses, trading contracts, customer bases, tradename and trademark. His experience covers wide range of industries including healthcare, financial services, mining, toll road, information technology, manufacturing and retail.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.



25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Room 601, 6/F.
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

Re: Valuation of Business Enterprise Value of China Coal Alliances Trading Company Limited

At your request, we were engaged to assist you in the valuation analysis pertaining to the fair value of 100% business enterprise value of China Coal Alliances Trading Company Limited (“**China Coal Alliances**”) as at 31 December 2012 (the “**Valuation Date**”), solely as a reference used by Newtree Group Holdings Limited (the “**Company**”) for investment purpose only, details of which are set out in the circular issued by the company of which this valuation report forms part. The standard of value is fair value; while the premise of value is going concern.

Our work was performed subject to the assumptions, limiting conditions and general service conditions described in this report.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

PURPOSE OF ENGAGEMENT

As aforementioned, the purpose of this particular engagement is to assist the management of the Company in determining the fair value of the business enterprise value of China Coal Alliances as at the Valuation Date for investment purpose only.

BASIS OF VALUATION

We have valued the business enterprise value of China Coal Alliances on the basis of fair value. According to the International Valuation Standard (2011 Edition) published by International Valuation Standards Council (“IVSC”), fair value is *“the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.”*

Our valuation has been prepared in accordance with the International Valuation Standards (2011 Edition) on business valuation published by IVSC. This standard contains guideline on the basis and valuation approaches used in business valuation.

LEVEL OF VALUE

Although valuation is a range concept, current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

- **Controlling interest:** the value of the controlling interest, usually evaluating the enterprise as a whole;
- **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
- **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in a manner that it would generate the greatest return to the owner of the property, taking into account what is physically possible, financially feasible, and legally permissible. Premises of value include the following:

- **Going concern:** appropriate when the business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

- **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
- **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and
- **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of the entire business itself.

This valuation is prepared on a going concern basis.

SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their estimate of the fair value of the business enterprise value of China Coal Alliances as at the Valuation Date.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value on the business enterprise value of China Coal Alliances was based on our discussions with the management of the Company, as well as a review of key transaction documents and records, including:

- Master framework purchase agreement dated 4 January 2013 (the “**China Coal Alliances Supplier Agreement**”) entered into between China Coal Alliances and a company incorporated in Singapore (the “**China Coal Alliances Supplier**”);
- Master framework purchase agreement dated 4 January 2013 (the “**China Coal Alliances Customer Agreement**”) between China Coal Alliances and a state-owned enterprise of the PRC (the “**China Coal Alliances Customer**”);
- Management account of China Coal Alliances as at the Valuation Date;
- Financial forecast of China Coal Alliances for the period from 1 March 2013 to 28 February 2014 prepared by the Company;

- Agreement signed between China Coal Alliances and China International Resources Trading Company Limited (“**China International Resources**”) dated 11 January 2013 in relation to the marketing and operational consultancy services; and
- Letter of confirmation for authorising an independent third party to pay the handling service income to China Coal Alliances on behalf of the China Coal Alliances Customer issued by the China Coal Alliances Customer dated 11 January 2013.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and news.

ECONOMIC OVERVIEW

Indonesia is one of the member countries of the Association of Southeast Asia Nations (“**ASEAN**”) and has the largest economy among its members. In 2011, based on the World Bank data, the nominal GDP of Indonesia was about US\$846.8 billion¹. Indonesia has abundant natural resources including crude oil, natural gas, coal, tin, copper, and gold. Major economic activities include agriculture, textile and apparel, and tourism. After the severe hit from the financial crisis in 1997, Indonesia’s economy recovered and regained the investment grade rating in 2011. Even though Indonesia has a large population and abundant natural resources, its economy is interlocked with other major economies under globalization. The country’s future economic growth is still largely affected by external economic factors such as exports performance.

Economic Performance

The economy of Indonesia continued its upward momentum in 2011. GDP (purchasing power parity) in 2009, 2010 and 2011 were estimated at US\$1.008 trillion, US\$1.07 trillion and US\$1.139 trillion (all in 2011 US Dollars)². Indonesia has continued its economic growth for thirty years except for the period of the Asian financial crisis in 1997. A long term stable growth in economy provides a solid foundation for Indonesia to step up into the international, diplomatic arena and become the key member of ASEAN. We expect Indonesia will increase its diplomatic power to fight for a better and fairer treatment in any international trade disputes.

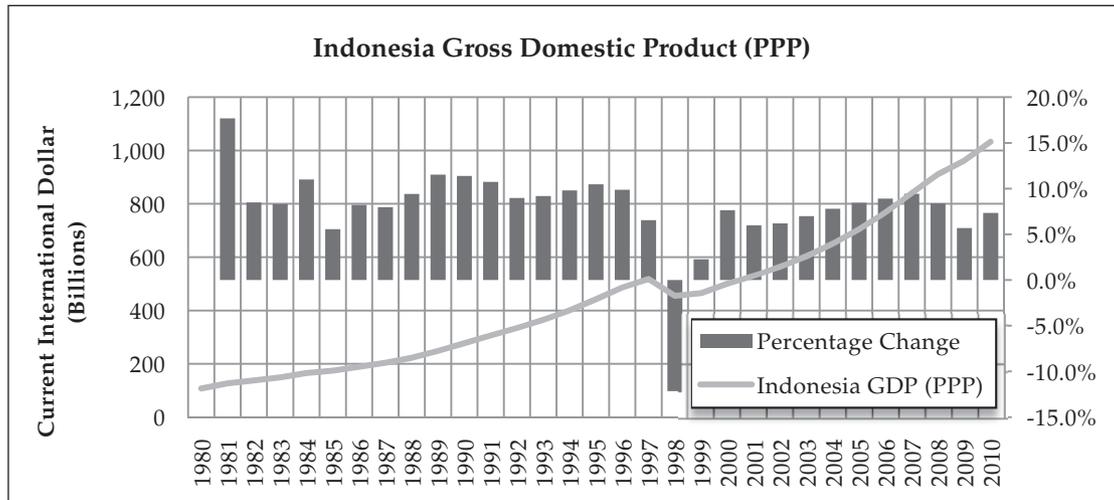
Indonesia has around 17,000 islands and 33 provinces, with the fourth largest population in the world. Its population is heavily concentrated, with around 90% of its population living on Java Island and Sumatra Island. Similar to its population, economic activities in Indonesia are highly concentrated in some districts, especially on Java Island. Regional financial development is extremely imbalance. In 2009, the GDP per capita of the strongest performance district can be up to 162 times of the weakest performing district.

¹ The World Bank Data

² CIA – The World Fact Book

Majority of the economic activities includes agriculture, mining, textile and apparel manufacturing and tourism. Rice and coffee remain the major agriculture produces of Indonesia. Mining, especially the coal sector, has increased international investors' interest after a significant number of transactions took place in the last several years. Textile and apparels have lost it aura after the recession in late 2000. Many textile companies liquidated due to the cheap products import from China. Tourism is currently the major booster of Indonesia economy, it contributed about IDR220,773 billion to the national GDP, and is expected to rise by 7.6% in 2012.

As the Indonesia economic growth still largely depends on external factors, we expect the economic growth in the short term will continue to grow at a moderate pace or even slightly going backwards due to a slow recovery in the US market and a dim prospect on the European debt crisis. However, imbalanced geographical development, poor transportation infrastructure and serious corruption problem are the major challenges to the country's economic growth.



Source: International Monetary Fund and the World Bank

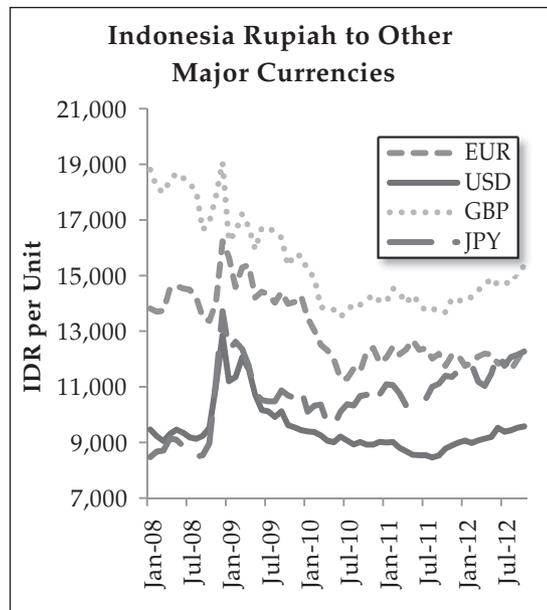
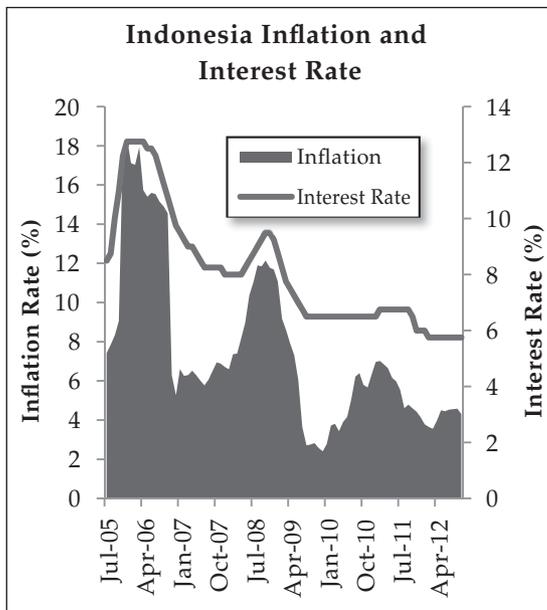
Price Stability

High inflation is always a common problem in developing countries. Indonesia faces a similar challenge but has handled the problem in the last four years. The latest inflation rate of Indonesia is 4.31%³ which is lower than the average inflation rate in the last four years (around 5%) and average inflation rate in the last decade (around 7.5%).

In February 2012, Bank of Indonesia suddenly reduced the reference interest rate for 25 basis points to a record low of 5.75%. The cut surprised the market as more than half of the economists had expected the central bank would leave the rate unchanged. However, based on the current outlooks, it is believed that inflation will continue to ease.

Lowering the interest rate will weaken the Indonesia Rupiah as the return of the Indonesia Rupiah is less attractive compared to that of other currencies. In February 2012, it was expected the Indonesian Rupiah may be weaken a bit and continue to appreciate over the medium term. After the US Government announced the third round of quantitative easing (“QE3”), all Asian currencies are expected to continuously strengthen although some economists said the impact is minimal.

Overall speaking, the price level is still considered to be stable within domestic context as the soft landing of the economy and government counter-cycle measurements. Due to the QE3, it is expected that the Indonesia Rupiah to the US Dollar would be strengthened when the hot money flows into the Asia Pacific region.



Sources: Badan Pusat Statistik and Bank of Indonesia

Remarks: JPY is in 100 units.

Source: www.xe.com

³ Badan Pusat Statistik

International Trade

Indonesia exports many different types of commodities including crude oil, natural gas, silver, coal, copper, tin, nickel, rubber, palm oil, textile, plywood and electronic equipments. Recently, the robust economic expansion in China and India has boosted the exports of coal and palm oil. Not only commodity, electronic equipment exports also maintain at high levels in recent years. Compared to other Southeast Asian countries, Indonesia is relatively less reliant on exports, which only account for less than 30% of the country's GDP.

Subject to the weak demand from the globe, the exports figure in November 2012 dropped 5.3% from the same month last year but increased 6.5% from October 2012. China has become the largest exports contributor of Indonesia, followed by Japan and the United States.

Due to the rapid expansion of the local economy, Indonesia needs to import many machineries, electronic equipments and base metals. Total imports jumped 9.41% to US\$176.11 billion⁴.

Overall speaking, in the short run, Indonesia exports is subject to the influence from Chinese market more than from American and European markets. If the Chinese government launches more powerful policies to support the economy in 2013, the demand for base metals and coal will revive the weak exports performance. In the long run, American market recovery and ease of European debt crisis and national political unrest might continue to be the determining factors.

INDUSTRY OVERVIEW

China Coal Alliances operates coal trading business from Indonesia to China, therefore coal mining industry in Indonesia has substantial effect on business of China Coal Alliances. The demand for their services can be reflected by the coal mining industry as a whole. Understanding about Indonesia coal mining industry can reveal some insights about the risks and opportunities of their business.

Indonesia has a strong demand in the mining sector. Recently, the coal industry is especially eye-catching to international investors after several significant transactions in the past several years. Although the mining law of Indonesia has imposed some restrictions on foreign companies conducting mining contracting and services business in Indonesia, there remains to be some sizable mining contractors which are controlled by foreign entities, such as PT Thiess Contractors Indonesia. Some of the mining operators listed on the Indonesia Stock Exchange are also owned materially by overseas investors, which include PT United Tractors Tbk, PT ABM Investama Tbk and PT Delta Dunia Makmur Tbk etc.

Most of the coal reserves of Indonesia are located in East Kalimantan. Coal mines within the Kalimantan coastal areas are expected to contribute the largest share of Indonesian production in the future. These operations are within proximity of the coastline and only require short barging distances to reach the vessel loading points.

Coal production in Indonesia is expected to significantly expand in short to mid-term, driven by an increasing domestic and international demand on coal. The current existing mine operations are expected to account for a significant part of the growth of Indonesian coal production by 2016. Around 80% of the coal mined are exported. It is expected that the demand for coal will continue to be high both locally and internationally, and the total coal production output of Indonesia is projected to reach 499 million tonnes by 2016.

COMPANY OVERVIEW

China Indonesia Alliances Coal Investment Company Limited (“China Coal”)

China Coal is an investment holding company incorporated in the British Virgin Islands with limited liability. China Coal owns 90% equity interests in China Coal Alliances.

China Coal Alliances Trading Company Limited (“China Coal Alliances”)

China Coal Alliances is a company incorporated in Hong Kong and it is directly owned by the China Coal and Woo Man Wai, David, with 90% and 10% of equity interest respectively. The principal activity of China Coal Alliances is coal trading business, and the main assets of China Coal Alliances are the coal trading agreements include the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement.

In January 2013, China Coal Alliances entered into contracts that it will purchase 25,000 metric tonnes, with +/- 10% acceptable range of deviation, Indonesian coal per month from the China Coal Supplier at US\$58 per metric tonne. On the other hand, China Coal Alliances will sell 25,000 metric tonnes, with +/- 10% acceptable range of deviation, Indonesian coal per month to the China Coal Customer at US\$60 per metric tonne. Details of trading price have been stated on page 122 of this circular. The Indonesian coal will be delivered from loading port in Indonesia to any ports in China. Both contracts start from March 2013 to February 2016 and will be renewed automatically upon expiration with same terms and conditions.

In accordance with the confirmation letter, the China Coal Alliances Customer will provide China Coal Alliances handling service income which the amount is equal to the sum of selling and operational expenses for respective coal trading activity plus 10% mark-up to offset the selling and operational expenses for the respective coal trading incurred by China Coal Alliances.

Newtree Group Holdings Limited (the “Company”)

The Company is a Hong Kong listed company with the stock code: 1323. The Company is principally engaged in the manufacture and trading of hygienic disposables for household and clinical uses. Products consist mainly of clinical waste bags, general waste bags, disposable film bags and aprons. Besides, the Company has a trading business of methyl tertiary butyl ether (“M.T.B.E.”) between Singapore and China.

VALUATION METHODOLOGIES

The valuation of any asset or business can be broadly classified into one of three approaches, namely asset approach, market approach and income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Based on the theory that the value of an asset is equal to the sum of its parts, value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We have considered but rejected asset approach to arrive at the fair value of the business enterprise value of China Coal Alliances as at the Valuation Date due to the following reason:

- The fair value of the business enterprise value of China Coal Alliances is determined by cash flow generated from the coal trading, expenditure incurred/to be incurred. The costs incurred for drafting the legal documents do not truly reflect the value of the business enterprise value of China Coal Alliances. This means that the future economic benefit is more important in evaluating the business enterprise value of China Coal Alliances rather than the cost incurred for the development of China Coal Alliances.

Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of substitution. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We have considered but rejected market approach to arrive at the fair value of the business enterprise value of China Coal Alliances as at the Valuation Date due to the following reasons:

- Market approach is the approximate transaction price of a company/business in the market place. Since each coal trading business in markets contains specific terms and conditions which make the transactions become incomparable; and
- Available public information in relation to acquisitions frequently involves specific buyers who pay a premium/discount under their unique circumstances. This makes it difficult to know if the price paid truly represents the approximate price of the transaction.

Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

We considered and accepted income approach to arrive at the fair value of the business enterprise value of China Coal Alliances as at the Valuation Date due to the following reasons:

- The fair value of the business enterprise value of China Coal Alliances is determined by the generation of economic benefit streams in the future; and
- Economic benefit streams which are the cash flows generated from the China Coal Alliances can be reasonably identified in order to evaluate the fair value.

GENERAL ASSUMPTIONS OF VALUATION

A number of assumptions have to be established in order to sufficiently support our concluded fair value of the business enterprise value of China Coal Alliances. The general assumptions adopted in this valuation are:

- there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong, China and Southeast Asia where China Coal Alliances sources coal to carry its trading business;
- there will be no significant deviation in the industry trends and market conditions from the current market expectation;
- there will be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- there will be no major change in the current taxation law in Hong Kong and countries of origin of our comparable companies; and
- all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application.

MAJOR ASSUMPTIONS OF VALUATION

Our development of the fair value of the business enterprise value of China Coal Alliances under income approach will be performed by using a discounted cash flow (“DCF”) methodology, which requires a number of parameters, including revenue and expense forecasts, working capital requirement and capital expenditure requirement.

The basic DCF formula is set out as follows:

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \frac{E_3}{(1+k)^3} + \frac{E_4}{(1+k)^4} + \frac{\text{Terminal Value}}{(1+k)^4}$$

- * PV = Business enterprise value of China Coal Alliances
- * E_1, E_2, E_3, E_4 = Expected free cash flows to firm of China Coal Alliances in 2013, 2014, 2015 and 2016.
- * Terminal Value = Business enterprise value of China Coal Alliances after the projection period. In the case of China Coal Alliances, we assume the terminal period is 2016.
- * k = Discount rate

In the valuation of China Coal Alliances, the management of the Company has provided us with the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement which comprises of purchase and selling price, the amount of coal per trade, period of the agreements and the renewal terms. Provided below is a brief description and analysis of the major assumptions applied in the valuation of China Coal Alliances.

Revenue and Costs of Goods Sold

As aforementioned, the China Coal Alliances Supplier Agreement states that China Coal Alliances will purchase 25,000 metric tonnes of Indonesian coal per month at US\$58 per metric tonne. On the other hand, the China Coal Alliances Customer Agreement states that China Coal Alliances will sell 25,000 metric tonnes Indonesian coal per month at US\$60 per metric tonne. Both the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement have a contract period of 3 years starting from March 2013.

Year end as at 31 March <i>HKD'000</i>	Jan – Mar 2013	2014	2015	2016
Trading Volume (tonnes)	25,000	300,000	300,000	300,000
Purchase Price (US\$ per tonne)	58	58	58	58
Selling Price (US\$ per tonne)	60	60	60	60
Revenue	11,626	139,511	139,511	139,511
Cost of Goods Sold	(11,238)	(134,860)	(134,860)	(134,860)
Gross Profit	388	4,650	4,650	4,650

* Sum of individual figures may not equal the total amount due to rounding

Selling and Operating Expenses

In the pair trade transactions, the quality of Indonesian coal needs to satisfy the specification, therefore, China Coal Alliances has to perform surveying analysis for verifying the coal specifications with US\$0.12 per metric tonne. In addition, there are other value-added services charges incurred by China Coal Alliances such as agency fees, port and loading charges and insurance charges for the delivery of coals. Management of the Company estimated that US\$6,950 per month will be incurred for all the above mentioned value-added services charges, including charges for surveying analysis. However, the China Coal Alliances Customer will provide China Coal Alliances handling service income which the amount is equal to the sum of selling and operational expenses for the respective coal trading activity plus 10% mark-up to offset the selling and operational expenses for the respective coal trading incurred by China Coal Alliances.

Other incomes and expenses had been considered in the valuation include general office expenses, administrative expenses, management fee and the aforementioned handling service income from the China Coal Alliances Customer.

Year end as at 31 March HKD'000	Jan – Mar 2013	2014	2015	2016
Selling Expenses	(99)	(646)	(646)	(646)
G&A	(1)	(9)	(9)	(9)
Management Fee	(16)	(186)	(186)	(186)
Other Income				
– Handling Service Income	<u>109</u>	<u>711</u>	<u>711</u>	<u>711</u>
Total	<u>(6)</u>	<u>(131)</u>	<u>(131)</u>	<u>(131)</u>

* Sum of individual figures may not equal the total amount due to rounding

Capital Expenditure & Depreciation

Per discussion with the management of the Company, they expected no material capital expenditure (“CAPEX”) will be incurred during the projection period due to the nature of the business.

Corporate Income Tax Rate

We were confirmed by the management of the Company that China Coal Alliances will be subjected to the statutory corporate income tax rate in Hong Kong which is 16.5% for the year 2013.

Basis of Working Capital Movement

As no historical operational record is available, we mainly refer to the comparable companies’ historical average, and our understanding from client regarding to the projected operation of China Coal Alliances to estimate the required working capital to sustain the operation.

- around 90 days as the sales outstanding;
- No inventory; and
- around 90 days as the payable outstanding.

Terminal Value and Long-term Growth Rate

We applied Gordon Growth Model to estimate the terminal value of China Coal Alliances in 2016.

$$\text{Terminal Value in 2016} = \text{FCFF}_{2016} \times (1 + g) / (\text{WACC} - g)$$

where FCFF_{2016} : Free Cash Flows to Firm of China Coal Alliances in 2016;
 g: Long-term Growth Rate; and
 WACC: Weighted Average Cost of Capital.

The long term growth rate applied is 3% with reference to the long-term sustainable growth rate and inflation rate in the region.

Duration

In accordance with the China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement, there are terms of automatic renewal upon expiration of both China Coal Alliances Supplier Agreement and the China Coal Alliances Customer Agreement except there are special circumstances or exceptional cases. Considering the well developed business environment of coal trading business in Asia, we assume the duration of the coal trading business of China Coal Alliances will be in perpetual. Besides, we confirmed from management of the Company that they decide to operate the coal trading business in going concern basis, and therefore, we believe that the assumption of perpetuity is reasonable.

SUMMARY OF FREE CASH FLOWS TO FIRM ("FCFF") PROJECTION OF CHINA COAL ALLIANCES

The table below shows the projection of FCFF (HKD'000) for the valuation.

Year end as at 31 March	Jan – Mar 2013	2014	2015	2016
Revenue	11,626	139,511	139,511	139,511
– Cost of Sales	(11,238)	(134,860)	(134,860)	(134,860)
= Gross Profits	388	4,650	4,650	4,650
– Operating Expenses	(6)	(131)	(131)	(131)
= EBITDA	381	4,520	4,520	4,520
– Depreciation	–	–	–	–
= EBIT	381	4,520	4,520	4,520
– Income Tax	(63)	(746)	(746)	(746)
= EBIT after tax	318	3,774	3,774	3,774
+ Depreciation	–	–	–	–
– Capital Expenditure	–	–	–	–
+/- Working Capital Requirement	–	–	–	–
= FCFF	318	3,774	3,774	3,774

* Sum of individual figures may not equal the total amount due to rounding

DETERMINATION OF DISCOUNT RATE

We developed the cost of equity (“ R_e ”) and the cost of debt (“ R_d ”) of China Coal Alliances based on data and factors relevant to the economy and the industry as of the Valuation Date. These costs were then weighted in terms of a typical or market participant industry capital structure to arrive at the estimated weighted average cost of capital (“WACC”).

Development of Weighted Average Cost of Capital (“WACC”)

We considered market and industry data to develop the WACC for China Coal Alliances.

The traditional formula for calculating WACC is:

$$\text{WACC} = (\%D) \times (R_d) \times (1 - \text{Tax Rate}) + (\%E) \times (R_e)$$

Where	<p>WACC : Weighted Average Cost of Capital</p> <p>%D : Weight of Interest Bearing Debt;</p> <p>R_d : Cost of Debt;</p> <p>%E : Weight of Equity; and</p> <p>R_e : Cost of Equity.</p>
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Development of Cost of Equity (“ R_e ”)

We considered the Modified Capital Asset Pricing Model (“MCAPM”) to calculate the cost of equity of China Coal Alliances.

Modified Capital Asset Pricing Model

MCAPM, as applied to China Coal Alliances, can be summarized as follows:

$$R_e = R_f + \text{Beta} \times \text{ERP} + \text{RP}_s + \text{RP}_u$$

Where	<p>R_e : Cost of Equity;</p> <p>R_f : Risk Free Rate;</p> <p>Beta : A measure of systematic risk;</p> <p>ERP : Equity Risk Premium;</p> <p>RP_s : Size Premium; and</p> <p>RP_u : Specific Company Adjustment.</p>
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Risk Free Rate (“R_f”)

R_f was found by looking at the yields of the Hong Kong Exchange Fund Note. Ideally, the duration of the security used as an indication of R_f should match the horizon of the projected cash flows that were being discounted, which was into perpetuity in the present case. We relied on the yield of the 15-year Hong Kong Exchange Fund Note as at the Valuation Date.

Equity Risk Premium (“ERP”)

We adopted the recent 30 years equity risk premium of the market where the subject company is located and relied on International Equity Risk Premia Report Handbook 2012 published by Ibbotson Associates. For those markets that are not covered by the said publication, the equity risk premium of the US market is multiplied by the relative volatility between S&P 500 Index and equity indices of respective country where the subject company is located to obtain the equity risk premium. The volatility of the US equity market is obtained from Stocks, Bonds, Bills, and Inflation: 2012 Yearbook. The volatility of other equity indices is obtained from Bloomberg.

Beta

In the MCAPM formula, beta is a measure of the systematic risk of a particular investment relative to the market for all investment assets. We obtained betas from nine identified publicly traded guideline companies (“**Guideline Public Companies**”) with reference to the benchmark indices in the stock exchanges which the Guideline Public Companies listed in, details of which are listed in the table below. The identified betas were unlevered to remove the effects of financial leverage on the indication of relative risk provided by the beta, and re-levered at the median of the Guideline Public Companies’ Capital Structure which is considered as the optimal corporate structure from market participant's point of view.

Selection of Guideline Public Companies

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant to compute beta in our determination of the R_e .

In selecting the Guideline Public Companies, we started with a description of the company, in terms of lines of business, market location of business and other criteria.

China Coal Alliances is engaged in coal trading business in Asia, in particular between Indonesia and China, and for this valuation, we have reviewed listed companies operated in coal trading in Asia but found that there are some problems in concluding Guideline Public Companies by those listed coal trading companies. Provided below is a brief description of the problems.

Insufficient Number of Listed Companies

We have reviewed the listed companies and found that there are only few listed companies entirely engaged in coal trading business. Instead, most of the listed companies in coal industry participated in whole business stream includes mining, processing, selling and logistics of coal altogether.

Abnormal Level of Leverage

We found that the debt-to-equity ratios from the coal trading listed companies are very high and given the sample size is small, it is doubtful for us to believe whether the high leveraging level is optimal corporate structure for coal trading companies.

As mentioned above, most of listed companies in coal industry participated in whole business stream and it is reasonable to believe that coal trading companies as one of subsidiaries in coal industry shares similar systematic risk with the listed companies in coal industry. Hence, we believe that systematic risk of China Coal Alliances can be accessed by looking at listed companies in coal industry, and selling (trading) of coal can be regard as part of activities of these listed companies.

The following is the list of Guideline Public Companies that we have reviewed in connection with the valuation of the business enterprise value of China Coal Alliances.

	Guideline Public Company	Ticker	Description
1.	AgriTrade Resources Limited	1131.HK	– Engages in the coal mining business
2.	China Shenhua Energy Company Limited	1088.HK	– Operates coal, coal transportation and power business in China
3.	Yanzhou Coal Mining Company Limited	1171.HK	– Engages in coal mining and production business
4.	China Qinfa Group Limited	0866.HK	– Engages in coal trading, storage and transportation business
5.	Hidili Industry International Development Limited	1393.HK	– Mines and produces clean and coke product
6.	China Coal Energy Company Limited	1898.HK	– Mines and markets thermal and coking coal
7.	Shougang Fushan Resources Group Limited	0639.HK	– Produces and sells coking coal products
8.	Loudong General Nice Resources (China) Holdings Limited	0988.HK	– Engages in coke production business
9.	Winsway Coking Coal Holding Limited	1733.HK	– Distributes coal in China; and – Purchases, transports, stores, processes, and wholesales imported coal

Median Un-Levered Beta

0.79

Median Re-levered Beta

1.40

Size Premium (“ RP_s ”)

RP_s , over the risk premium for the market, can be calculated by subtracting the estimated return in excess of the riskless rate from the realized return in excess of the riskless rate of companies. In the case of China Coal Alliances, we applied the size premium return in excess of MCAPM of companies in the 10th deciles of Micro Cap segment of NYSE/AMEX/NASDAQ in the United States. We relied on the studies performed by Ibbotson Associates as reflected in their Stocks, Bonds, Bills, and Inflation: 2012 Yearbook.

Specific Company Adjustment (“ RP_u ”)

RP_u for unsystematic risk attributable to the specific company is designed to account for additional risk factors specific to China Coal Alliances.

Firm specific risk factors may include the following:

- Competition
- Customer Concentration
- Size
- Poor Access to Capital
- Thin Management
- Lack of Diversification
- Environmental
- Litigation
- Distribution Channels
- Old Technology
- Company Outlook

In the case of China Coal Alliances, we believe it was necessary to apply 1% of RP_u to the cost of equity as:

- Success of the business highly depends on the fulfilment of the contracts.

*Cost of Equity (“R_e”) Conclusion***MCAPM**

Risk Free Rate (“R _f ”)	0.80%
Beta	1.40
Equity Risk Premium (“ERP”)	8.20%
Size Premium (“RP _s ”)	6.10%
Specific Company Adjustment (“RP _u ”)	1.00%
Cost of Equity (“R_e”)	19.37%

Development of Cost of Debt (“R_d”)

In order to estimate the cost of debt of China Coal Alliances, we referred to the market long term lending rate. As such, we adopted the Hong Kong Prime Lending Rate as at the Valuation Date.

Development of Weighted Average Cost of Capital (“WACC”)

WACC is determined by the weighted average, at market value, of the cost of all financing sources in the capital structure. We have “levered” the subject company as if it mirrored the average percentage of debt as the comparable companies on the assumption that over time, the subject company will approach the comparable companies’ industry average amount of debt, which is the less expensive form of capital than equity, to remain competitive. Subsequent to the calculations of the cost of equity and the cost of debt, the following equation is used to develop the WACC:

$$\text{WACC} = (\%D) \times (R_d) \times (1 - \text{Tax Rate}) + (\%E) \times (R_e)$$

The calculation of the WACC, or the discount rate, therefore becomes:

WACC

Weight of Interest Bearing Debt (“%D”)	47.98%
× Cost of Debt (“R _d ”)	5.00%
× (1 – Tax)	83.50%
Weighted Cost of Debt	2.00%
+	
Weight of Equity (“%E”)	52.02%
× Cost of Equity (“R _e ”)	19.37%
Weighted Cost of Equity	10.07%
WACC	12.08%

SENSITIVITY ANALYSIS

WACC & Long-term growth rate

Both the WACC and the long-term growth rate of China Coal Alliances play a pivotal role in the valuation as they are sensitive to the business enterprise value of China Coal Alliances. The fair value of 100% business enterprise value of China Coal Alliances under different combinations of the WACC and the perpetuity growth rate are presented below:

WACC (%)	100% Business Enterprise Value (HKD'000)				
	Long-term Growth Rate (%)				
	2.0%	2.5%	3.0%	3.5%	4.0%
10.08%	46,000	49,000	52,000	55,000	59,000
11.08%	41,000	43,000	45,000	48,000	51,000
12.08%	37,000	39,000	40,000	42,000	45,000
13.08%	34,000	35,000	36,000	38,000	40,000
14.08%	31,000	32,000	33,000	35,000	36,000

SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of China Coal Alliances, and strengths/weaknesses are discussed.

Asset Approach

Replacement, Liquidation or Book Value Method N/A

Application Rejected

Market Approach

Guideline Public Company Method N/A

Application Rejected

Income Approach

Discounted Cash Flow Method HKD40,000,000

Application Accepted

LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against China Coal Alliances.

The opinions expressed in this report have been based on the information supplied to us by the Company and its staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management. Readers of this report may perform due diligence by themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and on the valuation method employed, it is our opinion that the fair value of 100% business enterprise value of China Coal Alliances Trading Company Limited as at 31 December 2012 is as follow:

Fair Value	<i>HKD</i>
100% Business Enterprise Value of China Coal Alliances Trading Company Limited	40,000,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
or and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ferry S.F. Choy
CFA, CVA
Director

Analyzed and Reported by:

Ferry S.F. Choy, CFA, CVA

Director

Mr. Ferry S.F. Choy, *CFA, CVA*, is experienced in performing valuation for financial reporting and IPO purpose. Most of his clients were listed companies or large private companies looking for going public. His experience covers a wide range of different industry includes food & beverage, manufacturing and information technology.

Kenneth H.M. Ng, FRM

Assistant Manager, Business Advisory

Mr. Kenneth H.M. Ng, *FRM* has substantial experience in valuation of business and intangible assets including operating licenses, mining licenses, trading contracts, customer bases, tradename and trademark. His experience covers wide range of industries including healthcare, financial services, mining, toll road, information technology, manufacturing and retail.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

**APPENDIX IV LETTER FROM THE REPORTING ACCOUNTANT
IN RELATION TO THE FORECAST UNDERLYING
THE CHINA ENERGY VALUATION**

POON WING HO

Certified Public Accountant (Practising)

Flat A, 17/F., Toi Shan Centre,
128 Johnston Road, Wan Chai,
Hong Kong

Tel : 2479-9599

Fax: 2442-3835

潘穎豪執業會計師
香港灣仔莊士敦道一二八號
台山中心十七字樓A室
電話：二四七九九五九九
傳真：二四四二三八三五

25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Suite 601, 6th Floor, Aon China Building,
29 Queen's Road Central, Central, Hong Kong

Dear Sirs,

I have examined the calculations of the discounted cash flows forecast underlying the business valuation prepared by Greater China Appraisal Limited dated 25 March 2013 in respect of the appraisal of the fair value of the business enterprise value of China Energy Trading Company Limited (hereinafter referred to as the "**Underlying Forecast**"), which is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibility for the Underlying Forecast

It is the responsibility solely of the directors of the Newtree Group Holdings Limited (the "**Company**") to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the directors of the Company.

Reporting accountant's responsibility

It is my responsibility to form an opinion on the arithmetical accuracy of the calculations of the Underlying Forecast and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules and for no other purpose. I am not reporting on the appropriateness and validity of the bases and the Assumptions on which the Underlying Forecast are based.

APPENDIX IV LETTER FROM THE REPORTING ACCOUNTANT IN RELATION TO THE FORECAST UNDERLYING THE CHINA ENERGY VALUATION
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Because the Underlying Forecast relates to discounted future estimated cash flows, its preparation does not involve the adoption of accounting policies. The Assumptions used in its preparation include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. I have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. My work is more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement. I also accept no responsibility to any other person in respect of, arising out of, or in connection with my work. Accordingly, any other person who relies on my work does so entirely at their own risk.

Basis of Opinion

I conducted my work in accordance with Hong Kong Standard on Assurance Engagement 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that I comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions. My work does not constitute any valuation of the fair value of the business enterprise value of China Energy Trading Company Limited.

Opinion

In my opinion, so far as the calculations are concerned, the Underlying Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

POON WING HO

Certified Public Accountant (Practising)

Practising Certificate Number: P05482

Hong Kong

POON WING HO

Certified Public Accountant (Practising)

Flat A, 17/F., Toi Shan Centre,
128 Johnston Road, Wan Chai,
Hong Kong

Tel : 2479-9599

Fax: 2442-3835

潘穎豪執業會計師
香港灣仔莊士敦道一二八號
台山中心十七字樓A室
電話：二四七九九五九九
傳真：二四四二三八三五

25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Suite 601, 6th Floor, Aon China Building,
29 Queen's Road Central, Central, Hong Kong

Dear Sirs,

I have examined the calculations of the discounted cash flows forecast underlying the business valuation prepared by Greater China Appraisal Limited dated 25 March 2013 in respect of the appraisal of the fair value of 10% equity interests in China Petro-chemical Resources Trading Company Limited (hereinafter referred to as the "**Underlying Forecast**"), which is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibility for the Underlying Forecast

It is the responsibility solely of the directors of the Newtree Group Holdings Limited (the "**Company**") to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the directors of the Company.

Reporting accountant's responsibility

It is my responsibility to form an opinion on the arithmetical accuracy of the calculations of the Underlying Forecast and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules and for no other purpose. I am not reporting on the appropriateness and validity of the bases and the Assumptions on which the Underlying Forecast are based.

APPENDIX V	LETTER FROM THE REPORTING ACCOUNTANT IN RELATION TO THE FORECAST UNDERLYING THE CHINA PETRO VALUATION
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Because the Underlying Forecast relates to discounted future estimated cash flows, its preparation does not involve the adoption of accounting policies. The Assumptions used in its preparation include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. I have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. My work is more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement. I also accept no responsibility to any other person in respect of, arising out of, or in connection with my work. Accordingly, any other person who relies on my work does so entirely at their own risk.

Basis of Opinion

I conducted my work in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that I comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions. My work does not constitute any valuation of the equity interests in China Petro-chemical Resources Trading Company Limited.

Opinion

In my opinion, so far as the calculations are concerned, the Underlying Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

POON WING HO

Certified Public Accountant (Practising)

Practising Certificate Number: P05482

Hong Kong

**APPENDIX VI LETTER FROM THE REPORTING ACCOUNTANT
IN RELATION TO THE FORECAST UNDERLYING
THE CHINA COAL ALLIANCES VALUATION**

POON WING HO

Certified Public Accountant (Practising)

Flat A, 17/F., Toi Shan Centre,
128 Johnston Road, Wan Chai,
Hong Kong

Tel : 2479-9599

Fax: 2442-3835

潘穎豪執業會計師
香港灣仔莊士敦道一二八號
台山中心十七字樓A室
電話：二四七九九五九九
傳真：二四四二三八三五

25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Suite 601, 6th Floor, Aon China Building,
29 Queen's Road Central, Central, Hong Kong

Dear Sirs,

I have examined the calculations of the discounted cash flows forecast underlying the business valuation prepared by Greater China Appraisal Limited dated 25 March 2013 in respect of the appraisal of the fair value of the business enterprise value of China Coal Alliances Trading Company Limited (hereinafter referred to as the “**Underlying Forecast**”), which is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors' responsibility for the Underlying Forecast

It is the responsibility solely of the directors of the Newtree Group Holdings Limited (the “**Company**”) to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the directors of the Company.

Reporting accountant's responsibility

It is my responsibility to form an opinion on the arithmetical accuracy of the calculations of the Underlying Forecast, and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules and for no other purpose. I am not reporting on the appropriateness and validity of the bases and the Assumptions on which the Underlying Forecast are based.

APPENDIX VI LETTER FROM THE REPORTING ACCOUNTANT IN RELATION TO THE FORECAST UNDERLYING THE CHINA COAL ALLIANCES VALUATION
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Because the Underlying Forecast relates to discounted future estimated cash flows, its preparation does not involve the adoption of accounting policies. The Assumptions used in its preparation include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. I have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. My work is more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement. I also accept no responsibility to any other person in respect of, arising out of, or in connection with my work. Accordingly, any other person who relies on my work does so entirely at their own risk.

Basis of Opinion

I conducted my work in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that I comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions. My work does not constitute any valuation of the fair value of the business enterprise value of China Coal Alliances Trading Company Limited.

Opinion

In my opinion, so far as the calculations are concerned, the Underlying Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

POON WING HO

Certified Public Accountant (Practising)

Practising Certificate Number: P05482

Hong Kong

**INCUB Corporate Finance Limited**

25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Room 601, 6/F, Aon China Building
29 Queen's Road Central, Central
Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecast (the "**Forecast**") underlying the business valuation (the "**China Energy Valuation**") prepared by Greater China Appraisal Limited dated 25 March 2013 ("**Greater China Appraisal**") in relation to the appraisal of the fair value of the business enterprise value of China Energy Trading Company Limited ("**China Energy**") as at 30 September 2012. The China Energy Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We have reviewed the Forecast upon which the China Energy Valuation has been made for which you as the directors of Newtree Group Holdings Limited (the "**Company**") are solely responsible, and have discussed with you and Greater China Appraisal the information and documents provided by you which formed part of the bases and assumptions set out in the China Energy Valuation report. We have also considered the letter dated 25 March 2013 addressed to you from Poon Wing Ho Certified Public Accountant (Practising) regarding their review on the arithmetical accuracy of the calculations of the Forecast underlying the China Energy Valuation. We note that the preparation of the Forecast does not involve the adoption of accounting policies as it relates to discounted future estimated cash flows.

On the basis of the foregoing and in the absence of unforeseeable circumstances, we are of the opinion that the Forecast upon which the China Energy Valuation has been made, for which you as the directors of the Company are solely responsible, have been made after due and careful enquiry. However, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Forecast.

Our work in connection with the Forecast has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
INCUB Corporate Finance Limited

Gina Leung
Managing Director

Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Tel : 3107 0223 Fax : 3107 0226

**INCUB Corporate Finance Limited**

25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Room 601, 6/F, Aon China Building
29 Queen's Road Central, Central
Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecast (the "**Forecast**") underlying the business valuation (the "**China Petro Valuation**") prepared by Greater China Appraisal Limited dated 25 March 2013 ("**Greater China Appraisal**") in relation to the appraisal of the 10% equity interests in China Petro-chemical Resources Trading Company Limited ("**China Petro**") as at 30 September 2012. The China Petro Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We have reviewed the Forecast upon which the China Petro Valuation has been made for which you as the directors of Newtree Group Holdings Limited (the "**Company**") are solely responsible, and have discussed with you and Greater China Appraisal the information and documents provided by you which formed part of the bases and assumptions set out in the China Petro Valuation report. We have also considered the letter dated 25 March 2013 addressed to you from Poon Wing Ho Certified Public Accountant (Practising) regarding their review on the arithmetical accuracy of the calculations of the Forecast underlying the China Petro Valuation. We note that the preparation of the Forecast does not involve the adoption of accounting policies as it relates to discounted future estimated cash flows.

On the basis of the foregoing and in the absence of unforeseeable circumstances, we are of the opinion that the Forecast upon which the China Petro Valuation has been made, for which you as the directors of the Company are solely responsible, have been made after due and careful enquiry. However, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Forecast.

Our work in connection with the Forecast has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
INCUB Corporate Finance Limited

Gina Leung
Managing Director

Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Tel : 3107 0223 Fax : 3107 0226

**INCUB Corporate Finance Limited**

25 March 2013

The Board of Directors
Newtree Group Holdings Limited
Room 601, 6/F, Aon China Building
29 Queen's Road Central, Central
Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecast (the "**Forecast**") underlying the business valuation (the "**China Coal Alliances Valuation**") prepared by Greater China Appraisal Limited dated 25 March 2013 ("**Greater China Appraisal**") in relation to the appraisal of the fair value of the business enterprise value of China Coal Alliances Trading Company Limited ("**China Coal Alliances**") as at 31 December 2012. The China Coal Alliances Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We have reviewed the Forecast upon which the China Coal Alliances Valuation has been made for which you as the directors of Newtree Group Holdings Limited (the "**Company**") are solely responsible, and have discussed with you and Greater China Appraisal the information and documents provided by you which formed part of the bases and assumptions set out in the China Coal Alliances Valuation report. We have also considered the letter dated 25 March 2013 addressed to you from Poon Wing Ho Certified Public Accountant (Practising) regarding their review on the arithmetical accuracy of the calculations of the Forecast underlying the China Coal Alliances Valuation. We note that the preparation of the Forecast does not involve the adoption of accounting policies as it relates to discounted future estimated cash flows.

On the basis of the foregoing and in the absence of unforeseeable circumstances, we are of the opinion that the Forecast upon which the China Coal Alliances Valuation has been made, for which you as the directors of the Company are solely responsible, have been made after due and careful enquiry. However, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Forecast.

Our work in connection with the Forecast has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
INCUB Corporate Finance Limited

Gina Leung
Managing Director

Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Tel : 3107 0223 Fax : 3107 0226

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or are required to be entered in the register maintained in accordance with Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

(i) Interests in Shares

Name of Directors	Type of Interest	Number of Shares (note)	Percentage of Interests (%)
Mr. Wong Wai Sing	Beneficial owner	340,267,659	51.04
Mr. Chum Hon Sing	Beneficial owner	340,267,659	51.04

L: Long Position

Note: The 340,267,659 Shares are held by Twin Star Global Limited, a company beneficially owned by Mr. Wong Wai Sing and Mr. Chum Hon Sing as to 50% and 50% respectively.

(ii) Interests in Options

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or are required to be entered in the register maintained in accordance with Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any person (other than the Directors or Chief Executives of the Company) who had any interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Interests and short positions in Shares

Name of Shareholders	Type of Interest	Positions	Number of Shares (note)	Percentage of Interests (%)
Twin Star Global Limited (Note 1)	Beneficial owner	Long	340,267,659	51.04
Liu Fenzhen (Note 2)	Interest in controlled corporations	Long	339,999,660	51.00
Speeder Link International Limited (Note 3)	Security interest	Long	339,999,660	51.00

Notes:

1. This company is ultimately beneficially owned as to 50% by Mr. Wong Wai Sing and 50% by Mr. Chum Hon Sing.
2. Speeder Link International Limited is a company which is 100% controlled by Liu Fenzhen. By virtue of the SFO, Liu Fenzhen is deemed to be interested in all shares held by Speeder Link International Limited.
3. Speeder Link International Limited, as a person having a security interest in the shares, is deemed to be interested in a total of 339,999,660 Shares (which are beneficially owned by Twin Star Global Limited).

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

3. DIRECTORS' OTHER INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the controlling shareholders (as defined in the Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Enlarged Group or any other conflicts of interest with the Enlarged Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2012, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. SERVICE CONTRACTS

Each of all independent non-executive Directors and Ms. Yick Mi Ching Dawnibilly, the executive Directors has entered into a letter of appointment with the Company for a term of one (1) year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one (1) month's notice in writing to the other party.

Each of Mr. Tsang Ho Ka, Eugene and Ms. Sung Ting Yee, both being executive Directors, has entered into a letter of appointment with the Company for a term of one (1) year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than three (3) months' notice in writing to the other party.

Each of Mr. Chum Hon Sing, Mr. Wong Wai Sing and Mr. Lee Chi Shing Caesar, all being executive Directors has not entered into a letter of appointment with the Company.

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

On 12 November 2012, the Company published a profit warning announcement, in which it announced that there will be decrease in net profit for the six months period ended 30 September 2012 as compared to the relevant period in 2011. As set out under the interim report of the Company that the Group's profit before tax decreased by HK\$4.8 million, or 71.7% from HK\$6.7 million for the six months ended 30 September 2011 to HK\$1.9 million for the corresponding period in 2012. The decrease was mainly due to the decrease in gross profit by HK\$6.3 million, increase in administrative expenses of HK\$12.2 million, decrease in other gains and losses of HK\$2.8 million and increase in finance costs of HK\$0.1 million, offset by the increase of other income of HK\$15.9 million and decrease of selling and distribution expenses of HK\$0.6 million.

Save for the above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest audited financial statements of the Company were made up as at the Latest Practicable Date.

6. EXPERTS

Each of INCU, Poon Wing Ho Certified Public Accountant (Practising), Greater China Appraisal and Nuada has given and has not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their letter(s) and report(s) (as the case may be) and/or references to its name in the form and context in which they respectively appear.

The following are the qualifications of the experts who have provided its advice and reports (as the case may be), which are contained in this circular:

Name	Qualifications
INCU Corporate Finance Limited	A licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO
Poon Wing Ho Certified Public Accountant (Practising)	Certified Public Accountant (Practising)
Greater China Appraisal Limited	Independent professional valuer
Nuada Limited	A licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of INCU, Poon Wing Ho Certified Public Accountant (Practising), Greater China Appraisal and Nuada was not beneficially interested in the share capital of any member of the Enlarged Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Enlarged Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 March 2012), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. LITIGATION

No member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 601, 6/F., Aon China Building, No 29 Queen's Road Central, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (i) the China Energy Agreement;
- (ii) the China Petro Agreement;
- (iii) the China Coal Agreement;
- (iv) China Energy Ancillary Documents, China Energy Marketing Service Agreement and the letter relating to the handling service income and customer guarantee of China Energy;
- (v) China Petro Ancillary Documents, China Petro Marketing Service Agreement and the letter relating to the handling service income and customer guarantee of China Petro;
- (vi) China Coal Alliances Ancillary Documents, China Coal Alliances Marketing Service Agreement and the letter relating to the handling service income of China Coal Alliances;
- (vii) the letter from the Independent Board Committee, the text of which is set out on pages 43 to 44 in this circular;
- (viii) the letter of advice from Nuada to the Independence Board Committee and the Independent Shareholders, the text of which is set out on pages 45 to 63 in this circular;

- (ix) the valuation report of China Energy addressed to the Company from Greater China Appraisal;
- (x) the valuation report of China Petro addressed to the Company from Greater China Appraisal;
- (xi) the valuation report of China Coal Alliances addressed to the Company from Greater China Appraisal;
- (xii) the letter from the Poon Wing Ho Certified Public Accountant (Practising), the reporting accountant in relation to the forecast underlying the China Energy Valuation;
- (xiii) the letter from the Poon Wing Ho Certified Public Accountant (Practising), the reporting accountant in relation to the forecast underlying the China Petro Valuation;
- (xiv) the letter from the Poon Wing Ho Certified Public Accountant (Practising), the reporting accountant in relation to the forecast underlying the China Coal Alliances Valuation;
- (xv) the letter from INCU, the Financial Adviser in relation to the forecast underlying the China Energy Valuation;
- (xvi) the letter from INCU, the Financial Adviser in relation to the forecast underlying the China Petro Valuation; and
- (xvii) the letter from INCU, the Financial Adviser in relation to the forecast underlying the China Coal Alliances Valuation.

NOTICE OF EGM



Newtree Group Holdings Limited 友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Newtree Group Holdings Limited (the “**Company**”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong at 11:00 a.m. on Friday, 12 April 2013 for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the agreement dated 23 January 2013 (the “**China Energy Agreement**”) entered into between Star Fantasy International Limited (“**Star Fantasy**”), which is an indirect wholly-owned subsidiary of the Company, as purchaser and Mr. Woo Man Wai, David (the “**Vendor**”) as vendor in relation to the acquisition of the 10% of the issued share capital of China Energy Trading Company Limited by Star Fantasy, a copy of the which has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of 2,500,000 new ordinary shares of HK\$0.01 each (the “**China Energy Consideration Shares**”) in the share capital of the Company to the Vendor credited as fully paid at an issue price of HK\$1.64 per China Energy Consideration Share pursuant to terms and conditions of the China Energy Agreement be and are hereby approved; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the China Energy Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the China Energy Consideration Shares.”

NOTICE OF EGM

2. “THAT

- (a) the agreement dated 23 January 2013 (the “**China Petro Agreement**”) entered into between Sino-Singapore (Offshore) Chemical Resources Trading Company Limited (“**Sino-Singapore**”), which is an indirect wholly-owned subsidiary of the Company, as purchaser and the Vendor as vendor in relation to the acquisition of the 10% of the issued share capital of China Petro-chemical Resources Trading Company Limited by Sino-Singapore, a copy of the which has been produced to this meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of 1,518,292 new ordinary shares of HK\$0.01 each (the “**China Petro Consideration Shares**”) in the share capital of the Company to the Vendor credited as fully paid at an issue price of HK\$1.64 per China Petro Consideration Share pursuant to terms and conditions of the China Petro Agreement be and are hereby approved; and
- (c) any one or more of the directors of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the China Petro Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the China Petro Consideration Shares.”

3. “THAT

- (a) the agreement dated 23 January 2013 (the “**China Coal Agreement**”) entered into between Star Fantasy, as purchaser and the Vendor as vendor in relation to the acquisition of the entire issued share capital of China Indonesia Alliances Coal Investment Company Limited by Star Fantasy, a copy of the which has been produced to this meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of 17,536,585 new ordinary shares of HK\$0.01 each (the “**China Coal Consideration Shares**”) in the share capital of the Company to the Vendor credited as fully paid at an issue price of HK\$1.64 per China Coal Consideration Share pursuant to terms and conditions of the China Coal Agreement be and are hereby approved;
- (c) the issue of the promissory note in the principal amount of HK\$4,000,000 (the “**Promissory Note**”) by the Company pursuant to the terms and conditions of the China Coal Agreement be and is hereby approved; and

NOTICE OF EGM

- (d) any one or more of the directors of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal) which he/she/they consider necessary or expedient to give effect to the China Coal Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the China Coal Consideration Shares and the issue of the Promissory Note.”

By order of the Board
Newtree Group Holdings Limited
Mr. Chum Hon Sing
Chairman and Executive Director

Hong Kong, 25 March 2013

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters:

Flat L, 12/F,
Macau Finance Centre
Rua de Pequim, Macau

Head office of business

in Hong Kong:
Room 601
6/F, Aon China Building
No. 29 Queen’s Road Central
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company’s branch registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should you so wish.
3. In the case of joint holders of shares, any one such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. The voting on the resolutions at the EGM will be conducted by way of a poll.