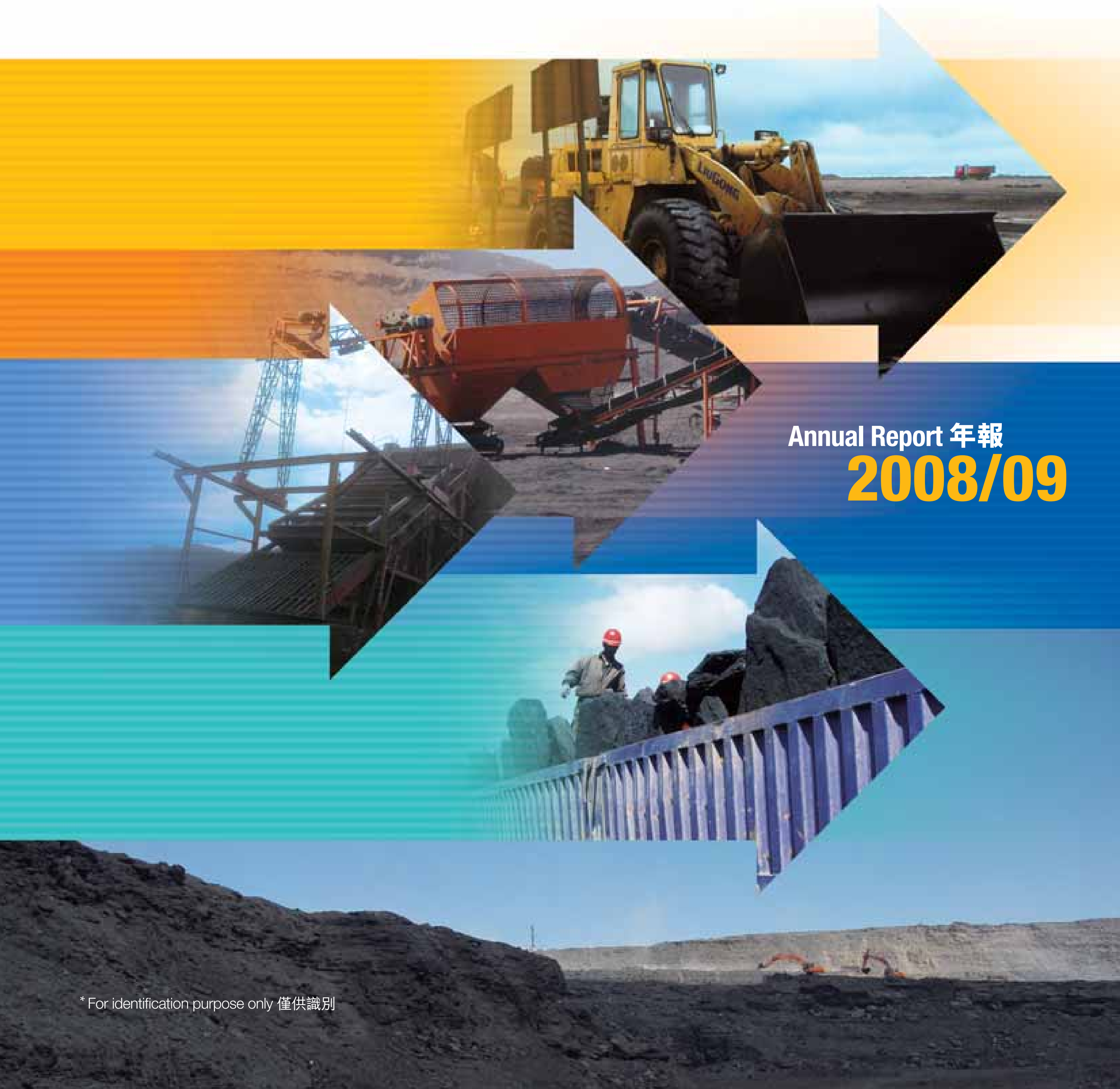
Ming Kei Energy Holdings Limited
明基能源控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

(Stock Code 股份代號：8239)



Annual Report 年報
2008/09

* For identification purpose only 僅供識別

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM'') OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE'')

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Vision

Become one of the leading foreign
coal producer in PRC

Mission

Customers Oriented, Excellence
Services and Collective Win by
Harmonization

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Wai Sing *(Chairman)*
(appointed on 3 November 2008)
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
(appointed on 26 August 2008)
Ms. Yick Mi Ching, Dawnibilly (appointed on 23 July 2008)
Mr. Luk Yue Kan (appointed on 31 December 2008)
Mr. Li Hai (resigned on 13 August 2008)
Mr. Yeung Leung Kong (resigned on 3 September 2008)
Mr. Guo Xu (resigned on 3 November 2008)
Mr. Cheung King Shan (resigned on 31 December 2008)
Mr. Li Qing (resigned on 31 December 2008)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman
Mr. Fung Ho Yin
Mr. Chung Ho Tung

COMPLIANCE OFFICER

Mr. Wong Wai Sing (appointed on 31 December 2008)
Mr. Li Qing (resigned on 31 December 2008)

COMPANY SECRETARY

Mr. Tsang Ho Ka, Eugene
ATIHK, AMA, BCom (UNSW), CPA (Aust.), CPA, MHKIoD

AUTHORISED REPRESENTATIVES

Mr. Tsang Ho Ka, Eugene
Ms. Yick Mi Ching, Dawnibilly
(appointed on 3 September 2008)
Mr. Yeung Leung Kong (resigned on 3 September 2008)

MEMBERS OF THE AUDIT AND REMUNERATION COMMITTEES

Mr. Sung Wai Tak, Herman
Mr. Fung Ho Yin
Mr. Chung Ho Tung

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3308-3309, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

6/F., Block A
YEMA Building
No. 158 Kumming Road
Urumqi, Xinjiang, PRC

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL BANKERS

(in alphabetical order)
Bank of China Hong Kong (Holdings) Limited
Bank of Communications
China Merchants Bank
Standard Chartered Bank (Hong Kong) Limited
Urumqi City Commercial Bank

AUDITOR

Shu Lun Pan Hong Kong CPA Limited
(formerly known as Shu Lun Pan Horwarth Hong Kong CPA Limited)
Certified Public Accountants
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISOR

as to Cayman Islands Law
Conyers Dill & Pearman

as to Hong Kong Law
Michael Li & Co.

as to PRC Law
Fujian Trinity Law Office

COMPANY HOMEPAGE

http://www.mingkeienergy.com

E-MAIL ADDRESS

general@mingkeienergy.com

STOCK CODE

8239

Milestones in 2008 and 2009

JULY 2008

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The group entered into a sale and purchase agreement (the "Disposal") for the disposal of the entire equity interests in Precious Logistics Limited for a consideration of HK$1.5 million in relation to the disposed of the business engaged in various logistics services in sea, road and air freight forwarding and other related logistics services.

The group entered into a non-legal binding memorandum of understanding in relation to the possible acquisition of a coal mine in the Guizhou province, the People's Republic of China (the "PRC").

AUGUST 2008

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Announcement of quarter 1 results for 2008/2009.

An annual general meeting was duly approved by the shareholders for the approving of the grant of general mandates to allot and issue new shares and repurchase by the Ming Kei Energy Holdings Limited (the "Company") of its own shares and re-election of directors.

The Company entered into a placing letter with the placing agent of Wing Hing International (Holdings) Limited (stock code: 621) (the "Wing Hing"). Wing Hing also engaged in metal refining, coal exploitation and trading in Guizhou province, the PRC.

The Hang Seng Indexes Company Limited classified the Company's industry and sector as "Energy" and "Coal" respectively.

SEPTEMBER 2008

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Completion of Disposal.

NOVEMBER 2008

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Announcement of interim results for 2008/2009.

DECEMBER 2008

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A shareholding restructuring (the "Restructuring") among Mr. Wong Wai Sing, the executive director of the Company and chairman of the group (the "Mr. Wong") and his elder brother, Mr. Wong Wai Ngok. Following the completion of the Restructuring, Mr. Wong became the largest substantive shareholder of the Company.

FEBRUARY 2009

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Announcement of quarter 3 results for 2008/2009.

The Company entered into a supplemental agreement with Mr. Wong Wai Ngok, an elder brother of Mr. Wong for an early redemption of his promissory notes with an aggregate principal amount of HK$112.8 million issued by the Company at a discounted amount of HK$2 million.

The Company entered into a supplemental agreement with Ming Kei International Holding Co. Limited (a substantial shareholder of the Company and wholly and beneficially owned by Mr. Wong) (the "Ming Kei International") to amend the terms and conditions of its promissory note with a principal amount of HK$169.2 million issued by the Company that

(a) an amount of HK$49.2 million owing from the Company to Ming Kei International to be waived;

(b) the principal sum of the promissory note to be amended to HK$120 million only; and

(c) the 1% interest per annum payable monthly at the end of each calendar month to be amended to zero coupon.

MARCH 2009

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The group entered into a non-legal binding memorandum of understanding with Lasting Power Investments Limited, a wholly-owned subsidiary of Artfield Group Limited (stock code: 1229) (the "Artfield") in relation to disposal of 51% equity interest (the "51% Disposal) in Star Fortune International Investment Company Limited which beneficially owned the entire interest in the mining rights (採礦許可證) in the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and the exploration permit (礦產資源勘查許可証) in the Zexu Open Pit Coal Mine (澤旭露天煤礦).

MAY 2009

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The group entered into a sales and purchases agreement in relation to the 51% Disposal for the consideration of HK$100M in cash.

The Company entered into a supplemental agreement with Ming Kei International to amend the terms and conditions of its promissory note with an aggregate principal amount of HK$120 million with zero coupon issued by the Company that an amount of HK$80 million owing from the Company to Ming Kei International shall be revised and substituted by a new promissory note in an aggregate principal amount of HK$40 million with zero coupon.

Announcement of annual results 2008/2009.

Top 5 Customers

Enlargement of coal production, Strive to increase the raw coals and Production volume

新疆天暢煤化工
有限責任公司
XINJIANG TIAN CHANG COAL
REFINERY COMPANY LIMITED

巴州嘉禾煤炭銷售
有限責任公司
BAZHOU JIAHE COAL RETAIL
COMPANY LIMITED

奇台縣天泰煤化工
有限責任公司
QITAI COUNTY TIANTAI COAL
REFINERY COMPANY LIMITED

石河子開發區新鵬
煤炭經銷公司
SHIHEZI DEVELOPMENT AREA
XIN PENG COAL TRADING
COMPANY

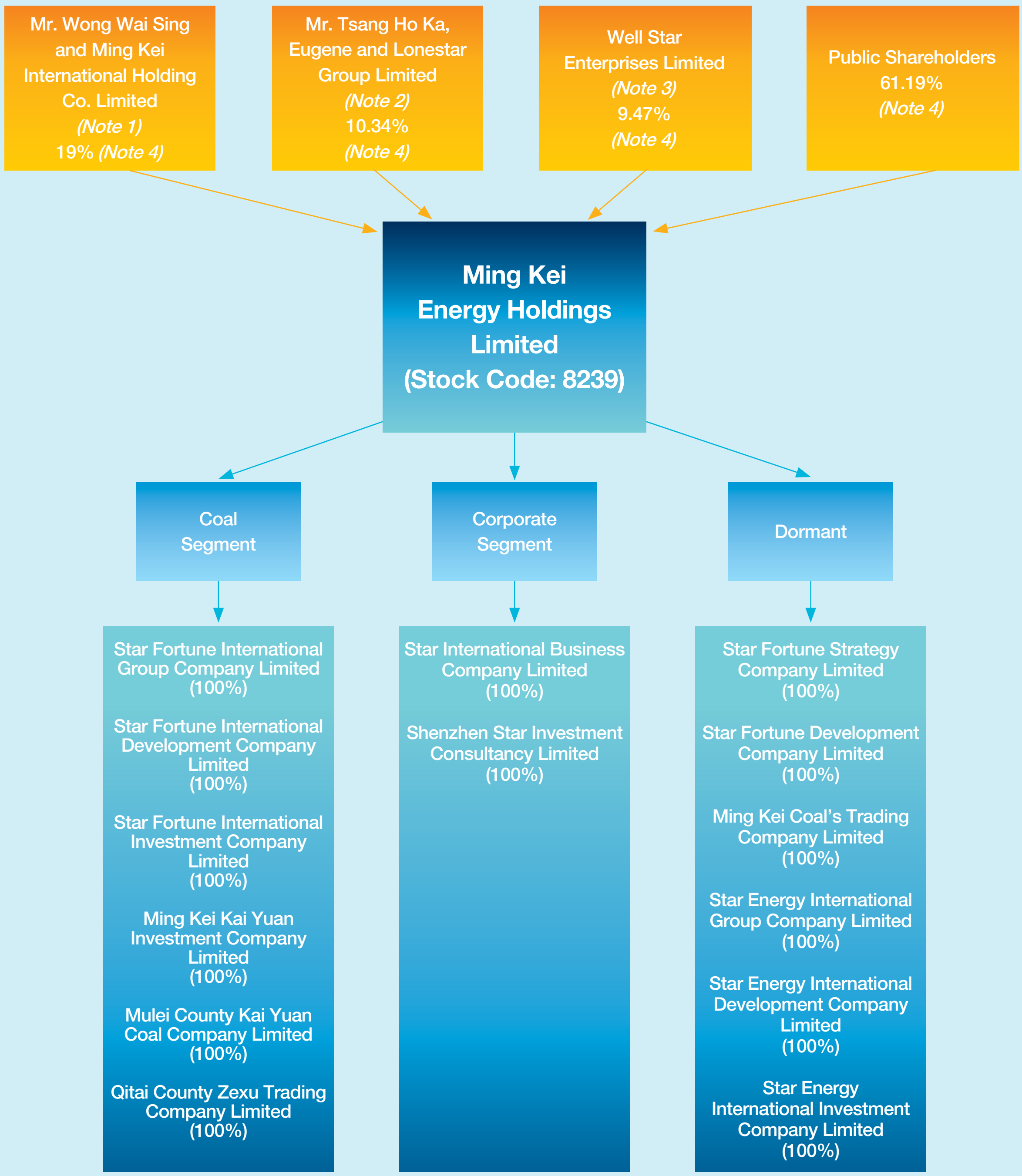
新疆五通煤炭銷售
有限責任公司
XINJIANG WU TONG COAL
RETAIL COMPANY LIMITED

Corporate Profile

The principal activity of Ming Kei Energy Holdings Limited (the "Company") is investment holding. The Company and its subsidiaries (collectively refer to as the "Group") are principally engaged in mining, sale and distribution of coals in the People's Republic of China (the "PRC").

The Group is currently engaged in mining, sale and distribution of coals in the PRC and the two coal mines, namely as 凱源露天煤礦 (Kaiyuan Open Pit Coal Mine) and 澤旭露天煤礦 (Zexu Open Pit Coal Mine) which operated and managed by the Group, are located in 北塔山 (Bei Ta Mountain), 奇台縣 (Qi Tai County), Xinjiang Uygur Autonomous Region of the PRC.

Corporate Structure



Notes:

1. Ming Kei International Holding Co. Limited is wholly and beneficially owned by Mr. Wong Wai Sing, an executive director of the Ming Kei Energy Holdings Limited (the "Company") and chairman of the group.

2. Lonestar Group Limited is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, an executive director of the Company.

3. Well Star Enterprises Limited is wholly and beneficially owned by Mr. Li Hai.

4. As at 31 March 2009.

Financial Highlights

Turnover increased by approximately
264.13%

Gross profit margin increased by approximately
24.70%

Raw coals production increased by approximately
0.64 million tones

Chairman's Statement

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") for the year ended 31 March 2009 to the Company's shareholders.

MARKET OVERVIEW

The Group achieved an excellent revenue growth for the continuing operation of coal mining business for the year ended 31 March 2009, representing an increase by approximately HK$92.63 million or 264.13% over the corresponding prior year ended.

However, in view of the slower economic growth of the People's Republic of China (the "PRC") and uncertainty in the economic recovery during this period of global recession, financial tsunami and dampeners on market sentiment (such as the possible potential spread of swine flu), the prospect of the coal market will continue to be affected and the business in coal mining will continue to be difficult and challenging.

Pursuant to a management review of the business environment and the comparative landscape for the Group's logistics business, taking into account the recurring losses suffered in the logistics division and the limited prospect, the entire equity interest of the Group's logistics business was disposed during the current year under review.

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group recorded a revenue of approximately HK$127.70 million (2008 (restated): approximately HK$35.07 million) which was derived from the continuing operation of coal mining business, representing an increase by approximately HK$92.63 million or approximately 264.13% over the corresponding prior year ended due to the increasing energy demand in the PRC and increase in the average coal selling price and market share of the Group's continuing operation.

The raw coals production was approximately 1.44 million tones (2008: approximately 0.80 million tones) for the year ended 31 March 2009.

For the year ended 31 March 2009, the Group recorded a gain on disposal of subsidiaries of approximately HK$0.4 million, which represented the net gain on disposal of the Group's logistics business (or the Group's discontinued operation) (2008: HK$Nil).

The Group recorded a net loss attributable to the equity holders of the Company from the continuing operation of approximately HK$765.38 million for the year ended 31 March 2009 (2008 (restated): net profit of approximately HK$18.75 million) represented a tremendous decrease by approximately HK$784.13 million or approximately 4,182.03%. The tremendous decrease were mostly caused by the impairment loss on the intangible assets for the year ended 31 March 2009 amounting to approximately HK$1,160.22 million (2008: HK$Nil).

The Group recorded a net loss attributable to the equity holders of the Company from the discontinued operation for the year ended 31 March 2009 was approximately HK$0.6 million (2008 (restated): approximately HK$3.4 million). The decrement by approximately HK$2.8 million or approximately 82.4% was solely due to less months of contribution from the logistics business (and the logistics segment) which was entirely disposed on 3 September 2008 and the recognition of a gain on the disposal of the logistics segment of approximately HK$0.4 million.

The gross profit increased by approximately HK$40.53 million or approximately 1,191.33% as compared to the corresponding period in prior year ended was mainly due to the overall increase in coal selling price achieved during the current year ended 31 March 2009.

The selling and distribution costs increased by approximately 183.14% from approximately HK$0.42 million as restated in the previous corresponding year to approximately HK$1.19 million in the current year as a result of increase in the raw coals sold. Administrative expenses of the Group amounted to approximately HK$28.15 million, a decrease of approximately 3.50% compared to approximately HK$29.17 million as restated in the previous corresponding year.

PROSPECTS AND APPRECIATION

The Group achieved an excellent revenue growth for the continuing operation of coal mining business for the year ended 31 March 2009, representing an increase by approximately HK$92.63 million or approximately 264.13% over the corresponding prior year ended.

However, in view of the slower economic growth of the PRC and uncertainty in the economic recovery during this period of global recession, financial tsunami and dampeners on market sentiment (such as the possible potential spread of swine flu), the prospect of the coal market will continue to be affected and the business in coal mining will continue to be difficult and challenging.

On 8 July 2008, the Company entered into a disposal agreement (the "Disposal") for the disposal of the entire equity interests in the Precious Logistics Limited for an aggregate cash consideration of HK$1,500,000. The Disposal was completed on 3 September 2008.

On 18 July 2008, the Company's indirectly wholly owned subsidiary, Star Energy International Investment Company Limited, entered into a non-legal binding memorandum of understanding (the "MOU") in relation to the possible acquisition of the entire equity interest of a company incorporated in the British Virgin Islands (the "BVI Company"). The BVI Company owned 99% of a company incorporated in the PRC (the "PRC Company"). The PRC Company is principally engaged in coal mining and sale of coals.

On 4 August 2008, the Company entered into a placing letter with the placing agent of Wing Hing International (Holdings) Limited (stock code: 621) (the "Wing Hing") – a company incorporated in Bermuda with limited liability, the shares of which is listed on the main board of the Stock Exchange of Hong Kong Limited. The Company has agreed, as one of the subscribers, to subscribe in cash for the 1,600,000 subscription shares (the "Subscription") for a total subscription price of HK$2,288,000, i.e. HK$1.43 per new Wing Hing share. The Subscription was completed on 14 August 2008. The Group considers that the Subscription provides (i) an opportunity to enjoy any potential capital gain in the value of the Wing Hing Shares (ii) the Subscription represents an opportunity for the Company to create a synergy effect with Wing Hing as both of them have participated or are going to participate in the coal mining industry; and (iii) a good investment channel for the Company, which is in the interests of the shareholders and the Company as a whole.

On 25 August 2008, the Hang Seng Indexes Company Limited classified the Company's industry and sector as "Energy" and "Coal" respectively.

The Company acquired the current continuing operation in July 2007 with a view that coal mining business is in a fast growing trend with immense potential and such acquisition would diversify the Group into a new business with significant growth potential.

However, there are a number of unforeseeable and uncontrollable factors happened subsequent to such investment decision in the global economy in year 2008 and year 2009 respectively and has been continuing which resulted in the prospect of the coal mining industry has not been growing as fast as expected.

The Board believes that the profitability potential of the current continuing operation will be reduced in the short to medium terms, hence, on 13 March 2009, the Group entered into a non-legal binding memorandum of understanding with Lasting Power Investments Limited, a wholly-owned subsidiary of the Artfield Group Limited (stock code: 1229) (the “Artfield”) in relation to disposal of 51% equity interest (the “51% Disposal”) in Star Fortune International Investment Company Limited which beneficially owned the entire interest in the mining rights (採礦許可證) in the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and the exploration permit (礦產資源勘查許可證) in the Zexu Open Pit Coal Mine (澤旭露天煤礦) and subsequently entering into a conditional disposal agreement on 30 April 2009 for the 51% Disposal with a disposal consideration of HK$100 million in cash (the “Disposal Consideration”).

As at 31 March 2009 with cash on hand of approximately HK$54.18 million (2008: approximately HK$69.40 million) and gearing of 36.7% (2008: 23.5%), the Group is still capable and will continue to actively looking for any other potential attractive mining acquisition targets and business opportunities outside the mining sections.

Although the current adverse macro-economic conditions and the global financial crisis are having a negative impact on the overall business globally but there is no significant effect to the businesses of the Group. Notwithstanding the foregoing, the Board confirms that the Group makes no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the counter contingent forward transactions. The Board will constantly keep reviewing the Group’s strategies and operations with a view to improve its business performance in the current global financial tsunami.

As the Disposal Consideration is all cash in nature, the 51% Disposal provides a good opportunity for the Company to realize part of the investment and enhance the cash resources of the Group for possible future investments within the coal mining sector or other sector(s) with growth potential including those sectors which the Director believe are less affected by the global downturn to improve its standard performance and to improve shareholders’ returns.

APPRECIATION

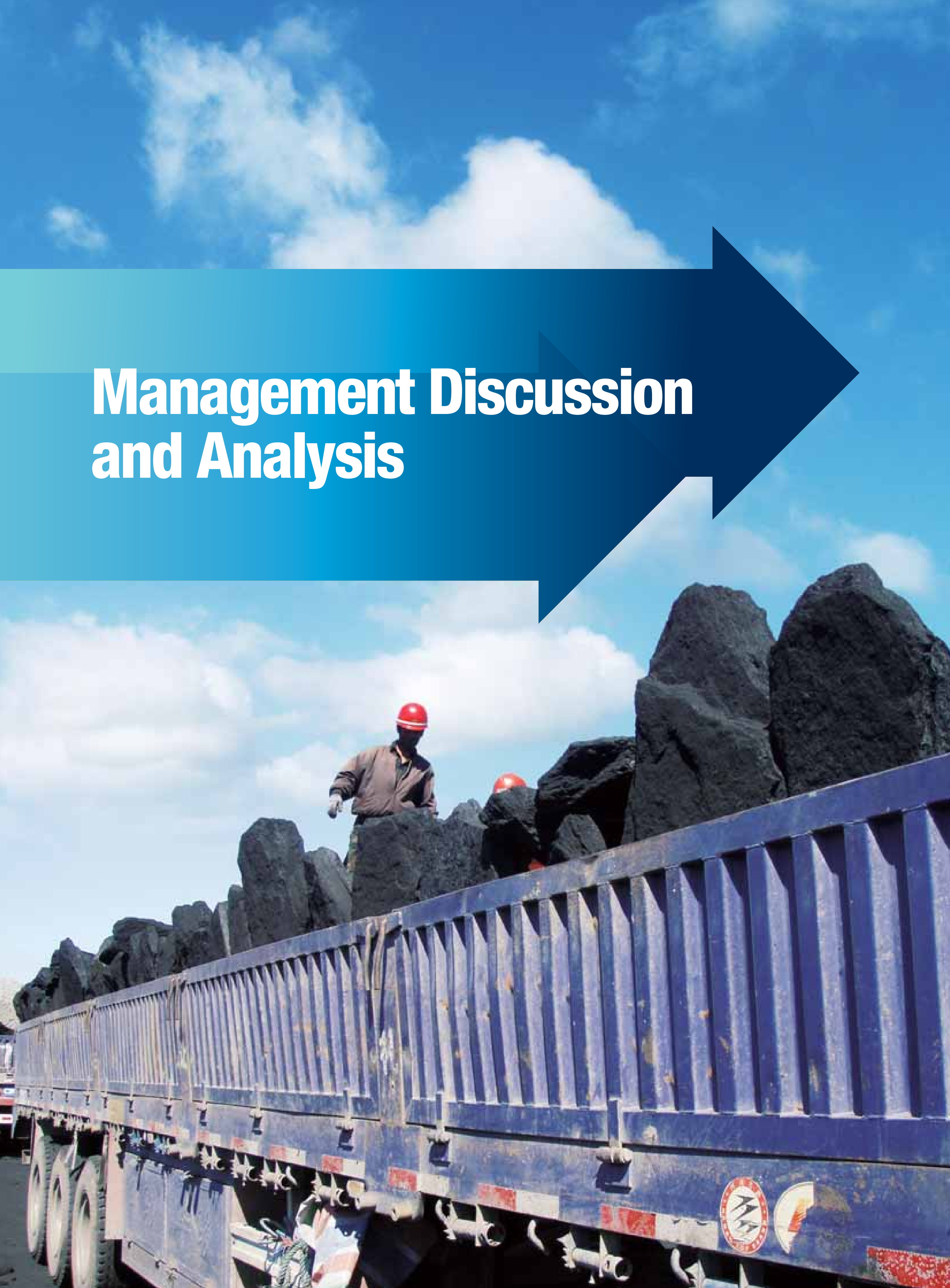
Since I was appointed as the chairman of the Group on 3 November 2008, the Board has performed business review to streamline the business operation and improve the financial position of the Group. New investment opportunities in the other business section outside the coal mining sectors has also been constantly submitted for review. We believe that it would not only enhance the overall profitability but also improve the business scope of the Group.

Lastly, on behalf of the Board of Directors, I would like to take this opportunity to express my gratitude to all employees, shareholders, partners and customers for their continued support and dedication. The Group will continue to put our best effects to produce good economic results and better returns to our shareholders.

By order of the Board
Mr. Wong Wai Sing
Chairman

Hong Kong
26 May 2009

Management Discussion and Analysis



Management Discussion and Analysis

OPERATIONAL REVIEW

General

Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") is principally engaged in mining, sale and distribution of coals in the People's Republic of China (the "PRC").

The Group is currently engaged in mining, sale and distribution of coals in the PRC and the two coal mines, namely as 凱源露天煤礦 (Kaiyuan Open Pit Coal Mine) and 澤旭露天煤礦 (Zexu Open Pit Coal Mine) which operated and managed by the Group, are located in 北塔山 (Bei Ta Mountain), 奇台縣 (Qi Tai County), Xinjiang Uygur Autonomous Region of the PRC.

BUSINESS REVIEW

For the year ended 31 March 2009, the Group recorded a revenue of approximately HK$127.70 million (2008 (restated): approximately HK$35.07 million) which was derived from the continuing operation of coal mining business, representing an increase by approximately HK$92.63 million or approximately 264.13% over the corresponding prior year ended due to the increasing energy demand in the PRC and increase in the average coal selling price and market share of the Group's continuing operation.

The raw coals production was approximately 1.44 million tones (2008: approximately 0.80 million tones) for the year ended 31 March 2009.

For the year ended 31 March 2009, the Group recorded a gain on disposal of subsidiaries of approximately HK$0.4 million, which represented the net gain on disposal of the Group's logistics business (or the Group's discontinued operations) (2008: HK$Nil).

The Group recorded a net loss attributable to the equity holders of the Company from the continuing operation of approximately HK$765.38 million for the year ended 31 March 2009 (2008 (restated): net profit of approximately HK$18.75 million) represented a tremendous decrease by approximately HK$784.13 million or approximately 4,182.03%. The tremendous decrease were mostly caused by the impairment loss on the intangible assets for the year ended 31 March 2009 amounting to approximately HK$1,160.22 million (2008: HK$Nil).

The Group recorded a net loss attributable to the equity holders of the Company from the discontinued operation for the year ended 31 March 2009 was approximately HK$0.6 million (2008 (restated): approximately HK$3.4 million). The decrement by approximately HK$2.8 million or approximately 82.4% was solely due to less months of contribution from the logistics business (and the logistics segment) which was entirely disposed on 3 September 2008 and the recognition of a gain on the disposal of the logistics segment of approximately HK$0.4 million.

The gross profit increased by approximately HK$40.53 million or approximately 1,191.33% as compared to the corresponding period in prior year ended was mainly due to the overall increase in coal selling price achieved during the current year ended 31 March 2009.

The selling and distribution costs increased by approximately 183.14% from approximately HK$0.42 million as restated in the previous corresponding year to approximately HK$1.19 million in the current year as a result of increase in the raw coals sold. Administrative expenses of the Group amounted to approximately HK$28.15 million, a decrease of approximately 3.50% compared to approximately HK$29.17 million as restated in the previous corresponding year.

Liquidity, financial resources and capital structure

As at 31 March 2009, the Group had net current assets of approximately HK$90.03 million (2008: approximately HK$100.27 million) including cash and bank balances of approximately HK$54.18 million (2008: approximately HK$69.40 million). Except for the Group's bills payable of approximately HK$3.45 million (2008: approximately HK$41.07 million), the Group had no other bank overdraft facilities and bank borrowing as at 31 March 2009 and 2008 respectively.

The Group had obligations under finance leases of approximately HK$Nil (2008: approximately HK$0.15 million), of which approximately HK$Nil was repayable within one year (2008: approximately HK$0.15 million) and HK$Nil was repayable beyond one year but within five years (2008: HK$Nil). As at 31 March 2009, the Group has obligations under promissory notes of HK$120 million in nominal principal amount, and obligations under promissory notes stated at amortised cost of approximately HK$103.19 million which was repayable beyond one year but within 5 years (2008: approximately HK$248.99 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2009 was approximately 0.53 (2008: approximately 0.42).

The shares of the Company have been listed on GEM since 15 November 2002.

There is no material change in the capital structure of the Company during the year ended 31 March 2009 under review. As at 31 March 2009, the total issued share capital is 2,640,000,000 shares.

Charge of group assets

As at 31 March 2009, the Group did not have any material charge of assets. (2008: HK$Nil).

Foreign exchange exposure

The functional currencies of the Group's operations are Hong Kong Dollars and Renminbi (the "RMB"). The reporting currencies of the Group is Hong Kong Dollars.

The Group primarily operated in the PRC and most of its transactions are denominated and settled in RMB. The Group's sales are denominated mainly in the functional currency of the Group entity making the sales, with the related costs mainly denominated in the same currency. Accordingly, there is no significant exposure to foreign currency risk.

The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong Dollars or RMB, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 March 2009, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the counter contingent forward transactions.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COAL MINES' LOCATION

Significant Investment

On 4 August 2008, the Company entered into a placing letter with the placing agent of Wing Hing International (Holdings) Limited (stock code: 621) (the "Wing Hing") – a company incorporated in Bermuda with limited liability, the shares of which is listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has agreed, as one of the subscribers, to subscribe in cash for the 1,600,000 subscription shares (the "Subscription") for a total subscription price of HK$2,288,000, i.e. HK$1.43 per new Wing Hing share.

The Subscription constituted a discloseable transaction on the part of the Company under the Rules Governing the Listing of Securities in the Growth Enterprise Market (the "GEM Listing Rules").

The Subscription is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the new Wing Hing shares.

The Subscription was completed on 14 August 2008.

Save as disclosed above, there was no other significant investment held by the Group as at 31 March 2009 (2008: HK$Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

On 8 July 2008, the Company entered into a disposal agreement (the "Disposal") for the disposal of the entire equity interests in the Precious Logistics Limited (the "Precious Logistics") for an aggregate cash consideration of HK$1,500,000.

The Disposal constitutes a major transaction on the part of the Company under the GEM Listing Rules and is subject to the shareholders' approval at an extraordinary general meeting of the Company. The respective resolutions were passed by the shareholders on 29 August 2008 and the Disposal was completed on 3 September 2008.

After the completion of the Disposal, Precious Logistics and its subsidiaries ceased to be subsidiaries of the Company and the Company will no longer have any interests in the Precious Logistics and its subsidiaries engaged in the logistics business.

Save as disclosed above, there was no other material acquisitions or disposals of subsidiaries and affiliated companies held by the Group as at 31 March 2009.

(31 March 2008: On 3 July 2007, the Company's indirect wholly owned subsidiary – Star Fortune International Investment Company Limited entered into the sale and purchase agreement to acquire the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited with a consideration of HK$1 billion as HK$70,000,000 by cash, HK$360,000,000 by Company's shares, HK$288,000,000 by convertible bonds and balance of HK$282,000,000 by promissory notes.

This acquisition constitutes a very substantial acquisition on the part of the Company under the GEM Listing Rules of the Stock Exchange and is subject to the approval of the shareholders at the extraordinary general meeting of the Company. The respective resolutions were passed by the shareholders on 12 November 2007 and the acquisition has been completed on 19 November 2007.

Following the above completion, Ming Kei Kai Yuan Investment Company Limited became an indirect wholly-owned subsidiary of the Company.)

Proposed Acquisition

On 18 July 2008, the Company's indirectly wholly owned subsidiary – Star Energy International Investment Company Limited (the "Star Energy") entered into a non-legal binding memorandum of understanding (the "MOU") with independent third parties (the "Vendors") in relation to the possible acquisition of the entire equity interest of a company incorporated in the British Virgin Islands (the "BVI Company").

The BVI Company owned 99% of a company incorporated in the PRC (the "PRC Company"). The PRC Company is a company engaged in coal mining and sales of coal, which has been granted a mining exploitation permit issued by the Department of Land and Resources of Guizhou Province (貴州國土資源廳), and such mining exploitation permit is valid until June 2018. A refundable deposit (the "Deposit") of HK$21,500,000 was paid by the Star Energy to the Vendors upon the signing of the MOU. In return for the payment of the Deposit by Star Energy, the Vendors pledged all their interests in the entire issued shares of the BVI Company to the Star Energy as security. If no legal binding formal agreement has been entered into on or before 13 July 2009, the Vendors shall return the Deposit without any accrued interest to Star Energy within three business days.

Details of the MOU have been set out in the announcements of the Company dated 18 July 2008 and 14 January 2009 respectively.

Saved as disclosed above, there were no other proposed acquisition during the year ended 31 March 2009 held by the Group (2008: HK$Nil)

Proposed Disposal

On 30 April 2009, the Company's indirectly wholly owned subsidiary – Star Fortune International Development Company Limited (the "Star Fortune") entered into the conditional disposal agreement (the "Disposal Agreement") , among others, with the Lasting Power Investments Limited, a wholly-owned subsidiary of the Artfield Group Limited (stock code: 1229), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange for the disposal of the sale shares, representing 51% equity interests in the Star Fortune International Investment Company Limited, a directly wholly owned subsidiary of Star Fortune for a total consideration of HK$100,000,000 in cash.

Details of the Disposal Agreement have been set out in the announcement dated 7 May 2009.

Save as disclosed above, there were no other proposed disposals during the year ended 31 March 2009 held by the Group (2008: HK$Nil).

Segment information

During the year under review, the Group has disposed the entire logistics' segment through the disposal of its indirectly wholly owned subsidiary – Precious Logistics Limited.

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

Summary details of the business segments are as follows:

(a) the mining segment comprised the mining, exploration and sale of coal (the continuing operation); and

(b) the logistics segment comprised the provision of logistic services (the discontinued operation).

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Employee information

As at 31 March 2009, the Group employed a total of 135 employees (2008: 89). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong. Social insurance contributions were made by the Group for its employees in the PRC in accordance with the relevant PRC regulations.

The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute. The Group also operates a share option scheme (the "Scheme") where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. No share options have been granted to the eligible participants during the current year under review.

Staff costs, excluding Directors' remuneration, decreased by approximately 41.48% to approximately HK$7.66 million (2008: approximately HK$13.09 million).

Contingent liabilities

Environmental contingencies

The Group had no material environmental contingencies as at 31 March 2009 (2008: The estimated capital budget for environmental protection, in relation to all of the two mines of the Group, amounted to approximately HK$3.08 million according to a report of independent technical adviser dated 15 October 2007.

The Group has not incurred any significant expenditures for environmental remediation, and is currently not involved in any environmental remediation, and has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group and therefore, no provision was made therefor as at 31 March 2008. The PRC government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The exact amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.).

Legal contingencies

The Group had no material legal contingencies as at 31 March 2009 and 2008 respectively.

Commitments

Operating lease commitments:

The Group leases its office premises and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to three years. None of the leases includes contingent rentals.

As at 31 March 2009, the Group had commitment for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	Year ended 31 March	
	2009	2008
	HK$'000	HK$'000
Within one year	**2,714**	2,916
In the second to fifth year inclusive	**–**	2,860
	2,714	5,776

The operating leases relate to office premises and staff quarters for terms of one to three years to year 2010.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wong Wai Sing, aged 24, is an associate member of the Hong Kong Institute of Directors. Mr. Wong holds a bachelor of science degree in international business from the Canterbury University, London, an international master of business administration from the Stratford University, Falls Church, Virginia, the United States of America and also completed a certificate of three-tiers' integrate coal mine's safety (三級煤礦安全技術綜合考試) from the Bureau of Xinjiang Coal Mine Safety Supervision, People's Republic of China (中國新疆煤礦安全監察局). Mr. Wong has over 2 years of experiences in mining, natural resources industry and coal trading experiences. Mr. Wong has taken up the management role as the director and legal representative of a number of subsidiaries of the Company respectively. Prior to joining this Company, Mr. Wong was a consultant of a Hong Kong based medium size certified public accountants firm. Mr. Wong is also an executive director of several non-listed companies and also a chairman and a non-executive director of Argos Enterprise (Holdings) Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Growth Enterprises Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8022). Mr. Wong was appointed as the executive Director and compliance officer of the Company and the chairman for the Group with effect from 3 November 2008 and 31 December 2008 respectively.

Mr. Tsang Ho Ka, Eugene, aged 27, is a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Directors, an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong and a full member of the Institute of Accountants Exchange. Mr. Tsang holds a bachelor's degree in commerce from the University of New South Wales, Australia and also completed an accounting extension course of Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has over 6 years of experience in accounting and financial management and previously worked in an international CPA firm and a company listed in the Hong Kong Special Administrative Region of the People's Republic of China. Prior to joining this Company, Mr. Tsang was the company secretary and the qualified accountant of the Richfield Group Holdings Limited (Stock Code: 8136) which is a company listed on the GEM of the Stock Exchange. Mr. Tsang is also an executive director of several non-listed companies. Mr. Tsang was appointed as the executive Director of the Company and the chief executive officer of the Group with effect from 26 August 2008 and 3 September 2008 respectively.

Mr. Luk Yue Kan, aged 33, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University. Mr. Luk is a professional accountant with extensive experience in management, team building, accounting, auditing and finance. Prior to joining the Company, he was a senior manager at an international CPA firm. Mr. Luk was appointed as the executive Director of the Company with effect from 31 December 2008 and has also taken up the management role as a director in a subsidiary of the Company.

Ms. Yick Mi Ching, Dawnibilly, aged 48, holds a bachelor's degree of arts in the business administration from the University of Portsmouth, United Kingdom. Ms. Yick has also completed a diploma in secretarial and administration from the City and Guilds of London Institute and an advanced diploma in secretarial and administrative studies from the Hong Kong Management Association. Ms. Yick has over 15 years in the field of administration. Ms. Yick has over the past years adopted a proactive management approach and delivered an outstanding performance in various areas, specifically in the areas of corporate management and providing secretarial support to the senior executive. Ms. Yick has taken up the management role as the director of a number of subsidiaries of the Company respectively. Prior to joining to the Company, Ms. Yick was an administration manager of the Ming Kei Kai Yuan Investment Company Limited, an indirect wholly owned subsidiary of the Company. Ms. Yick was appointed as the executive Director of the Company with effect from 23 July 2008.

Mr. Li Hai, resigned as the executive Director of the Company with effect from 13 August 2008.

Mr. Yeung Leung Kong, resigned as the executive Director of the Company with effect from 3 September 2008.

Mr. Guo Xu, resigned as the executive Director of the Company and chairman of the Group with effect from 3 November 2008.

Mr. Li Qing, resigned as the executive Director of the Company with effect from 31 December 2008.

Mr. Cheung King Shan, resigned as the executive Director of the Company with effect from 31 December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman, aged 51, is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of the New South Wales in Australia. Mr. Sung holds a bachelor's degree of art from The Chinese University of Hong Kong, a bachelor's degree of laws from The University of London and holds a master of laws from The University of Sydney. Mr. Sung has extensive experiences in the legal area both in Hong Kong and Australia respectively and he is currently a solicitor practising in Hong Kong and his practice has been focused on commercial related matters. Mr. Sung is currently an independent non-executive director of the Argos Enterprise (Holdings) Limited (Stock Code: 8022), a company listed on the GEM of The Stock Exchange.

Mr. Fung Ho Yin, aged 35, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Company Secretaries and an associate of the Institute of Chartered Secretaries & Administrators. Mr. Fung holds a bachelor's degree of arts (honour) in accountancy from the Hong Kong Polytechnic University. Mr. Fung has over 10 years of experience in auditing and tax advisory in Hong Kong. Mr. Fung is currently an audit manager of a Hong Kong based medium size certified public accountants firm.

Mr. Chung Ho Tung, aged 34, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chung holds a bachelor's degree of arts (honour) in accounting and financial management from the University of Essex, United Kingdom and also holds a master of philosophy degree in finance from the University of Cambridge, United Kingdom. Mr. Chung has over 8 years of extensive experience in securities and corporate finance. Mr. Chung is currently an associate director of a corporate finance company specialized in financial and mergers and acquisitions advisory, banking and financing in Hong Kong Special Administrative Region, the People's Republic of China and Taiwan.

SENIOR MANAGEMENT

Mr. Tsang Ho Ka, Eugene, is currently the authorised representative, company secretary and executive Director of the Company and the chief executive officer of the Group. Biographical details are set out on page 24 of the Company's annual report.

Mr. Luk Yue Kan, is currently the executive Director of the Company and chief financial officer and general manager of the Group. Biographical details are set out on page 24 of the Company's annual report.

Ms. Yick Mi Ching, Dawnibilly, is currently the executive Director of the Company and administrative manager of the Group. Biographical details are set out on page 24 of the Company's annual report.

Ms. Sung Ting Yee, aged 34, holds a bachelor's degree in accountancy from the University of Central England, United Kingdom. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting, auditing and internal audit in both Hong Kong and People's Republic of China respectively and previously worked in an international CPA firm as an audit manager and a company listed on the main board of the Stock Exchange. Prior joining to this Company, Ms. Sung was a finance manager of the China Mining Resources Group Limited (Stock Code: 340) which is a company listed on the main board of the Stock Exchange. Ms. Sung is currently the internal audit manager and responsible for the internal audit of the Group.

Mr. Li Junye, aged 39, holds a bachelor degree from the 中國人民大學 (Renmin University of China) major in economics and management. He has over 17 years of experiences in mining, natural resources industry and coal trading experiences. He is currently the managing director of the Company's indirect wholly owned subsidiary of the 木壘縣凱源煤炭有限責任公司 (Mu Lei County Kai Yuan Coal Company Limited).

Mr. Kong Chi Keung, aged 37, holds a bachelor's degree in business administration from the Hong Kong Baptist University. He has over 10 years of experience in project management in the People's Republic of China. Prior joining to this Company, Mr. Kong was a project manager of the Hopewell Highway Infrastructure Limited (Stock Code: 737) which is a company listed on the main board of the Stock Exchange. Mr. Kong is currently the Group's operation manager.

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") is committed to promoting high standards of corporate governance. The board (the "Board") of directors (the "Directors") of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

During the year ended 31 March 2009, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except the following:

1. A.4.1 of the CG Code requires that all non-executive director should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Director of the Company are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association (the "Articles of Association") of the Company. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

2. A.4.4 of the CG Code requires Company should establish a nomination committee at which the majority of the members of the nomination committee should be the independent non-executive directors. Currently, no nomination committee was established by the Company. The Company is in the progress of forming a nomination committee which is expected to be established in accordance with the GEM Listing Rules as and when appropriate.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). During the year ended 31 March 2009, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

(C) BOARD OF DIRECTORS

At present, the Board of the Company comprises seven members are as follows:

Executive Directors:

Mr. Wong Wai Sing *(Chairman)* (appointed on 3 November 2008)
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)* (appointed on 26 August 2008)
Ms. Yick Mi Ching, Dawnibilly (appointed on 23 July 2008)
Mr. Luk Yue Kan (appointed on 31 December 2008)
Mr. Li Hai (resigned on 13 August 2008)
Mr. Yeung Leung Kong (resigned on 3 September 2008)
Mr. Guo Xu (resigned on 3 November 2008)
Mr. Cheung King Shan (resigned on 31 December 2008)
Mr. Li Qing (resigned on 31 December 2008)

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman
Mr. Fung Ho Yin
Mr. Chung Ho Tung

The Company believes that it is headed by an effective Board, lead by Mr. Wong Wai Sing, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Board meets regularly on a quarterly basis. Apart from the regular board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the company secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Generally, the responsibilities of the Board include:

- Formulation of operational strategies and review of its financial performance and results and the internal control systems;
- Policies relating to key business and financial objectives of the Company;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Remuneration of Directors;
- Communication with key stakeholders, including shareholders and regulatory bodies; and
- Recommendation to shareholders on final dividend and the declaration of any interim dividends.

Decisions regarding the daily operation and administration of the Company are delegated to the management, lead by the chief executive officer (the "CEO"), Mr. Tsang Ho Ka, Eugene.

The Board meets four times a year to review the financial and operating performance of the Group. Details of attendance of the meeting of the Board are as follows:

Directors	Board No. of Meetings Held	Board No. of Meetings Attended
Mr. Wong Wai Sing *(Chairman)* (appointed on 3 November 2008)	4	2
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)* (appointed on 26 August 2008)	4	3
Ms. Yick Mi Ching, Dawnibilly (appointed on 23 July 2008)	4	3
Mr. Luk Yue Kan (appointed on 31 December 2008)	4	2
Mr. Li Hai (resigned on 13 August 2008)	4	1
Mr. Yeung Leung Kong (resigned on 3 September 2008)	4	1
Mr. Guo Xu (resigned on 3 November 2008)	4	1
Mr. Cheung King Shan (resigned on 31 December 2008)	4	2
Mr. Li Qing (resigned on 31 December 2008)	4	2
Mr. Sung Wai Tak, Herman	4	4
Mr. Fung Ho Yin	4	4
Mr. Chung Ho Tung	4	4

All Directors, including independent non-executive Director of the Company assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 March 2009, the role of the chairman (the "Chairman") of the Group is taken up by Mr. Wong Wai Sing and the role of the CEO is taken up by Mr. Tsang Ho Ka, Eugene, hence, the role of the Chairman and CEO are separated.

(E) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, namely Mr. Sung Wai Tak, Herman, Mr. Fung Ho Yin and Mr. Chung Ho Tung, respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the provisions governing the retirement and rotation of Directors in the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation at each annual general meeting.

(F) REMUNERATION OF DIRECTORS

A remuneration committee (the "RC") was set up on 20 March 2006 to oversee the remuneration policy and structure for all Directors and senior management. The RC is chaired by Mr. Sung Wai Tak, Herman and two other members Mr. Fung Ho Yin and Mr. Chung Ho Tung, all being independent non-executive Directors. The role of the RC is to recommend to the Board a framework for remunerating the Directors and key executives and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

The remuneration package for executive Directors comprises a basic salary and a performance related bonus for their contributions. All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors' remuneration are set out in note 9 to the accounts in this annual report.

Details of the attendance of the remuneration committee meeting are as follows:

	Remuneration Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Sung Wai Tak, Herman	1	0
Mr. Fung Ho Yin	1	1
Mr. Chung Ho Tung	1	1

(G) NOMINATION OF DIRECTORS

No nomination committee was established by the Company. The Company is in the progress of forming a nomination committee which is expected to be established in accordance with the GEM Listing Rules as and when appropriate.

(H) AUDITOR'S REMUNERATION

During the year ended 31 March 2009, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

Nature of services	**2009 Amount (HK$)'000**	2008 Amount (HK$)'000
Audit services	**650**	680
Non-audit services		
Taxation compliance services	**17**	111
Financial due diligence services	**160**	–

(I) AUDIT COMMITTEE

The audit committee (the "AC") of the Company comprises the three independent non-executive Directors and headed by Mr. Fung Ho Yin. The AC performs, amongst others, the following functions:

- ensure that co-operation is given by the Company's management to the external auditors where applicable;
- review the Group's quarterly, half-yearly and annual results announcements and the financial statements prior to their recommendations to the Board for approval;
- review the Group's financial reporting process and internal control system; and
- review of transactions with interested persons.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

	Audit Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Sung Wai Tak, Herman	4	3
Mr. Fung Ho Yin	4	4
Mr. Chung Ho Tung	4	4

(J) ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

(K) INTERNAL CONTROL

The Board has conducted annual review on the system of internal control of the Group and its effectiveness covering the financial, operational, compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets.

(L) INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company's web site (http://www.mingkeienergy.com) offers communication channel between the Company and the Company's shareholders and potential investors. Apart from disclosure of all necessary information to the shareholders in compliance with the GEM Listing Rules of the Stock Exchange, news update of the Company's business development and operation are available on the Company's website.

Report of the Directors

The board (the "Board") of directors (the "Directors") herein present the annual report and the audited financial statements of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009.

DATE OF INCORPORATION

The Company was incorporated in the Cayman Islands on 12 June 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands and its principal place of business in Hong Kong is Room 3308-09, The Center, 99 Queen's Road Central, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 November 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 17 to the accounts. During the year under review, the Group's logistics business was disposed.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 5 to the accounts.

RESULTS AND DIVIDENDS

The Group's consolidated profit for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 98.

The Directors do not recommend any dividends during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2009 and of the assets and liabilities of the Group as at 31 March 2009, 2008, 2007, 2006 and 2005 prepared on the basis set out in the note below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Revenue					
Continuing operation	**127,705**	35,071	–	–	–
Discontinued operation	**6,054**	16,068	33,444	65,732	81,916
	133,759	51,139	33,444	65,732	81,916
Profit/(loss) before tax from continuing and discontinued operations	**(1,058,072)**	13,414	(7,352)	(8,128)	(9,701)
Income tax from continuing and discontinued operations	**292,141**	1,974	(3,149)	1,510	1,755
Profit/(loss) attributable to equity holders of the Company	**(765,931)**	15,388	(10,501)	(6,618)	(7,946)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**249,103**	1,448,486	1,748	6,091	5,585
Current assets	**139,590**	187,668	18,826	13,337	28,564
Current liabilities	**49,565**	87,396	7,270	7,234	16,194
Net current assets	**90,025**	100,272	11,556	6,103	12,370
Non-current liabilities	**154,876**	604,368	879	1,268	411
	184,252	944,390	12,425	10,926	17,544

Note: The consolidated results of the Group for the years ended 31 March 2009 and 2008 and the consolidated assets and liabilities of the Group as at 31 March 2009 and 2008 are set out on pages 45 and 46 of the annual report.

The revenue figures have been re-presented as if the logistic business segment has been discontinued at the beginning of the year ended 31 March 2005, the earliest period presented.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the accounts.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme, are set out in the Report of the Directors, titled SHARE OPTION SCHEME and note 31 to the accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year under review (2008: HK$Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 48 of the annual report and in note 29(b) to the accounts respectively.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK$157,824,000 (2008: HK$801,523,000). This includes the Company's share premium account of HK$841,530,000 (2008: HK$841,530,000) and capital reserve account of HK$53,659,000 (2008: HK$6,510,000) in aggregate at 31 March 2009 which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for approximately 32% (2008: approximately 84%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 17% (2008: approximately 26%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 88% (2008: approximately 79%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 38% (2008: approximately 47%) of the total purchases for the year.

As far as the Directors are aware, neither the Directors of the Company, any of their associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Wong Wai Sing *(Chairman)*	(appointed on 3 November 2008)
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*	(appointed on 26 August 2008)
Ms. Yick Mi Ching, Dawnibilly	(appointed on 23 July 2008)
Mr. Luk Yue Kan	(appointed on 31 December 2008)
Mr. Li Hai	(resigned on 13 August 2008)
Mr. Yeung Leung Kong	(resigned on 3 September 2008)
Mr. Guo Xu	(resigned on 3 November 2008)
Mr. Cheung King Shan	(resigned on 31 December 2008)
Mr. Li Qing	(resigned on 31 December 2008)

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman
Mr. Fung Ho Yin
Mr. Chung Ho Tung

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Wong Wai Sing, Mr. Tsang Ho Ka, Eugene, Mr. Luk Yue Kan, who were appointed as the directors of the Company on 3 November 2008, 26 August 2008 and 31 December 2008 respectively, all the above mentioned Directors and Mr. Fung Ho Yin and Mr. Sung Wai Tak, Herman will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company confirmed that it has received from each of its independent non-executive Directors the annual confirmation for his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and still considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 24 to 25 of the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Ms. Yick Mi Ching, Dawnibilly, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 23 July 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Tsang Ho Ka, Eugene, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 26 August 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Wong Wai Sing, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 3 November 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Luk Yue Kan, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 31 December 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Sung Wai Tak, Herman, one of the independent non-executive Director of the Company, entered into the services contract with the Company for a term of one year commencing from 7 March 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Fung Ho Yin, one of the independent non-executive Director of the Company, entered into the services contract with the Company for a term of one year commencing from 30 May 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Chung Ho Tung, one of the independent non-executive Director of the Company, entered into the services contract with the Company for a term of one year commencing from 19 June 2008 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Apart from the forgoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Interest in shares

Name	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Ming Kei International Holding Co. Limited (the "Ming Kei") (Note 1)	Beneficial owner	339,000,000 (L) (Note 6)	12.841
Mr. Wong Wai Sing (Note 2)	Beneficial owner	162,610,000 (L) (Note 6)	6.159
	Interest of controlled corporation	339,000,000 (L) (Note 6)	12.841
Lonestar Group Limited (the "Lonestar") (Note 3)	Beneficial owner	260,000,000 (L) (Note 6)	9.848
Mr. Tsang Ho Ka, Eugene (Note 4)	Beneficial owner	13,000,000 (L) (Note 6)	0.492
	Interest of controlled corporation	260,000,000 (L) (Note 6)	9.848
Ms. Lau Kimberly Siu Yan Kaiulani (Note 5)	Interest of spouse	273,000,000 (L) (Note 6)	10.340
Mr. Luk Yue Kan	Beneficial owner	60,000 (L) (Note 6)	0.002

(ii) Interest in share options

Name of Director	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options granted
Mr. Luk Yue Kan (appointed on 31 December 2008)	10/03/2008	10/03/2008 – 11/03/2018	0.718	20,000,000 (L) (Note 6)

Notes:

1. Ming Kei is wholly and beneficially owned by Mr. Wong Wai Sing, an executive Director of the Company and an executive director of Ming Kei.

2. Ming Kei is wholly and beneficially owned by Mr. Wong Wai Sing, therefore, Mr. Wong Wai Sing, is deemed to be interested in the 339,000,000 Shares in which Ming Kei in interested.

3. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, an executive Director of the Company and a sole executive director of Lonestar.

4. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, therefore, Mr. Tsang Ho Ka, Eugene is deemed to be interested in the 260,000,000 Shares in which Lonestar in interested.

5. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene and who is the spouse of Ms. Lau Kimberly Siu Yan Kaiulani. Accordingly, Mr. Tsang Ho Ka, Eugene and Ms. Lau Kimberly Siu Yan Kaiulani is deemed to be interested in the 260,000,000 Shares in which Lonestar in interested and Ms. Lau Kimberly Siu Yan Kaiulani is deemed to be interested in the Shares beneficially owned by Mr. Tsang Ho Ka, Eugene in his own capacity.

6. The letter “L” denoted a long position in shares.

Save as disclosed above, as at 31 March 2009, none of the Directors nor the chief executives of the Company had any other interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and the share option scheme disclosures in note 31 to the accounts, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 26 October 2002 pursuant to a written resolution of the Company. On 11 October 2007, options to subscribe for an aggregate of 105,000,000 shares at HK$0.888 per share and on 10 March 2008, options to subscribe for an aggregate of 20,000,000 Shares at HK$0.718 had been granted by the Company under the Scheme. As at 31 March 2009, 125,000,000 share options granted under the Scheme were still outstanding. Particulars and movements of the share options granted under the Scheme were as follows:

Categories of grantees	Date of grant	Exercisable Period	Exercise Price per share HK$	Closing Price at the date of grant HK$	Outstanding as at 01/04/2008	Granted during the year	Exercise during the year	Outstanding as at 31/03/2009
Emoloyee(s)	11/10/2007	11/10/2007 – 12/10/2017	0.888	0.870	35,000,000	–	–	35,000,000
Consultant(s)	11/10/2007	11/10/2007 – 12/10/2017	0.888	0.870	70,000,000	–	–	70,000,000
Director								
Mr. Luk Yue Kan (appointed on 31 December 2008)	10/03/2008	10/03/2008 – 11/03/2018	0.718	0.670	20,000,000	–	–	20,000,000
					125,000,000	–	–	125,000,000

Details of the Scheme are set out in note 31 to the accounts.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the interests and short positions of persons, other than a Director or chief executives of the Company, in the shares and underlying shares of the Company 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 is, 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 other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Ming Kei International Holding Company Limited (the "Ming Kei") (Note 1)	Beneficial owner	339,000,000 (L) (Note 7)	12.841
Mr. Wong Wai Sing (Note 2)	Beneficial owner	162,610,000 (L) (Note 7)	6.159
	Interest of controlled corporation	339,000,000 (L) (Note 7)	12.841
Lonestar Group Limited (the "Lonestar") (Note 3)	Beneficial owner	260,000,000 (L) (Note 7)	9.848
Mr. Tsang Ho Ka, Eugene (Note 4)	Beneficial owner	13,000,000 (L) (Note 7)	0.492
	Interest of controlled corporation	260,000,000 (L) (Note 7)	9.848
Ms. Lau Kimberly Siu Yan Kaiulani (Note 5)	Interest of spouse	273,000,000 (L) (Note 7)	10.340
Well Star Enterprises Limited (the "Well Star") (Note 6)	Beneficial owner	250,000,000 (L) (Note 7)	9.469
Mr. Li Hai (Note 6)	Interest of controlled corporation	250,000,000 (L) (Note 7)	9.469
Ms. Zhao Yang (Note 6)	Interest of spouse	250,000,000 (L) (Note 7)	9.469

Notes:

1. Ming Kei is wholly and beneficially owned by Mr. Wong Wai Sing, an executive Director of the Company and an executive director of Ming Kei.

2. Ming Kei is wholly and beneficially owned by Mr. Wong Wai Sing, therefore, Mr. Wong Wai Sing, is deemed to be interested in the 339,000,000 Shares in which Ming Kei in interested.

3. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, an executive Director of the Company and a sole executive director of Lonestar.

4. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, therefore, Mr. Tsang Ho Ka, Eugene is deemed to be interested in the 260,000,000 Shares in which Lonestar in interested.

5. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene and who is the spouse of Ms. Lau Kimberly Siu Yan Kaiulani. Accordingly, Mr. Tsang Ho Ka, Eugene and Ms. Lau Kimberly Siu Yan Kaiulani is deemed to be interested in the 260,000,000 Shares in which Lonestar in interested and Ms. Lau Kimberly Siu Yan Kaiulani is deemed to be interested in the Shares beneficially owned by Mr. Tsang Ho Ka, Eugene in his own capacity.

6. Well Star is wholly and beneficially owned by Mr. Li Hai and who is the spouse of Ms. Zhao Yang. Accordingly, Mr. Li Hai and Ms. Zhao Yang is deemed to be interested in the 250,000,000 Shares in which Well Star in interested

7. The letter "L" denoted a long position in shares.

Save as disclosed above, as at 31 March 2009, the Directors or chief executives of the Company were not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company 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 is, 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 other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Apart from the share options, details of which are set out above in the Report of the Directors titled "SHARE OPTION SCHEME", the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 March 2009 and 2008 respectively.

COMPETITION AND CONFLICT OF INTERESTS

Up to the date of this report, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

CORPORATE GOVERNANCE

Subject to the deviations as disclosed in Corporate Governance Report set out on pages 26 to 31 of the Company's annual report, the Company has complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules during the year under review.

AUDIT COMMITTEE

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this annual report, the audit committee comprises three members, Mr. Sung Wai Tak, Herman, Mr. Chung Ho Tung, and Mr. Fung Ho Yin, all are independent non-executive Directors of the Company. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

A remuneration committee was set up on 20 March 2006 with written terms of reference to oversee the remuneration policy and structure for all directors and senior management. As of the date of this annual report, the remuneration committee comprised three members, namely Mr. Sung Wai Tak, Herman, Mr. Fung Ho Yin, and Mr. Chung Ho Tung, all are independent non-executive Directors of the Company. The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2009.

AUDITOR

The financial statements have been audited by Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) and will hold office until the conclusion of the forthcoming annual general meeting of the Company and retire (the "Retirement").

On 1 May 2009, Shu Lun Pan Hong Kong CPA Limited has merged their business with BDO McCabe Lo Limited and renamed as BDO Limited. As such, the Company proposes to appoint BDO Limited as the new auditors of the Company in the forthcoming annual general meeting to fill in the casual vacancy due to the Retirement.

On behalf of the Board
Mr. Wong Wai Sing
Chairman

Hong Kong, 26 May 2009

Independent Auditors' Report

Shu Lun Pan Hong Kong CPA Limited
香港立信會計師事務所有限公司

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Wanchai, Hong Kong
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audit@slp.com.hk

TO THE SHAREHOLDERS OF MING KEI ENERGY HOLDINGS LIMITED
（明基能源控股有限公司）
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 98, which comprise the consolidated and Company balance sheets as at 31 March 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HONG KONG CPA LIMITED
Certified Public Accountants

26 May 2009

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000 (restated)
Continuing operation			
Turnover	6	127,705	35,071
Cost of sales		(83,774)	(31,669)
Gross profit		43,931	3,402
Impairment loss on intangible assets	16	(1,160,219)	–
Gain on partial waiver of promissory notes by a non-equity participant	27(i)	101,677	–
Excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition	30(ii)	–	50,777
Other income and gains	6	1,226	2,066
Selling and distribution costs		(1,192)	(421)
Administrative expenses		(28,146)	(29,166)
Finance costs	8	(14,795)	(9,878)
(Loss)/profit before tax	7	(1,057,518)	16,780
Income tax	10	292,141	1,974
(Loss)/profit for the year from continuing operation		(765,377)	18,754
Discontinued operation			
Loss for the year from discontinued operation	11	(554)	(3,366)
(Loss)/profit for the year attributable to equity holders of the Company	12	(765,931)	15,388
Dividend	13	–	–
(Loss)/earnings per share attributable to equity holders of the Company	14		
From continuing and discontinued operations			
– Basic		(29.01) HK cents	0.76 HK cents
– Diluted		N/A	0.76 HK cents
From continuing operation			
– Basic		(28.99) HK cents	0.93 HK cents
– Diluted		N/A	0.93 HK cents

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**38,655**	18,113
Intangible assets	16	**187,385**	1,430,193
Available-for-sale financial assets	18	**1,460**	–
Deposits paid for possible acquisition of subsidiaries	19	**21,500**	–
Deferred tax assets	25(i)	**103**	180
		249,103	1,448,486
Current assets			
Inventories	20	**49,494**	2,877
Accounts and bills receivable	21	**11,909**	78,754
Prepayments, deposits and other receivables		**24,011**	36,637
Cash and cash equivalents	22	**54,176**	69,400
		139,590	187,668
Current liabilities			
Accounts and bills payable	23	**18,415**	45,184
Accrued expenses and other payables		**29,438**	42,067
Obligations under finance leases	24	**–**	145
Current tax payable		**1,712**	–
		49,565	87,396
Net current assets		**90,025**	100,272
Total assets less current liabilities		**339,128**	1,548,758
Non-current liabilities			
Deferred tax liabilities	25(ii)	**45,083**	355,374
Promissory notes	27	**103,193**	248,994
Provision for close down, restoration and environmental costs	33	**6,600**	–
		154,876	604,368
Net assets		**184,252**	944,390
CAPITAL AND RESERVES			
Issued capital	28	**26,400**	26,400
Reserves	29(a)	**157,852**	917,990
Total equity		**184,252**	944,390

These financial statements were approved and authorised for issue by the board of directors on 26 May 2009.

Mr. Wong Wai Sing
Director

Mr. Tsang Ho Ka, Eugene
Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	–	8
Available-for-sale financial assets	18	1,460	–
Deposit paid for possible acquisition of subsidiaries	19	21,500	–
Deferred tax assets	25(i)	103	103
		23,063	111
Current assets			
Prepayments, deposits and other receivables		8,703	1,024
Amounts due from subsidiaries	17	246,039	1,021,102
Cash and cash equivalents	22	10,641	63,194
		265,383	1,085,320
Current liabilities			
Accrued expenses and other payables		1,029	8,514
Net current assets		264,354	1,076,806
Total assets less current liabilities		287,417	1,076,917
Non-current liabilities			
Promissory notes	27	103,193	248,994
Net assets		184,224	827,923
CAPITAL AND RESERVES			
Issued capital	28	26,400	26,400
Reserves	29(b)	157,824	801,523
Total equity		184,224	827,923

These financial statements were approved and authorised for issue by the board of directors on 26 May 2009.

Mr. Wong Wai Sing
Director

Mr. Tsang Ho Ka, Eugene
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Issued capital HK$'000 (Note 28)	Share premium HK$'000 (Note 29(a))	Capital reserve HK$'000 (Note 29(a))	Statutory reserve fund HK$'000 (Note 29(a))	Share option reserve HK$'000 (Note 29(a))	Convertible bonds reserve HK$'000 (Note 29(a))	Asset revaluation reserve HK$'000 (Note 29(a))	Exchange reserve HK$'000 (Note 29(a))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2007	15,000	14,946	3,867	–	–	–	–	–	(21,388)	12,425
Exchange difference arising on translation of foreign operation and total income for the year recognised directly in equity	–	–	–	–	–	–	–	63,233	–	63,233
Profit for the year	–	–	–	–	–	–	–	–	15,388	15,388
Total income for the year	–	–	–	–	–	–	–	63,233	15,388	78,621
Appropriation	–	–	–	862	–	–	–	–	(862)	–
Issue of new shares (Note 28)	3,000	90,300	–	–	–	–	–	–	–	93,300
Issue of new shares on acquisition of subsidiaries (Note 30(ii))	4,000	404,000	–	–	–	–	–	–	–	408,000
Issue of convertible bonds (Note 26)	–	–	–	–	–	38,054	–	–	–	38,054
Issue of new shares on conversion of convertible bonds (Note 26)	3,200	287,836	–	–	–	(38,054)	–	–	–	252,982
Share options exercised (Note 31)	1,200	54,679	–	–	(1,879)	–	–	–	–	54,000
Share issue expenses	–	(10,231)	–	–	–	–	–	–	–	(10,231)
Recognition of share-based payments (Note 31)	–	–	–	–	17,239	–	–	–	–	17,239
Balance at 31 March 2008	**26,400**	**841,530**	**3,867**	**862**	**15,360**	**–**	**–**	**63,233**	**(6,862)**	**944,390**
Balance at 1 April 2008	26,400	841,530	3,867	862	15,360	–	–	63,233	(6,862)	944,390
Exchange difference arising on translation of foreign operation	–	–	–	–	–	–	–	(46,794)	–	(46,794)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(1,072)	–	–	(1,072)
Total expense recognised directly in equity	–	–	–	–	–	–	(1,072)	(46,794)	–	(47,866)
Loss for the year	–	–	–	–	–	–	–	–	(765,931)	(765,931)
Total expense for the year	–	–	–	–	–	–	(1,072)	(46,794)	(765,931)	(813,797)
Appropriation	–	–	–	3,994	–	–	–	–	(3,994)	–
Transfer upon disposal of subsidiaries	–	–	(3,867)	–	–	–	–	–	3,867	–
Gain on partial wavier of promissory notes by an equity participant (Note 27(ii))	–	–	53,659	–	–	–	–	–	–	53,659
Balance at 31 March 2009	**26,400**	**841,530**	**53,659**	**4,856**	**15,360**	**–**	**(1,072)**	**16,439**	**(772,920)**	**184,252**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax from continuing and discontinuing operations		**(1,058,072)**	13,414
Adjustments for:			
Impairment loss on intangible assets		**1,160,219**	–
Gain on partial waiver of promissory notes by a non-equity participant		**(101,677)**	–
Excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition		**–**	(50,777)
Depreciation	7	**3,112**	1,146
Amortisation of intangible assets	7	**17,939**	9,599
Loss on disposal of property, plant and equipment	7	**765**	–
Provision for close down, restoration, and environmental costs	7	**6,600**	–
Share-based payments	7	**–**	17,239
Interest income	6	**(455)**	(1,947)
Gain on disposal of subsidiaries	11	**(444)**	–
Interest expenses	8	**14,800**	9,957
		42,787	(1,369)
Increase in inventories		**(46,617)**	(2,582)
Decrease/(increase) in accounts and bills receivable		**62,252**	(41,604)
Decrease/(increase) in prepayments, deposits and other receivables		**11,698**	(3,930)
(Decrease)/increase in accounts and bills payable		**(26,000)**	34,743
(Decrease)/increase in accrued expenses and other payables		**(6,292)**	7,374
Cash generated from/(used in) operations		**37,828**	(7,368)
Interest received		**455**	1,947
Interest paid		**(3,265)**	(2,666)
Net cash inflow/(outflow) from operating activities		**35,018**	(8,087)
Cash flows from investing activities			
Acquisition of subsidiaries	30(ii)	**–**	(67,593)
Disposal of subsidiaries	30(i)	**(646)**	–
Purchase of items of property, plant and equipment	15	**(27,366)**	(1,599)
Proceeds from disposal of property, plant and equipment		**2,558**	–
Additions to intangible assets	16	**–**	(38)
Purchase of available-for-sale financial assets		**(2,532)**	–
Deposit paid for possible acquisition of subsidiaries	19	**(21,500)**	–
Net cash outflow from investing activities		**(49,486)**	(69,230)

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Proceeds from issue of new shares	28	–	147,300
Share issue expenses		–	(10,231)
Repayment on promissory notes	27	(2,000)	–
Repayment of finance lease obligations		(145)	(844)
Net cash (outflow)/inflow from financing activities		(2,145)	136,225
Net (decrease)/increase in cash and cash equivalents		(16,613)	58,908
Cash and cash equivalents at beginning of year		69,400	8,414
Effect of foreign exchange rate changes, net		1,389	2,078
Cash and cash equivalents at end of year		54,176	69,400
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		54,176	69,400

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. ORGANISATION AND OPERATIONS

Ming Kei Energy Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands and its principal place of business is Room 3308-3309, The Center, 99 Queen's Road Central, Hong Kong. The shares of the Company are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries (together with the Company referred to as the "Group") are set out in Note 17.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

In particular, the adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of the financial statements, the following HKFRSs, HKASs and Interpretations were in issue but not yet effective:

		Effective dates
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)

2. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

		Effective dates
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective dates:

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new or revised HKFRSs, HKASs or Interpretations in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation of financial statements

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets which were stated at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(d) Business combinations

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in Note 3(f) below.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives of property, plant and equipment are as follows:

Land and buildings	30 years or the terms of land use rights, if shorter
Mining related machinery and equipment	10 years
Leasehold improvements	5 years or over the lease terms, whichever is shorter
Furniture, fixture and office equipment	5 years
Motor vehicles	5 – 10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Construction in progress

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less any impairment losses. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

(i) Deferred overburden removal costs

Stripping ratios are determined by comparing the quantity of coal mined to the quantity of overburden, or waste removed to access the coal. Costs are deferred to the balance sheet, where appropriate, when the actual stripping ratios vary from the planned mine average stripping ratios. Deferral of costs to the balance sheet is not made where the actual stripping ratio is expected to be evenly distributed. Costs, which have previously been deferred to the balance sheet (deferred overburden removal costs), are included in the income statement on the units of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill)

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised on the units of production method utilising only proven and probable coal reserves in the depletion base.

(ii) Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation assets also include the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as exploration and evaluation assets and not amortised, and transferred to mining rights if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement. Exploration and evaluation assets are stated at cost less impairment losses, if any.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 “Impairment of Assets” whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of other assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), the Group is required to prepare financial reports on a quarterly basis in compliance with the GEM Listing Rules in respect of the first nine months of the financial year. At the end of the quarterly periods, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in quarterly periods are not reversed in a subsequent period. This is the case even if no loss, or smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the quarterly periods relate.

(l) Inventories

Coal inventories are stated at the lower of weighted average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When coal inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at weighted average cost less impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. As at the balance sheet date, the Group's financial assets are loans and receivables and available-for-sale financial assets, which are subsequently accounted for as follows:

(i) Loans and receivables

Accounts and bills receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale financial assets

Available-for-sales financial assets are non-derivatives financial assets in listed and unlisted equity and debt securities that are designated as available for sale and are stated at fair value. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Gains and losses arising from changes in fair value are recognised directly in equity in the asset revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the asset revaluation reserve is included in profit or loss.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

(iii) Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For the Group's financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(iii) Impairment of financial assets *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For accounts and bills receivable and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts and bills receivable and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(n) Financial liabilities and equity instruments issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Convertible bonds

The component parts of convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Issue costs are apportioned between liability and equity components of compound instruments based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged to equity.

(iv) Financial liabilities

Financial liabilities, including accounts and bills payable, other payables, and promissory notes, are initially measured at fair value, net of transaction costs.

The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities and equity instruments issued by the Group *(Continued)*

(iv) Financial liabilities *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at banks, and, for the purpose of consolidated cash flow statement, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(q) Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Provisions and contingent liabilities *(Continued)*

Provision for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

(r) Income tax

Income tax expense represents the sum of the current and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

(ii) Deferred tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the exchange reserve and recognised in profit or loss on impairment or disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is impaired or disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, and paid annual leaves are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are discounted and stated at their present value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(u) Share-based payments

Equity-settled share-based payments to employees and other eligible participants providing services to the Group are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expected to be vested on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

(v) Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

(w) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Sale of coals

Revenue associated with the sale of coals is recognised when the coals have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the coals.

(ii) Fees for logistics services

Fees for logistics services are recognised in the accounting period in which the services are rendered.

(iii) Interest income

Interest income is recognised on a time proportion basis by reference to the principal outstanding using the effective interest method.

(y) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

In respect of geographical segment reporting, revenue is based on the country or place where the customer is located, and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment and intangible assets, are carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. Details of the impairment on intangible assets are set out in Note 16. In addition, the Company also assessed the impairment on its amounts due from subsidiaries, details of which are set out in Note 17.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Reserve estimates

Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

(i) Asset carrying values may be affected due to changes in estimated future cash flows.

(ii) Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

(d) Accounts and bills receivable and other receivables

The Group's management determines the allowance for impairment of accounts and bills receivables and other receivables. This estimate is based on the credit history of its customers and other debtors, and current market conditions. Management reassesses the provision at each balance sheet date.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(e) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

(f) Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditures, after taking into account existing relevant regulations in the People's Republic of China (the "PRC"). However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time. Details of the Group's provision for close down, restoration and environmental costs are set out in Note 33.

5. SEGMENT INFORMATION

(i) Business segments

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the mining segment comprised the mining, exploration and sale of coals; and

(b) the logistics segment comprised the provision of logistic services which was disposed of during the year. Accordingly, the logistics segment was classified as a discontinued operation for the years ended 31 March 2008 and 2009.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

2009

	Continuing operation Mining HK$'000	Discontinued operation Logistics HK$'000	Consolidated HK$'000
SEGMENT REVENUE			
External sales and services	127,705	6,054	133,759
SEGMENT RESULTS	(1,127,909)	(549)	(1,128,458)
Gain on partial waiver of promissory notes by a non-equity participant			101,677
Interest income			455
Unallocated costs and corporate expenses			(16,946)
Finance costs			(14,800)
Loss before tax			(1,058,072)
Income tax			292,141
Loss for the year			(765,931)
Segment assets	343,995	–	343,995
Unallocated and corporate assets			44,698
Total assets			388,693
Segment liabilities	53,143	–	53,143
Unallocated and corporate liabilities			151,298
Total liabilities			204,441
OTHER INFORMATION			
Capital expenditure	27,366	–	27,366
Depreciation and amortisation charges	20,578	198	20,776
Unallocated depreciation and amortisation charges			275
Total depreciation and amortisation charges			21,051

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

2008 (restated)

	Continuing operation Mining HK$'000	Discontinued operation Logistics HK$'000	Consolidated HK$'000
SEGMENT REVENUE			
External sales and services	35,071	16,068	51,139
SEGMENT RESULTS	52,055	(3,287)	48,768
Interest income			1,947
Unallocated costs and corporate expenses			(27,344)
Finance costs			(9,957)
Profit before tax			13,414
Income tax			1,974
Profit for the year			15,388
Segment assets	1,558,666	4,856	1,563,522
Unallocated and corporate assets			72,632
Total assets			1,636,154
Segment liabilities	80,641	4,980	85,621
Unallocated and corporate liabilities			606,143
Total liabilities			691,764
OTHER INFORMATION			
Capital expenditure	1,271	327	1,598
Unallocated capital expenditure			39
Total capital expenditure			1,637
Depreciation and amortisation charges	10,005	688	10,693
Unallocated depreciation and amortisation charges			52
Total depreciation and amortisation charges			10,745

5. SEGMENT INFORMATION *(Continued)*

(ii) Geographical segments

An analysis of the Group's revenue, total assets and capital expenditure by geographical segment is as follows:

	Hong Kong		PRC (excluding Hong Kong)		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**6,054**	16,068	**127,705**	35,071	**133,759**	51,139
Segment assets	**44,698**	73,222	**343,995**	1,562,932	**388,693**	1,636,154
Capital expenditure	**588**	366	**26,778**	1,271	**27,366**	1,637

6. TURNOVER AND OTHER INCOME AND GAINS

Turnover is the Group's revenue, which represents the invoiced value of goods sold and logistics services provided, net of rebates and discounts. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. An analysis of the Group's turnover, and other income and gains is as follows:

	Note	**2009** **HK$'000**	2008 HK$'000 (restated)
From continuing operation			
Turnover:–			
Sale of coals		**127,705**	35,071
Other income and gains:–			
Interest income		**455**	1,947
Sundry income		**771**	119
		1,226	2,066
From discontinued operation			
Turnover:–			
Fees for logistic services provided	11	**6,054**	16,068
Other income and gains:–			
Net exchange gains	11	**80**	170

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax (including continuing and discontinued operations) is arrived at after charging the following:

	2009 HK$'000	2008 HK$'000
Cost of inventories sold	83,774	31,669
Cost of services provided (Note 11)	4,250	11,677
Auditors' remuneration	650	680
Depreciation (Note 15)		
Owned assets	3,112	1,038
Assets held under finance leases	–	108
Amortisation of intangible assets (Note 16)*	17,939	9,599
Loss on disposal of property, plant and equipment	765	–
Provision for close down, restoration, and environmental costs (Note 33)*	6,600	–
Staff costs (excluding directors' remuneration (Note 9(a)):		
Salaries and wages	7,193	5,254
Pension scheme contributions	467	497
Share-based payments**	–	7,338
	7,660	13,089
Share-based payments (Note 31)	–	17,239
Minimum lease payments under operating leases for land and buildings***	2,788	1,977

* Amounts are also included in the "Cost of inventories sold" above.

** The amount for share-based payments for the year ended 31 March 2008 is also included in total "Share-based payments" of HK$17,239,000 above.

*** Included in the balance for the year ended 31 March 2009 is HK$254,000 (2008: HK$26,000) in respect of rental expenses for a director's quarter. This balance has been included in the amount of directors' remuneration disclosed in Note 9(a).

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000 (restated)
Interest expense on borrowings wholly repayable within five years:		
From continuing operation		
Trade financing	701	829
Promissory notes (Note 27)	14,094	5,288
Convertible bonds (Note 26)	–	3,761
Total interest expense	14,795	9,878
From discontinued operation – Finance leases (Note 11)	5	79

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Details of directors' remuneration, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

2009

Name of Directors	Fees HK$'000	Basis salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Wong Wai Sing	296	–	3	299
Mr. Tsang Ho Ka, Eugene	72	789	12	873
Ms. Yick Mi Ching, Dawnibilly	83	468	15	566
Mr. Luk Yue Kan	30	1,062	12	1,104
Mr. Guo Xu (resigned on 3 November 2008)	71	–	–	71
Mr. Cheung King Shan (resigned on 31 December 2008)	90	–	5	95
Mr. Li Hai (resigned on 13 August 2008)	48	–	–	48
Mr. Li Qing (resigned on 31 December 2008)	71	–	–	71
Mr. Cheung Chi Hwa, Justin (resigned on 18 June 2008)	56	–	2	58
Mr. Yeung Leung Kong (resigned on 3 September 2008)	–	–	–	–
Independent Non-executive Directors				
Mr. Sung Wai Tak, Herman	60	–	–	60
Mr. Fung Ho Yin	50	–	–	50
Mr. Chung Ho Tung	47	–	–	47
Mr. Wong Ming, Kerry (resigned on 30 May 2008)	15	–	–	15
Mr. Tam Chak Chi (resigned on 19 June 2008)	28	–	–	28
	1,017	2,319	49	3,385

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

2008

Name of Directors	Fees HK$'000	Basis salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Yeung Leung Kong	–	122	5	127
Mr. Guo Xu	120	–	–	120
Mr. Cheung King Shan	90	–	4	94
Mr. Li Hai	34	–	–	34
Mr. Li Qing	–	–	–	–
Mr. Cheung Chi Hwa, Justin	112	–	5	117
Mr. Darrell Bryce Sham	8	–	–	8
Independent Non-executive Directors				
Mr. Sung Wai Tak, Herman	4	–	–	4
Mr. Wong Ming, Kerry	60	–	–	60
Mr. Tam Chak Chi	56	–	–	56
Mr. Pang Hong Tao, Peter	56	–	–	56
Mr. Hsu Shin Foo, William	4	–	–	4
	544	122	14	680

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: HK$Nil). In addition, no emolument was paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2008: HK$Nil).

(b) Five highest paid individuals

Of the five highest paid individuals in the Group, three (2008: Nil) individuals are directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2008: five) individuals are as follow:

	2009 HK$'000	2008 HK$'000
Basic salaries and other allowances	**1,223**	1,675
Share-based payments	**–**	6,743
Pension scheme contributions	**21**	35
	1,244	8,453

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2009	2008
HK$2,500,001 to HK$3,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	1
HK$1,500,001 to HK$2,000,000	–	1
HK$Nil to HK$1,000,000	2	2
	2	5

No share option was granted to non-director, highest paid employees in respect of their services to the Group during the year.

10. INCOME TAX

(a) The amount of income tax in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000 (restated)
From continuing operation		
Current tax charge – PRC	1,694	–
Deferred tax credit – PRC (Note 25(ii))	(293,835)	(1,974)
	(292,141)	(1,974)

No provision for Hong Kong profits tax has been made as the Group has no assessable profits for Hong Kong profits tax purpose in the current year (2008: HK$Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or place in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

In accordance with the approval from the relevant tax authorities, Mulei County Kai Yuan Coal Company Limited (the "Kai Yuan Coal"), a subsidiary of the Group operating in the PRC, is entitled to two years' exemption from the PRC corporate income tax (the "CIT") followed by three years' 50% relief from the CIT. The year ended 31 December 2007 is the first profit-making year of Kai Yuan Coal for the purpose of CIT exemption. From 1 January 2008, the standard CIT rate for enterprises in the PRC is 25%. Accordingly, CIT was provided at applicable rate of 12.5% on the assessable profit of Kai Yuan Coal for the period beginning from 1 January 2009 to 31 March 2009 in the current year.

10. INCOME TAX *(Continued)*

(b) The tax credit for the year can be reconciled to the accounting (loss)/profit as follows:

	2009 HK$'000	2008 HK$'000 (restated)
(Loss)/profit before tax		
– from continuing operation	**(1,057,518)**	16,780
– from discontinued operation	**(554)**	(3,366)
	(1,058,072)	13,414
Tax calculated at the rate of 16.5% (2008: 17.5%)	**(174,582)**	2,347
Tax effect of tax rates of other jurisdictions	**(95,917)**	3,896
Profits exempted from income tax	**(12,318)**	(2,154)
Tax effect of income non-taxable for taxation purpose	**(16,777)**	(12,694)
Tax effect on unused tax losses not recognised and expenses not deductible for taxation purpose	**7,453**	6,631
Income tax credit for the year	**(292,141)**	(1,974)

11. DISCONTINUED OPERATION

On 8 July 2008, the Company entered into a disposal agreement (the "Disposal") for the disposal of the entire equity interests in Precious Logistics Limited (the "Precious Logistics") and its subsidiaries for an aggregate cash consideration of HK$1,500,000 (Note 30(i)). Precious Logistics and its subsidiaries were principally engaged in coordinating various logistic services. The Disposal was completed on 3 September 2008.

After the completion of the Disposal, Precious Logistics and its subsidiaries ceased to be subsidiaries of the Company.

11. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation for the current and prior years, which have been included in the consolidated income statement, were as follows:

	Notes	2009 HK$'000	2008 HK$'000 (restated)
Turnover	6	6,054	16,068
Cost of services provided	7	(4,250)	(11,677)
Gross profit		1,804	4,391
Other income and gains	6	80	170
Gain on disposal of subsidiaries	30(i)	444	–
Selling and distribution costs		(20)	(253)
Administrative expenses		(2,857)	(7,595)
Finance costs	8	(5)	(79)
Loss before tax		(554)	(3,366)
Income tax		–	–
Loss for the year from discontinued operation		(554)	(3,366)

The cash flows of the discontinued operation were as follows:

	2009 HK$'000	2008 HK$'000
Net cash (used in)/generated from operating activities	(779)	1,812
Net cash generated from investing activities	815	–
Net cash used in financing activities	(145)	(734)
Total net cash (outflows)/inflows	(109)	1,078

Basic loss per share from the discontinued operation is HK0.02 cents (2008: basic loss per share HK0.17 cents) based on the loss for the year from the discontinued operation of HK$554,000 (2008: loss of HK$3,366,000).

The denominators used are the same as those detailed in Note 14(ii) for the calculation of basic (loss)/earnings per share from continuing operation of the Group.

Diluted loss per share amounts for the current and prior years were not disclosed as the convertible instruments of the Group outstanding during the current and prior years had an anti-dilutive effect on the basic loss per share from the discontinued operation for both years.

12. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to equity holders of the Company for the year ended 31 March 2009 dealt with in the financial statements of the Company was HK$696,286,000 (2008: HK$60,975,000) (Note 29(b)).

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2008: HK$Nil).

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to the equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted (loss)/earnings per share for the year is based on the (loss)/profit for the year attributable to the equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Company's outstanding share options had an anti-dilutive effect on the loss per share calculation for the current year. Accordingly, diluted loss per share for the current year has not been disclosed.

The Company's convertible bonds and certain share options had an anti-dilutive effect to the earnings per share calculation for the prior year.

(i) From continuing and discontinued operations

The calculations of basic and diluted (loss)/earnings per share are based on:

	2009	2008
	HK$'000	HK$'000
(Loss)/profit		
(Loss)/profit attributable to the equity holders of the Company, used in the basic and diluted loss per share calculation	**(765,931)**	15,388

	Number of shares	
	2009	2008
	'000	'000
Shares		
Weighted average number of ordinary shares for basic (loss)/earnings per share calculation	**2,640,000**	2,012,186
Effect of dilution on weighted average number of ordinary shares in respect of share options	**–**	12,109
Weighted average number of ordinary shares adjusted for the effect of dilution	**2,640,000**	2,024,295

14. (LOSS)/EARNINGS PER SHARE *(Continued)*

(ii) From continuing operation

The calculations of basic and diluted (loss)/earnings per share are based on:

	2009 HK$'000	2008 HK$'000
(Loss)/profit		
(Loss)/profit attributable to the equity holders of the Company from continuing operation used in the basic and diluted (loss)/earnings per share calculation	**(765,377)**	18,754

	Number of shares 2009 '000	2008 '000
Shares		
Weighted average number of ordinary shares for basic (loss)/earnings per share calculation	**2,640,000**	2,012,186
Effect of dilution on weighted average number of ordinary shares in respect of share options	**–**	12,109
Weighted average number of ordinary shares adjusted for the effect of dilution	**2,640,000**	2,024,295

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Land and buildings located in the PRC HK$'000	Mining related machinery and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group							
Cost:							
At 1 April 2007	–	–	–	160	656	2,541	3,357
Additions	914	–	24	38	331	292	1,599
Acquisition of subsidiaries (Note 30(ii))	1,303	8,276	6,832	–	132	3,146	19,689
Transfer	(424)	–	424	–	–	–	–
Exchange realignments	77	489	404	–	8	186	1,164
At 31 March 2008	1,870	8,765	7,684	198	1,127	6,165	25,809
Additions	3,461	17,495	576	2,806	840	2,188	27,366
Disposal of subsidiaries (Note 30(i))	–	–	–	(160)	(656)	(2,541)	(3,357)
Disposals	–	(21)	(4,136)	–	(49)	(2,113)	(6,319)
Transfer	(2,927)	–	2,927	–	–	–	–
Exchange realignments	39	183	118	–	3	54	397
At 31 March 2009	**2,443**	**26,422**	**7,169**	**2,844**	**1,265**	**3,753**	**43,896**
Accumulated depreciation:							
At 1 April 2007	–	–	–	80	508	1,201	1,789
Acquisition of subsidiaries (Note 30(ii))	–	874	1,600	–	68	1,942	4,484
Charge for the year (Note 7)	–	96	236	90	123	601	1,146
Exchange realignments	–	54	101	–	5	117	277
At 31 March 2008	–	1,024	1,937	170	704	3,861	7,696
Disposal of subsidiaries (Note 30(i))	–	–	–	(160)	(604)	(1,911)	(2,675)
Disposals	–	(19)	(1,197)	–	(43)	(1,737)	(2,996)
Charge for the year (Note 7)	–	1,279	690	512	229	402	3,112
Exchange realignments	–	34	35	4	2	29	104
At 31 March 2009	**–**	**2,318**	**1,465**	**526**	**288**	**644**	**5,241**
Carrying amount:							
At 31 March 2009	**2,443**	**24,104**	**5,704**	**2,318**	**977**	**3,109**	**38,655**
At 31 March 2008	1,870	7,741	5,747	28	423	2,304	18,113

Included in carrying amount of property, plant and equipment as at 31 March 2008 were motor vehicles with a carrying amount of HK$287,000 held under finance lease expiring within 1 year. There was no property, plant and equipment of the Group as at 31 March 2009 held under finance lease.

16. INTANGIBLE ASSETS

	Exploration and evaluation assets HK$'000	Mining right HK$'000	Total HK$'000
The Group			
Cost:			
At 1 April 2007	–	–	–
Acquisition of subsidiaries (Note 30(ii))*	1,094,430	267,425	1,361,855
Additions	–	38	38
Exchange realignments	64,747	15,821	80,568
At 31 March 2008	1,159,177	283,284	1,442,461
Exchange realignments	24,280	5,947	30,227
At 31 March 2009	**1,183,457**	**289,231**	**1,472,688**
Accumulated amortisation and impairment:			
At 1 April 2007	–	–	–
Acquisition of subsidiaries (Note 30(ii))*	–	2,259	2,259
Amortisation for the year (Note 7)**	–	9,599	9,599
Exchange realignments	–	410	410
At 31 March 2008	–	12,268	12,268
Amortisation for the year (Note 7)**	–	17,939	17,939
Impairment loss***	979,217	181,002	1,160,219
Exchange realignments	79,701	15,176	94,877
At 31 March 2009	**1,058,918**	**226,385**	**1,285,303**
Carrying amount:			
At 31 March 2009	**124,539**	**62,846**	**187,385**
At 31 March 2008	1,159,177	271,016	1,430,193

* The mining right and the exploration right together with other exploration and evaluation assets purchased as part of a business combination during the year ended 31 March 2008 are initially recognised at their fair values on acquisition with reference to professional valuations performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers. At subsequent balance sheet dates, mining right and exploration and evaluation assets are measured using the cost model.

** Amortisation is provided to write off the cost of the mining right using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining right till all proven and probable mineral reserves have been mined.

The amortisation charge for the mining right for the year is included in the "cost of sales" in the consolidated income statement.

*** The Company acquired the 100% equity interests of the Ming Kei Kai Yuan Investment Company Limited and its subsidiaries (the "MKKY Group") in 2007 (Note 30(ii)) with a view that coal mining business is in a fast growing trend with immense potential and such acquisition would diversify the Group into a new business with significant growth potential. However, there are a number of unforeseeable and uncontrollable factors happened subsequent to such investment decision in the global economy in 2008 and has been continuing which resulted in the prospect of the coal mining industry has not been growing as fast as expected.

The prospect of coal mining business grows in line with the economy. The global recession and slower economic growth of the PRC are negatively hindering the manufacturing activities in the PRC which in turn affects the demand of, and put pressure on the market price of coals, the core natural resources used for generating electricity to support those manufacturing activities.

In view of the slower economic growth of the PRC and uncertainty in the economic recovery during this period of global recession, the prospect of the coal market will continue to be affected and the business in coal mining will continue to be difficult and challenging. The Group believes that the profitability potential of the MKKY Group will be reduced in the short and medium terms. The Group consider such decline indicates that the carrying amount of the Group's intangible assets has been impaired and an impairment loss of HK$1,160,219,000 (2008: HK$Nil) has been recognised in the consolidated income statement for the year to reduce the carrying value of the intangible assets to their estimated recoverable amounts. The estimated recoverable amounts of the intangible assets of the Group were determined based on a value-in-use calculation of the Group's coal mining business with reference to a valuation report issued by Greater China Appraisal Limited, an independent firm of professionally qualified valuers, in respect of the coal mining business of the Group.

16. INTANGIBLE ASSETS *(Continued)*

Details of the Group's mining right and exploration right are as follows:–

Mine	Location	Expiry date	Note
Mining right			
Kaiyuan Open Pit Coal Mine (凱源露天煤礦)	Bei Ta Mountain (北塔山), Qitai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區)	26 June 2018	–
Exploration right			
Zexu Open Pit Coal Mine (澤旭露天煤礦)	Bei Ta Mountain (北塔山), Qitai County (奇台縣), Xinjiang Uygur Autonomous Region (新疆維吾爾自治區)	4 September 2009	(a)

Note:

(a) The exploration right represent licence for the right for exploration in the specified location in the PRC, which is included in the exploration and evaluation assets of the Group and the period of this exploration right is within 1 year.

During the year, the exploration right was renewed to 4 September 2009. As at the date of approval of the consolidated financial statements of the Group, the Group has intention to apply for an extension of the relevant licence for the exploration right in the event that the related mining right for Zexu Open Pit Coal Mine has not yet been approved up to the expiry date of the existing exploration right. The Group is confident that the licence will be renewed by the relevant authorities.

17. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	6,562
Amounts due from subsidiaries	**1,013,239**	1,041,102
	1,013,239	1,047,664
Less: allowance for investment costs	**–**	(6,554)
allowance for amounts due from subsidiaries	**(767,200)**	(20,000)
	246,039	1,021,110

Amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. An allowance for investment costs and amounts due from subsidiaries of HK$Nil (2008: HK$6,554,000) and HK$767,200,000 (2008: HK$20,000,000) respectively was recognised as at 31 March 2009 because the related recoverable amounts of the investment costs and the amounts due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment costs and the amounts due are reduced to their recoverable amounts as at 31 March 2008 and 2009 respectively.

17. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries as at 31 March 2009 are as follows:–

Name of company	Country of incorporation and operation	Nominal value of issued ordinary share capital/ paid-in capital	Percentage of equity attributable to the company Direct	Indirect	Principal activities
Star Fortune International Group Company Limited	British Virgin Islands (the "BVI")/Hong Kong	US$1	100	–	Investment holding
Star Fortune Strategy Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Star Energy International Group Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Star Fortune International Development Company Limited (the "SFID")	BVI/Hong Kong	US$1	–	100	Investment holding
Star Fortune International Investment Company Limited (the "SFII")	BVI/Hong Kong	US$100	–	100	Investment holding
Star Fortune Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Energy International Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Energy International Investment Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Ming Kei Coal's Trading Company Limited	Hong Kong/Hong Kong	HK$1	–	100	Dormant
Ming Kei Kai Yuan Investment Company Limited (the "MKKY")	Hong Kong/Hong Kong	HK$60,000,000	–	100	Investment holding
Star International Business Company Limited	Hong Kong/Hong Kong	HK$1	–	100	Provide administrative service
Shenzhen Star Investment Consultancy Limited*	PRC/PRC	RMB100,000	–	100	Provide administrative service
Mulei County Kai Yuan Coal Company Limited *	PRC/PRC	RMB30,000,000	–	100	Coal mining and selling
Qitai County Zexu Trading Company Limited	PRC/PRC	RMB2,000,000	–	100	Coal mining and selling

* The companies are registered as wholly-foreign-owned enterprises with limited liability under the PRC law.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group and the Company	
	2009	2008
	HK$'000	HK$'000
Listed shares in Hong Kong, at fair value (Note)	**1,460**	–

Note:

The investments represent listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices as at the balance sheet date.

19. DEPOSITS PAID FOR POSSIBLE ACQUISITION OF SUBSIDIARIES

The Group and the Company

The amount represents refundable deposits totalling HK$21,500,000 paid to the vendors under a non-legal binding memorandum of understanding dated 18 July 2008 in relation to a possible acquisition of 100% equity interest in a target company which indirectly holds 99% interest in a coal mine located in Guizhou Province, the PRC. The deposits are secured by the pledge of 100% equity interest in the target company, interest-free and refundable by 13 July 2009 in the event that no formal sale and purchase agreement would be entered into between the Group and the vendors on or before 13 July 2009 in relation to the above possible acquisition. Further details are set out in the Company's announcements dated 18 July 2008 and 14 January 2009, respectively.

20. INVENTORIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Coals	**49,315**	2,507
Ancillary materials, spare parts and small tools	**179**	370
	49,494	2,877

21. ACCOUNTS AND BILLS RECEIVABLE

(i) The ageing analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	2009	2008
	HK$'000	HK$'000
Within 90 days	**5,190**	10,822
91 to 180 days	**1,709**	–
181 to 365 days	**1,565**	–
Accounts receivable	**8,464**	10,822
Bills receivable	**3,445**	67,932
	11,909	78,754

21. ACCOUNTS AND BILLS RECEIVABLE *(Continued)*

(ii) The Group's sales to coal customers are mainly on cash basis, or with advanced receipts. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period of 90 days.

(iii) No allowance for doubtful debts was made during the year. All of the Group's accounts and bills receivable were neither past due nor impaired, which relate to a wide range of customers for whom there was no recent history of default.

(iv) At 31 March 2009, the Group's bills receivable of HK$3,445,000 (2008: HK$41,070,000) (Note 23) were discounted to banks with recourse. The Group continued to recognise the full carrying amount of the bills receivable and had recognised the cash received on the transfer as a secured borrowing which is included in bills payable.

22. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

The Group

	2009 HK$'000	2008 HK$'000
Cash and cash equivalents were denominated in:		
Hong Kong Dollars	**11,291**	65,627
Renminbi ("RMB")	**42,885**	3,656
United States Dollars	**–**	117
Total	**54,176**	69,400

The Company

As at the balance sheet date, the cash and cash equivalents of the Company were denominated in Hong Kong dollars.

23. ACCOUNTS AND BILLS PAYABLE

An ageing analysis of the accounts payable of the Group as at the balance sheet date, based on the invoice date, is as follows:

	2009 HK$'000	2008 HK$'000
Within 90 days	**11,615**	3,917
91 to 180 days	**2,150**	197
181 to 365 days	**1,205**	–
Accounts payable	**14,970**	4,114
Bills payable (Note 21(iv))	**3,445**	41,070
	18,415	45,184

The accounts and bills payable are non-interest-bearing and are normally settled on 30-day terms.

24. OBLIGATIONS UNDER FINANCE LEASES

During the prior year, the Group leased motor vehicles for it business operations. These leases were classified as finance leases and had remaining lease term of one year.

At 31 March 2008 and 2009, the total future minimum lease payments under finance leases and their present values were as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total minimum finance lease payments – within one year	**–**	150	**–**	145
Less: Future finance charges	**–**	(5)		
Total net finance lease payables	**–**	145		
Portion classified as current liabilities	**–**	(145)		
Portion classified as non-current liabilities	**–**	–		

The effective interest rate at 31 March 2008 was 6.58% per annum. All leases were on a fixed repayment basis and no arrangement had been entered into for contingent rental payments. The Group's obligations under finance leases were secured by the lessors' title to the leased assets.

As at 31 March 2009, the Group had no financial lease arrangement.

25. DEFERRED TAX

The components of deferred tax (assets)/liabilities recognised in the balance sheets and the movements during the years are as follows:

(i) Deferred tax assets

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at 1 April	**180**	180	**103**	103
Disposal of subsidiaries (Note 30(i))	**(77)**	–	**–**	–
Balance at 31 March	**103**	180	**103**	103

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits shall be probable.

25. DEFERRED TAX *(Continued)*

(ii) Deferred tax liabilities

		The Group					
		Accelerated tax depreciation		Intangible assets		Total	
		2009	2008	**2009**	2008	**2009**	2008
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Balance at beginning of year		**264**	264	**355,110**	–	**355,374**	264
Credited to consolidated income statement	10(a)	**–**	–	**(293,835)**	(1,974)	**(293,835)**	(1,974)
Disposal of subsidiaries	30(i)	**(264)**	–	**–**	–	**(264)**	–
Acquisition of subsidiaries	30(ii)	**–**	–	**–**	337,194	**–**	337,194
Exchange realignments		**–**	–	**(16,192)**	19,890	**(16,192)**	19,890
Balance at 31 March		**–**	264	**45,083**	355,110	**45,083**	355,374

(iii) Deferred tax balances in the balance sheets

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	**103**	180	**103**	103
Deferred tax liabilities	**(45,083)**	(355,374)	**–**	–
Balance at 31 March	**(44,980)**	(355,194)	**103**	103

At 31 March 2009, the Group and the Company have unused tax losses of HK$66,125,000 (2008: HK$60,210,000) and HK$66,125,000 (2008: HK$35,857,000) respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss amount of HK$65,536,000 (2008: HK$59,182,000) and HK$65,536,000 (2008: HK$35,268,000) due to the uncertainty over the availability of future profit streams of the Group and the Company respectively. Such losses may be carried forward indefinitely.

The Group and the Company has no other material unprovided deferred tax at 31 March 2009 (2008: HK$Nil).

26. CONVERTIBLE BONDS

The Company and the Group

On 19 November 2007, the Company issued HK$288,000,000 redeemable convertible bonds in connection with the acquisition of 100% equity interest in MKKY and the subsidiaries (the "MKKY" Group) (Note 30(ii)). The bonds carried coupon interest rate of 1% per annum, which was payable monthly. The bonds were convertible into ordinary shares of the Company at an initial conversion price of HK$0.9 per conversion share (subject to normal adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of convertible bonds.

Unless previously converted, lapsed or redeemed by the Company, any outstanding convertible bond shall be redeemed, plus any accrued and unpaid interest, on the third anniversary of the issue date of the convertible bonds.

The Company may at any time before the maturity date of the convertible bonds by serving at least seven days' prior written notice to the bondholders with the total amount proposed to be redeemed from the bondholders specified therein, redeem the convertible bonds, in whole or in part, at par.

The convertible bonds are denominated in Hong Kong dollar which is the same as the functional currency of the Company, the bonds issuing entity. As such, the exercise of the conversion option will give rise to the settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The conversion option is therefore accounted for as equity instrument and is determined after deducting the liability component from the total proceeds. The Company determined the fair value of the liability component based on the valuations performed by Greater China Appraisal Limited using the prevailing market interest rate for a similar non-convertible instrument. The effective interest was determined to be 5.81% per annum. The residual amount was assigned as the equity component for the conversion option and was included in the convertible bonds reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

During the year ended 31 March 2008, the convertible bonds were fully converted into 320,000,000 ordinary shares of the Company (Note 28).

The movements of the liability component and equity component of the convertible bonds during the previous year are as follows:

	Liability component of convertible bonds HK$'000	Equity component of convertible bonds HK$'000	Total HK$'000
Principal amount of convertible bonds issued	249,946	38,054	288,000
Imputed interest expenses (Note 8)	3,761	–	3,761
Interest paid	(725)	–	(725)
Conversion into ordinary shares of the Company (Note 28)	(252,982)	(38,054)	(291,036)
At 31 March 2008	–	–	–
At 31 March 2009	–	–	–

27. PROMISSORY NOTES

The Company and the Group

On 19 November 2007, the Company issued HK$282,000,000 unsecured redeemable promissory notes in connection with the acquisition of 100% equity interest in the MKKY Group (Note 30(ii)). The promissory notes are repayable in one lump sum on maturity of three years. The promissory notes bear coupon interest at 1% per annum payable monthly. The Company has the right to redeem the promissory notes prior to the maturity date by servicing prior written notice to the note-holders. The fair value of promissory notes is HK$244,739,000 (Note 30(ii)), as at the issue date, based on the profession valuation performed by Greater China Appraisal Limited. The effective interest rate of the promissory notes is determined to be 5.81% per annum. The promissory notes are classified as non-current liabilities and are carried on the amortised cost basis until extinguished on redemption. Taking into account the accrued effective interest of HK$4,255,000 during the prior year (being effective interest expense of HK$5,288,000 (Note 8) less interest paid of HK1,033,000), the carrying amount of promissory notes was HK$248,994,000 as at 31 March 2008. During the year ended 31 March 2009, the movements on the promissory notes are as follows:

	Notes	2009 HK$'000
Carrying value as at 1 April 2008		248,994
Partial waiver of promissory notes by a non-equity participant credited to income statement	(i)	(101,677)
Repayment of promissory notes	(i)	(2,000)
Partial waiver of promissory notes by an equity participant credited to capital reserve	(ii)	(53,659)
Accrued effective interest expense	8	14,094
Interest paid		(2,559)
Carrying value as at 31 March 2009		103,193

(i) During the year, on 13 February 2009, Mr. Wong Wai Ngok, the elder brother of Mr. Wong Wai Sing, an executive director and a substantial shareholder of the Company, who is the holder of the promissory notes with carrying value of HK$103,677,000 (in the aggregate principal sum of HK$112,800,000 issued by the Company in favour of Mr. Wong Wai Ngok) and a non-equity participant of the Company on that date, has agreed with the Company of early redemption of the promissory notes at a discounted amount of HK$2,000,000 and that the outstanding amount HK$101,677,000 pursuant to the promissory notes shall be deemed to be fully paid and satisfied by the Company in full.

(ii) During the year, on 13 February 2009, Ming Kei International Holding Co. Limited (the "MK International"), a substantial shareholder of the Company, which is also the holder of the promissory notes (in the principal sum of HK$169,200,000 issued by the Company in favour of MK International), has agreed with the Company to amend the terms of the promissory notes that (a) a principal amount of HK$49,200,000 owing from the Company to MK International be waived; (b) the principal sum of the promissory notes be amended to HK$120,000,000; and (c) the coupon interest of 1% per annum payable monthly at the end of each calendar month be amended to zero coupon. The carrying amount of the promissory notes held by MK International was HK$155,666,000 as at 13 February 2009. The partial waiver and amendment on the terms of the promissory notes held by MK International in substance constituted an issue of new promissory notes (the "New PN") to MK International by the Company. The fair value of the New PN as at the issue date (i.e. 13 February 2009) is HK$102,007,000 and the difference between the then carrying amount and the fair value of HK$53,659,000 was accounted for as a partial waiver of promissory notes by MK International as an equity participant (a contribution from equity participant) and was credited to the capital reserve of the Company and the Group.

Subsequent to the balance sheet date, a supplemental agreement dated 30 April 2009 was entered into between the Company and MK International to further reduce the new promissory notes of principal sum of HK$120,000,000 to the principal sum of HK$40,000,000. Details are set out in Note 38(ii).

28. SHARE CAPITAL

	Notes	2009 Number of shares '000	2009 Amount HK$'000	2008 Number of shares '000	2008 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01 each					
At beginning and end of year		**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At beginning of year		**2,640,000**	**26,400**	1,500,000	15,000
Issue of new shares on share placing	(i)	**–**	**–**	300,000	3,000
Issue of new shares on full conversion of convertible bonds	26	**–**	**–**	320,000	3,200
Issue of new shares on acquisition of subsidiaries	30(ii)	**–**	**–**	400,000	4,000
Exercise of share options	31	**–**	**–**	120,000	1,200
At end of year		**2,640,000**	**26,400**	2,640,000	26,400

Note:

(i) Issue of new shares

On 13 June 2007, 300,000,000 new ordinary shares of HK$0.01 each were issued for cash at HK$0.311 per share. The aggregate consideration is HK$93,300,000 of which HK$3,000,000 was credited to share capital and the remaining balance of HK$90,300,000 was credited to share premium account. The reason for this issue was to raise additional funds for the Group's general working capital and strengthening the financial position of the Group.

29. RESERVES

(a) The Group

(i) Share premium

The balance represents the premium arising from the issue of shares at a price in excess of their par value per share.

(ii) Capital reserve

The capital reserve of the Group as at 31 March 2009 represents the contributions from the equity participant of the Company for a partial waiver of the promissory notes held thereby, details of which are set out in Note 27(ii).

(iii) Statutory reserve fund

According to Articles of Association of the Group's subsidiary operating in the PRC, the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to s of the PRC subsidiary.

(iv) Share option reserve

The share option reserve represents the fair value of the share options granted by the Company which are yet to be exercised, and recognised in accordance with the accounting policy adopted for share-based payments in Note 3(u).

29. RESERVES *(Continued)*

(a) The Group *(Continued)*

(v) Convertible bonds reserve

The convertible bonds reserve represents the equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 3(n).

(vi) Asset revaluation reserve

The asset revaluation reserve represents gains and losses arising from changes in fair value of available-for-sale financial assets recognised in accordance with the accounting policy set out in Note 3(m).

(vii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(s).

(b) The Company

	Notes	Share premium HK$'000	Asset revaluation reserve HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007		14,946	–	6,510	–	–	(902)	20,554
Issue of new shares	28	90,300	–	–	–	–	–	90,300
Issue of new shares on acquisition of subsidiaries	30(ii)	404,000	–	–	–	–	–	404,000
Issue of convertible bonds	26	–	–	–	38,054	–	–	38,054
Issue of new shares on conversion of convertible bonds	26	287,836	–	–	(38,054)	–	–	249,782
Share options exercised	31	54,679	–	–	–	(1,879)	–	52,800
Share issue expenses		(10,231)	–	–	–	–	–	(10,231)
Recognition of share-based payments	31	–	–	–	–	17,239	–	17,239
Loss for the year		–	–	–	–	–	(60,975)	(60,975)
At 31 March 2008 and 1 April 2008		841,530	–	6,510	–	15,360	(61,877)	801,523
Transfer upon disposal of subsidiaries		–	–	(6,510)	–	–	6,510	–
Gain on partial waiver of promissory notes by an equity participant	27(ii)	–	–	53,659	–	–	–	53,659
Changes in fair value of available-for-sale financial assets recognised directly in equity		–	(1,072)	–	–	–	–	(1,072)
Loss for the year		–	–	–	–	–	(696,286)	(696,286)
At 31 March 2009		**841,530**	**(1,072)**	**53,659**	**-**	**15,360**	**(751,653)**	**157,824**

The capital reserve of the Company as at 31 March 2009 represents the contributions from the equity participant of the Company for a partial waiver of the promissory notes held thereby, details of which are set out in Note 27(ii).

30. DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION

(i) Disposal of subsidiaries

On 3 September 2008, the Group disposed of its entire 100% equity interests in Precious Logistics Limited and its subsidiaries to an independent third party, for a cash consideration of HK$1,500,000 (Note 11).

The net assets of Precious Logistics Limited and its subsidiaries at the date of disposal were as follows:

	Notes	2009 HK$'000
Net assets disposed of:		
Property, plant and equipment	15	682
Deferred tax assets	25(i)	77
Accounts and other receivables		5,521
Cash and cash equivalents		1,461
Accounts and other payables		(7,106)
Deferred tax liabilities	25(ii)	(264)
		371
Cost directly attributable to the disposal		685
Gain on disposal of subsidiaries	11	444
Total consideration		1,500
Net cash outflow arising on disposal:		
Total consideration received		1,500
Bank balances and cash disposed of		(1,461)
Cost directly attributable to the disposal		(685)
		(646)

The financial impact of the disposed subsidiaries on the Group's results and cash flows in the current and prior years are disclosed in Note 11.

(ii) Business combination

On 19 November 2007, the Group acquired 100% equity interests of the MKKY Group for a total consideration of HK$1,000,000,000. This transaction had been accounted for by the acquisition method of accounting. The MKKY Group is mainly engaged in mining, sale and distribution of coals in the PRC. Further details are set out in the Company's circular dated 15 October 2007.

30. DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION *(Continued)*

(ii) Business combination *(Continued)*

The consideration was satisfied (i) as to HK$70,000,000 in cash; (ii) as to HK$360,000,000 by allotment and issue of 400,000,000 shares of the Company; (iii) as to HK$288,000,000 by the issue of convertible bonds by the Company; and (iv) as to HK$282,000,000 by the issue of promissory notes by the Company.

The net assets acquired in the transaction, and the excess of the Group's share of net fair value over cost of the acquisition arising therefrom, are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment (Note 15)	15,205	–	15,205
Intangible assets (Note 16)	10,820	1,348,776	1,359,596
Inventories	295	–	295
Accounts and bills receivable	31,303	–	31,303
Other receivables	28,142	–	28,142
Bank and cash balances	2,407	–	2,407
Accounts and bills payables	(9,417)	–	(9,417)
Other payables	(28,821)	–	(28,821)
Deferred tax liabilities (Note 25(ii))	–	(337,194)	(337,194)
	49,934	1,011,582	1,061,516
Excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition			(50,777)
Total consideration			1,010,739
Consideration satisfied by:			
Cash paid			70,000
Shares of the Company – at fair value*			408,000
Convertible bonds – at fair value (Note 26)			288,000
Promissory notes – at fair value (Note 27)			244,739
			1,010,739

* The fair value of the 400,000,000 ordinary shares of the Company issued (Note 28) as part of the consideration was determined with reference to the market share price of HK$1.02 of the Company's shares at the acquisition date, at the total fair value of HK$408,000,000 of which HK$4,000,000 was credited to share capital and the remaining balance of HK$404,000,000 was credited to share premium account.

30. DISPOSAL OF SUBSIDIARIES AND BUSINESS COMBINATION *(Continued)*

(ii) Business combination *(Continued)*

	HK$'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	(70,000)
Cash and cash equivalent balances acquired	2,407
	(67,593)

Included in turnover and profit for the year ended 31 March 2008 was HK$35,071,000 and HK$8,600,000 respectively attributable to the additional business generated by the MKKY Group since its acquisition in November 2007.

Had this business combination been effected at the beginning of the prior year, the revenue of the Group for the prior year would have been HK$78,814,000, and the profit for that year would have been HK$17,414,000.

31. SHARE OPTION SCHEME

Under the terms of the share option scheme (the "Scheme") adopted by the Company on 26 October 2002, the board of directors (the "Board") and a duly authorised committee (the "Committee") of the Company is authorised, at their absolute discretion, to invite any employees, directors, advisers, consultants, distributors, suppliers, agents, customers, business partners and service providers to or of any member of the Group, shareholders (including their directors and employees) of any member of the Group and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for shares of the Company. The purpose of the Scheme is to encourage its participants to contribute to the growth of the Group.

The Scheme became effective on 15 November 2002 and, unless otherwise cancelled or amended, remains in force for ten years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, substantial shareholder or management shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not be later than ten years after the date of the grant of the option. According to the Scheme, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option under the Scheme.

31. SHARE OPTION SCHEME *(Continued)*

The exercise price will be determined by the Board or the Committee, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of the options granted; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of the options granted; and (iii) the nominal value of the Company's shares.

The following share options were outstanding under the Scheme during the year and the movements during the year are as follows:

	2009		2008	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of year	**0.86**	**125,000**	–	–
Granted during the year	**–**	**–**	0.66	245,000
Exercised during the year	**–**	**–**	0.45	(120,000)
At end of year	**0.86**	**125,000**	0.86	125,000

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

2009

Number of options '000	**Exercise prices* HK$ per share**	**Exercise period**
105,000	0.888	11 October 2007 – 12 October 2017
20,000	0.718	10 March 2008 – 11 March 2018
125,000		

* The exercise prices of the share options are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the prior year was HK$17,239,000 which was recognised as share-based payments (Note 7) during that year. There was no share option granted nor share-based payments recognised during the year ended 31 March 2009.

At the balance sheet date and the date of approval of these financial statements, the Company had 125,000,000 (2008: 125,000,000) share options outstanding under the Scheme which represented approximately 4.7% (2008: 4.7%) of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 125,000,000 additional ordinary shares of the Company and additional share capital of HK$1,250,000 and share premium of HK$106,350,000 (before issue expenses), respectively.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. OPERATING LEASE COMMITMENTS

The Group leases its office premises and staff quarters under operating lease arrangements, with leases negotiated for terms ranging from one to three years. None of the leases includes contingent rentals.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**2,714**	2,916
In the second to fifth years, inclusive	**–**	2,860
	2,714	5,776

The Company had no material operating lease commitments at 31 March 2008 and 2009.

33. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

The provision for close down, restoration and environmental costs, in relation to all of the two mines of the Group, amounted to HK$6,600,000 as at 31 March 2009 (2008: HK$Nil). It has been determined by the management and charged to the consolidated income statement during the year.

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainty which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Note 27, details of transactions between the Group and other related parties are disclosed below.

(a) Included in accrued expenses and other payables of the Group as at 31 March 2008 was an amount of HK$11,430,000 due to a shareholder of the Company, which is unsecured, interest-free and repayable on demand. The amount due was repaid during the year.

(b) Compensation for key management personnel, including amount paid to the Company's directors and the senior executives, is as follows:

	2009 HK$'000	2008 HK$'000
Fees, salaries and other short-term employee benefits	3,336	1,550
Retirement benefit costs	49	22
Share-based payments	–	4,366
	3,385	5,938

35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated balance sheet, comprising bills payable and promissory notes. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus borrowings. The gearing ratios of the Group at 31 March 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Total borrowings	106,638	290,064
Equity	184,252	944,390
Total capital	290,890	1,234,454
Gearing ratio	36.7%	23.5%

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

36. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's business and financial instruments are market risk (including price risk, foreign currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group historically has no policy to use derivatives for hedging purposes. The majority of the financial instruments held by the Group are for purpose other than trading.

(a) Market risk

(i) Price risk – commodity price risk

Coal price

The Group is principally engaged in the production and sale of coals. The coal markets are influenced by global as well as regional supply and demand conditions. A change in prices of coals could significantly affect the Group's financial performance. The Group historically has not used any commodity derivative instruments to hedge the potential price fluctuations of coals and does not have a policy to do so in the foreseeable future.

Available-for-sale financial assets

The Group is exposed to equity price changes arising from equity instruments classified as available-for-sale equity securities. The management will monitor the price movements and take appropriate actions when it is required.

The sensitivity analysis below has been determined based on the exposure to equity price risk of listed equity securities at the balance sheet date.

If equity price had been 10% higher:–

The Group's and the Company's reserves would increase by HK$146,000 (2008: HK$Nil) as a result of the changes in fair value of available-for-sale financial assets.

(ii) Foreign currency risk

The Group primarily operated in the PRC and most of its transactions are denominated and settled in RMB. The Group's sales are denominated mainly in the functional currency of the group entity making the sales, with the related costs mainly denominated in the same currency. Accordingly, there is no significant exposure to foreign currency risk.

The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group historically has not used any derivative instruments to hedge exchange rate of RMB and currently does not have a policy to do so in the foreseeable future.

(iii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from promissory notes. The Group's promissory notes issued at fixed rate expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, accounts and bills receivable and other receivables except for prepayments included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed with renowned financial institutions and the credit risk is considered low. The Group has policies in place to ensure that sales of coals are made to customers with an appropriate credit history, and its major clients are large-scale companies with good credit. The Group's historical experience in collection of accounts and bills receivables and other receivables falls within the recorded allowance, if any, and the directors are of the opinion that adequate allowance for uncollectible receivables has been made in the financial statements.

(c) Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents. The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through funds generated from operations. Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected future cash flows.

(d) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 March 2009 and 2008.

The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Group and the Company could realise the financial instruments in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2009 and 2008 may be categorised as follows:

	2009 HK$'000	2008 HK$'000
Financial assets		
Available-for-sale financial assets measured at fair value	1,460	–
Loans and receivables (including cash and cash equivalent) measured at amortised cost	80,092	177,314
	81,552	177,314
Financial liabilities		
Financial liabilities measured at amortised cost	136,977	319,730

38. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENTS

As further disclosed in the announcement of the Company dated 7 May 2009, the Company and the Group have the following significant non-adjusting post balance sheet events:

(i) SFID, an indirectly wholly-owned subsidiary of the Company, entered into a conditional disposal agreement dated 30 April 2009 with Lasting Power Investment Limited, a wholly owned subsidiary of Artfield Group Limited, a company listed on the Main Board of the Stock Exchange, regarding the proposed disposal of 51% of the equity interests in SFII, an indirectly wholly-owned subsidiary of the Company, and its subsidiaries, at a total cash consideration of HK$100,000,000.

(ii) On 30 April 2009, the Company entered into a supplemental agreement with MK International such that the promissory notes in the principal amount of HK$120,000,000 with zero coupon interest issued by the Company in favour of MK International shall be revised and substituted by a new promissory note in the principal amount of HK$40,000,000 with zero coupon interest.

(iii) On 30 April 2009, the former profit guarantee under the former agreement dated 3 July 2007 in relation to the purchase of the entire equity interest in MKKY, a wholly-owned subsidiary of SFII, shall be revised from not less than HK$60,000,000 (i.e. HK$120,000,000 in aggregate) for the two years ending 31 December 2008 and 31 December 2009 to not less than HK$20,000,000 (i.e. HK$40,000,000 in aggregate) for the two years ending 31 December 2008 and 31 December 2009 and all remaining references to "HK$60,000,000" and "HK$120,000,000" in the former agreement shall also be deleted and substituted by "HK$20,000,000" and "HK$40,000,000" respectively.

For further details referring to the above material post balance sheet events, reference is also made to the announcements of the Company dated 9 July 2007, 13 February 2009 and 7 May 2009 respectively and the circular of the Company dated 15 October 2007.

39. COMPARATIVE AMOUNTS

The comparative income statement and related disclosures has been re-presented as if the logistic business segment disposed of during the current year had been discontinued at the beginning of the year ended 31 March 2008 (Note 11).

Ming Kei Energy Holdings Limited
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