Ming Kei Holdings Limited
明基控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(於開曼群島註冊成立及於百慕達存續)
(Stock Code 股份代號：8239)

Annual Report 年報
2009/10

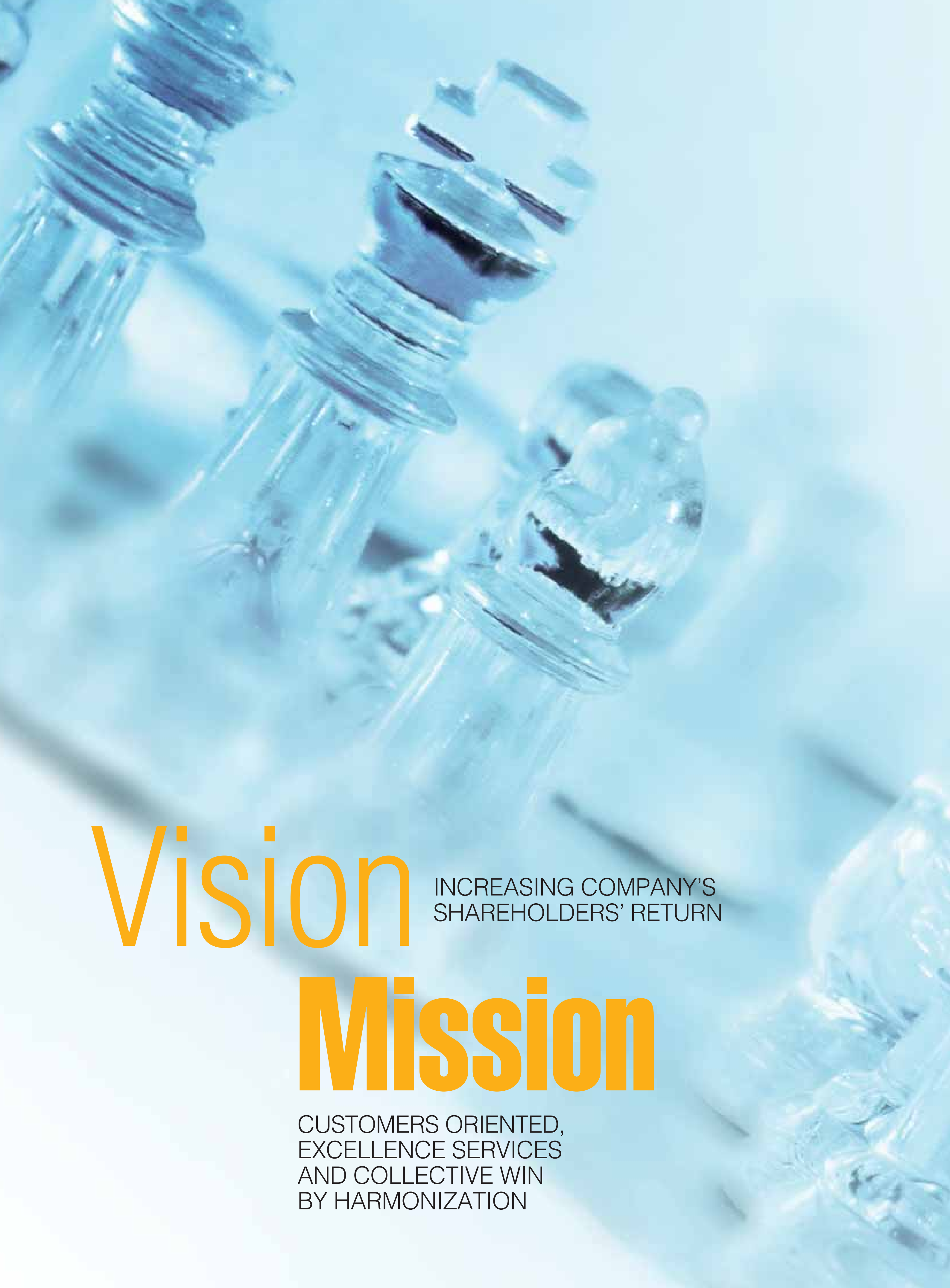
* For identification purpose only 僅供識別

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors of countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.



Vision

INCREASING COMPANY'S
SHAREHOLDERS' RETURN

Mission

CUSTOMERS ORIENTED,
EXCELLENCE SERVICES
AND COLLECTIVE WIN
BY HARMONIZATION

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Wai Sing *(Chairman)*
(redesignated to non-executive director on 21 September 2009)
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
Ms. Yick Mi Ching, Dawnibilly
Mr. Luk Yue Kan (resigned on 2 March 2010)

NON-EXECUTIVE DIRECTOR

Mr. Wong Wai Sing *(Chairman)*
(redesignated from executive director on 21 September 2009)
Mr. Kinley Lincoln James Lloyd
(appointed on 5 October 2009 and redesignated to independent non-executive director on 3 November 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman
Mr. Kwok Kam Tim (appointed on 5 October 2009)
Mr. Kinley Lincoln James Lloyd (redesignated from non-executive director on 3 November 2009)
Mr. Fung Ho Yin (resigned on 5 October 2009)
Mr. Chung Ho Tung (resigned on 3 November 2009)

COMPLIANCE OFFICER

Mr. Wong Wai Sing

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Ms. Yick Mi Ching, Dawnibilly
Mr. Tsang Ho Ka, Eugene

MEMBERS OF THE AUDIT COMMITTEE

Mr. Kwok Kam Tim *(Chairman)*
(appointed on 5 October 2009)
Mr. Sung Wai Tak, Herman
Mr. Kinley Lincoln James Lloyd
(appointed on 3 November 2009)
Mr. Fung Ho Yin (resigned on 5 October 2009)
Mr. Chung Ho Tung (resigned on 3 November 2009)

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Tsang Ho Ka, Eugene *(Chairman)*
(appointed on 21 September 2009)
Mr. Sung Wai Tak, Herman
(resigned as Chairman on 21 September 2009)
Mr. Kwok Kam Tim (appointed on 5 October 2009)
Mr. Kinley Lincoln James Lloyd
(appointed on 3 November 2009)
Mr. Fung Ho Yin (resigned on 5 October 2009)
Mr. Chung Ho Tung (resigned on 3 November 2009)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC
Room A, 13/F., Noble Center,
Fuzhong San Road, Futian District,
Shenzhen, People's Republic of China

REGISTERED OFFICE
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Codan Services Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL BANKERS
(in alphabetical order)
Bank of China Hong Kong (Holdings) Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS
BDO Limited
25/F, Wing On Centre,
111 Connaught Road Central,
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 Bermuda Law
Conyers Dill & Pearman

as to Hong Kong Law
Michael Li & Co.

as to the PRC Law
Fujian Trinity Law Office

COMPANY HOMEPAGE
http://www.mingkeiholdings.com

E-MAIL ADDRESS
general@mingkeiholdings.com

STOCK CODE
8239

Major Events in **2009** and **2010**

JUNE 2009

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

- An annual general meeting was held, and resolutions were duly approved by the shareholders of the Company (as defined below) for approving of the grant of general mandates to allot and issue new shares and repurchase by Ming Kei Holdings Limited (the "Company") of its own shares and re-election of directors (the "Directors") and auditors of the Company.

JULY 2009

- Completion of the disposal (the "Disposal") of 51% equity interests in Star Fortune International Investment Company Limited (the "SFII") 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).

- The group entered into a provisional sale and purchase agreement in relation to the acquisition of a property in Hong Kong (the "HK").

AUGUST 2009

- Announcement of quarter 1 results of 2009/2010.

SEPTEMBER 2009

- The Directors proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda and proposed to effect a capital reorganisation by way of (a) the share consolidation of every fifty shares of HK$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.50 each in the issued and unissued share capital of the Company; (b) the capital reduction involving the reduction of the issued share capital of the Company through a cancellation of the paid up capital of the Company to the extent of HK$0.49 on each of the issued consolidated shares so that the nominal value of each issued consolidated share will be reduced from HK$0.50 to HK$0.01; (c) the subdivision of each authorised but unissued consolidated share of HK$0.50 each into 50 new shares of HK$0.01 each; and (d) the share premium reduction whereby the entire amount standing to the credit of the share premium account of the Company as at the date of extraordinary general meeting will be reduced and cancelled.

- The Company proposed to change the board lots of trading of shares on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 5,000 shares to 1,000 shares, effective upon the capital reorganisation becoming effective, the board lot size for trading on the Stock Exchange will be changed from 5,000 existing shares to 1,000 new shares.

- Proposed change of Company name from "Ming Kei Energy Holdings Limited" to "Ming Kei Holdings Limited" and upon the change of name becoming effective, the new Chinese name "明基控股有限公司" will be adopted to replace "明基能源控股有限公司" for identification purpose only.

- The Directors of the Company and the option holders have agreed to cancel all outstanding share options granted but not exercised in accordance with the provisions of the share option scheme.

NOVEMBER 2009

- Announcement of interim results for 2009/2010.

- The group entered into the subscription documents pursuant to which, Proteus Growth Fund Ltd., as issuer, agreed to allot and issue, and the group, as subscriber, agreed to subscribe for 12,830 Class A Shares for a subscription price of USD1,283,000.

DECEMBER 2009

- The group entered into three conditional warrant placing agreements with the subscribers and the guarantors in relation to a private placing of an aggregate of 10,560,000 warrants to the subscribers, at the warrant issue price of HK$0.19.

- The board of the Company announces that it has resolved to grant 4,065,000 share options to the grantees, to subscribe, in aggregate, for up to 4,065,000 shares subject to acceptance of the grantees.

FEBRUARY 2010

- Achievement of the profit guarantee in relation to the Disposal.

- Announcement of quarter 3 results for 2009/2010.

MARCH 2010

- The Company entered into the subscription agreement with the Ming Kei International Holding Co. Limited (明基國際集團有限公司) (the "Ming Kei International"), a company incorporated in Hong Kong, a substantial shareholder of the Company, which is wholly and beneficially owned by Mr. Wong Wai Sing, a non-executive Director and the chairman of the group, pursuant to which the Ming Kei International has conditionally agreed to subscribe or procure subscription by its nominee(s) for the convertible bonds in the principal amount of HK$20,000,000 with the rights to convert into 11,976,047 conversion shares at initial conversion price of HK$1.67 (subject to adjustments) per conversion share. The subscription price payable by the Ming Kei International or procured by the Ming Kei International to be payable by its nominee(s) under the subscription agreement will be satisfied by setting off against the outstanding principal amount of the promissory note of HK$20,000,000 due by the Company to Ming Kei International.

MAY 2010

- The group entered into a sale and purchase agreement in relation to the disposal of the 49% equity interests in SFII held by the group for the consideration of HK$50 million in cash.

JUNE 2010

- Announcement of annual results 2009/2010.

Top 5 Customers

BUSINESS DIVERSIFICATION AND CUSTOMERS ORIENTED

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

北京鑫健偉業科
貿易有限公司
BEIJING XINJIAN WEIYEKE TRADING COMPANY LIMITED

奇台宏源化工
有限責任公司
QITAI HONGYUAN CHEMICAL COMPANY LIMITED

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

新疆亞歐大陸橋煤炭
經銷有限責任公司
XINJIANG ASIA-EUROPE CONTINENTAL COMPANY LIMITED

Corporate Profile

The principal activity of Ming Kei Holdings Limited (the "Company") is investment holding.

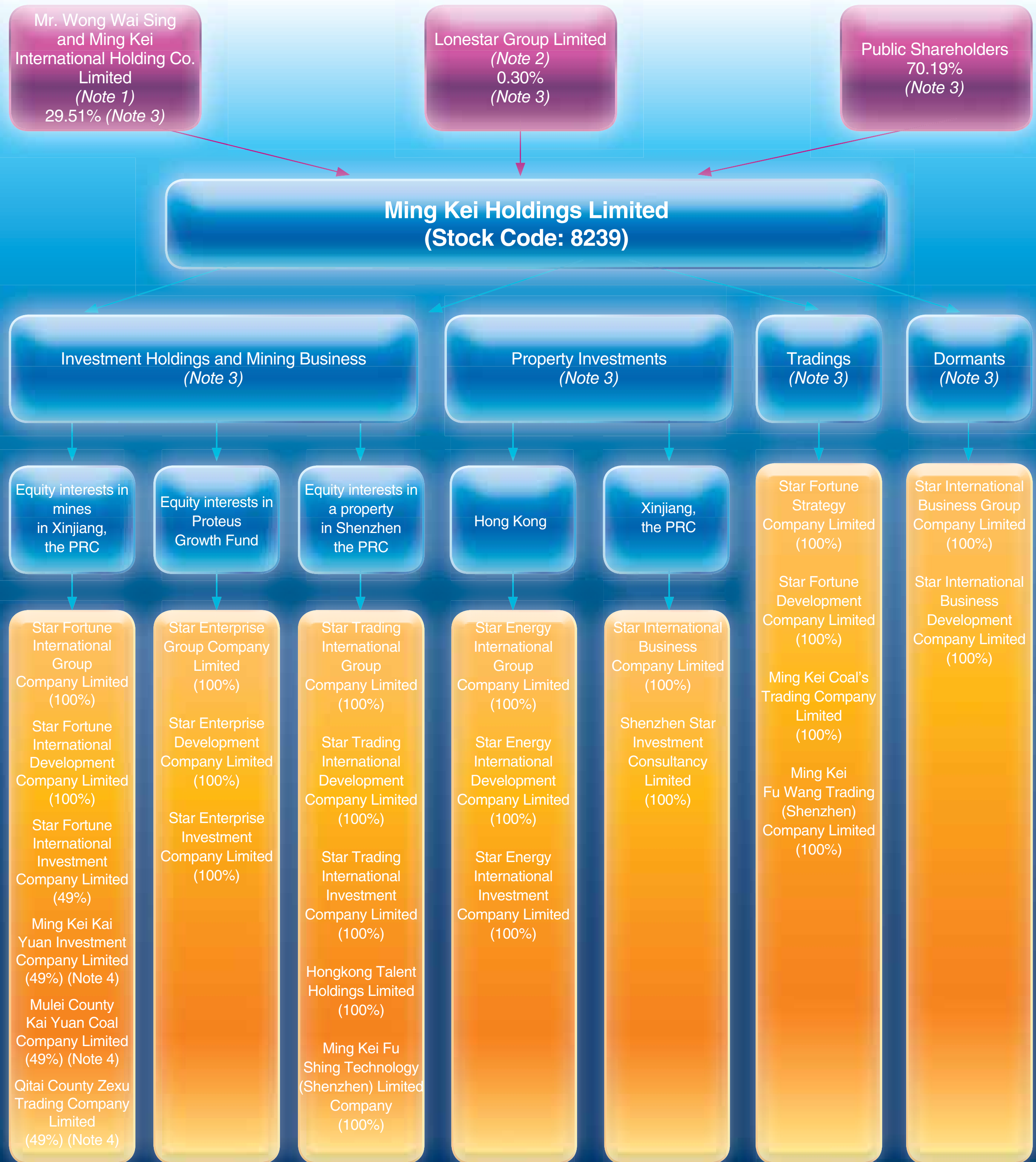
The Company and its subsidiaries and associates (the "Group") are principally engaged in investment holding and property investment in Hong Kong and the People's Republic of China (the "PRC") and businesses of general trading and mining in the PRC respectively.

The Group hold 49% equity interests in Star Fortune International Investment Company Limited (the "Star Fortune") which Star Fortune's indirect wholly-owned subsidiaries principally 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 and the Group also hold a property in Shenzhen, the PRC.

In addition, the Group also hold a property in Hong Kong and Xinjiang, the PRC respectively for investment property purposes.

The business of general trading in the PRC consists of general trading in the following products: construction and decoration materials, electronics appliances and components as well as motor vehicles components respectively.

Corporate Structure



Notes:

1. Ming Kei International Holding Co. Limited is wholly and beneficially owned by Mr. Wong Wai Sing, a non-executive director of the Ming Kei 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. As at 31 March 2010.
4. Effective percentage of equity interests attributable to the group.

Financial Highlights

Net loss decreased
by approximately
90.72%

Current liabilities decreased
by approximately
92.41%

Non-current liabilities decreased
by approximately
98.17%

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 Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2010 to the Company's shareholders.

MARKET OVERVIEW

The Group achieved revenue of approximately HK$78.56 million for the year ended 31 March 2010, for the continuing operations of coal mining (51% of the equity interests in Star Fortune International Investment Company Limited (the "SFII") were disposed on 3 July 2009 (the "Disposal") and the SFII and its subsidiaries (collectively referred to as the "SFII Group") become associates of the Group simultaneously) and new business of property investment and general trading respectively, representing a decreased by approximately HK$49.14 million or 38.48% over the corresponding prior year ended. The decrement was mostly contributed by the record of no revenue from the mining segment as a result of the disposal of the SFII Group.

In view of the ongoing effects of the global financial tsunami and the spreading of the credit crunch in the Europe, the prospects of the coal market will continue to be affected and the business in coal mining will continue to be difficulty and challenging. Pursuant to a management review of the business environment and the comparative landscape for the Group's mining business, taking into account the limited prospects, the residual 49% equity interests in the SFII held by the Group will be disposed to the subsidiary of China Sonangol Resources Enterprise Limited (the "China Sonangol") (formerly known as "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 of Hong Kong Limited (the "Stock Exchange") for the consideration of HK$50 million in cash. Reference is made to the announcement of the Company dated 3 June 2010 in respect of the suspension of trading in shares of the Company on the Stock Exchange pending the publication of an announcement in relation to, among other things, disposal of the 49% equity interest in SFII, which constitutes a very substantial disposal of the Company (the "Transaction").

As at the date of this annual report, the Company was in the process of preparing the announcement in relation to the Transaction and the Directors consider that additional time is required for such purposes. An announcement setting out, amongst other things, details of the Transaction will be published as and when appropriate. Suspension of trading in shares of the Company will remain until publication of the announcement in relation to the Transaction.

In related to the Group's general trading business started on October 2009, the Group has entered into three letters of intent with one new and two different existing customers respectively (collectively referred to as the "Trading Customers") for long term acquisition contracts with the aggregate amount of Renminbi (the "RMB") 28 million starting from the period of 1 July 2010 to 30 June 2011 for different electronic appliances. As some of the Trading Customers' customers are state owned enterprises in the People's Republic of China (the "PRC"), the secure of the long terms acquisition contracts will strengthen the stability of the trading business of the Company. Powered by the continuous growth in domestic demand and continuous input in infrastructure and construction projects in the PRC, the selected products under the trading business enjoys ample opportunities.

In addition, as announced by the PRC government for the strategies in boosting up internal customers' demand and encouraging of domestic consuming spending, the Directors is optimistic about the prospect of the trading business and expect that the expansion of the trading business will contribute more revenue stream to the Company in the near future for the benefit of the shareholders and the Company. In the future, the Company will further negotiate for cooperative business opportunities with different customers and/or suppliers for source of products which are supported by the government policy or are with potential possible market.

Further, the rising trend of the property market in Hong Kong (the “HK”) and the PRC has been slowed down and price of the properties in HK and the PRC has been adjusted downward recently due to the regulations and policies imposed by HK and the PRC government towards the property market. The Directors will continue to explore opportunities to invest in good quality properties in both Hong Kong and the PRC to strengthen its property investment business and the investment properties hold by the Group will continue provide a stable source of rental income to the Group and the potential possible of the appreciation of the properties, the future prospect of the property marketing in HK and PRC is promising.

FINANCIAL REVIEW

For the year ended 31 March 2010, the Group achieved revenue of approximately HK$78.56 million (2009: approximately HK$127.70 million) for the continuing operations of coal mining (51% equity interests of the mining segments were disposed on 3 July 2009) and new business of property investment and general trading respectively, representing a decreased by approximately HK$49.14 million or 38.48% over the corresponding prior year ended. The decrement was mostly contributed by the record of no revenue from the mining segment as a result of the Disposal.

For the year ended 31 March 2010, the Group recorded total revenue of approximately HK$78.56 million (2009: approximately HK$127.70 million) which was derived from the continuing operations of coal mining business (carrying on as associates after 3 July 2009), property investment business and business of general trading which accounted for approximately of 80.78%, 1.13% and 18.09% (2009: approximately of 100%, Nil and Nil) of the total revenue respectively.

A decreased in turnover by approximately HK$49.14 million or 38.48%, as compared to the corresponding prior year ended was due to no revenue was contributed by the mining segment as a result of the Disposal. The Group generated an operating loss from continuing operations of approximately HK$71.08 million (2009: approximately HK$765.38 million). The raw coal production was approximately 0.74 million tons (up to 3 July 2009) for the year ended 31 March 2010 (2009: approximately 1.44 million tons).

The Group’s gross profit from continuing operations was approximately HK$12.49 million or 15.90% for the year ended 31 March 2010 (2009: approximately HK$43.93 million or 34.40%). The gross profit decreased as compared to the corresponding prior year ended, which was mainly due to the record of no revenue from the mining segment as a result of the Disposal.

For the year ended 31 March 2010, the Group’s selling and distribution costs amounted to approximately HK$0.51 million (2009: approximately HK$1.19 million), which represented a decreased by approximately HK$0.68 million or 57.14% , while the Group’s administrative expenses amounted to approximately HK$42.33 million (2009: approximately HK$28.15 million), which represented increased by approximately HK$14.18 million or 50.37%, as compared to the corresponding prior year ended. The increased in the administrative expenses was mainly due to the overall increase in Directors’ remuneration, staff costs, recognition of share-based payments in respect of share options granted, and project related expenses on potential projects which terminated during the year under reviewed.

For the year ended 31 March 2010, the Group recorded the share of loss of associates of approximately HK$23.36 million (2009: HK$Nil), which represented the share of 49% results attributed by the SFII Group to the Group subsequent to the Disposal. The SFII Group are principally engaged in mining, sale and distribution of coals in the PRC.

For the year ended 31 March 2010, the Group recorded an impairment loss of property, plant and equipment of approximately of HK$1.13 million (2009: HK$Nil), which represented a decreased in value of one of the Group’s properties which has been leased out during the year under review.

For the year ended 31 March 2010, the Group recorded a fair value loss on investment properties of approximately HK$3.36 million (2009: HK$Nil), which represented a decreased in fair value of the Group's investment properties which are hold for investment purposes during the year under review.

For the year ended 31 March 2010, the Group recorded a loss attributable to the equityholders of the Company from the continuing operations of approximately HK$71.08 million (2009: approximately HK$765.38 million) represented a tremendous decreased in loss by approximately HK$694.30 million or 90.71%. The overall decreased in loss attributable to the equityholders of the Company from the continuing operations as compared to the corresponding prior year ended was mostly caused by the record of nil impairment loss on intangible assets which amounted to approximately HK$1,160.22 million recorded as compared to the corresponding prior year ended, the record of nil impairment loss on intangible assets for the year ended 31 March 2010 was as a result of the completion of the Disposal.

For the year ended 31 March 2010, the Group recorded a loss attributable to the equityholders of the Company from the discontinued operation of HK$Nil (2009: approximately HK$0.6 million). The logistics business (the discontinued operation) was entirely disposed on 3 September 2008.

PROSPECTS AND APPRECIATION

For the year ended 31 March 2010, the Group achieved revenue of approximately HK$78.56 million (2009: approximately HK$127.70 million) for the continuing operations of coal mining (51% equity interests of the mining segments were disposed on 3 July 2009) and new business of property investment and general trading respectively, representing a decreased by approximately HK$49.14 million or 38.48% over the corresponding prior year ended. The decrement was mostly contributed by the record of no revenue from the mining segment as a result of the Disposal.

On 30 April 2009, Star Fortune International Development Company Limited (the "SFID"), an indirect wholly-owned subsidiary of the Company, entered into a conditional disposal agreement (the "Disposal Agreement") with the purchaser, a wholly owned subsidiary of China Sonangol for the Disposal, held by SFID for a total cash consideration (the "Cash Consideration") of HK$100 million (subject to adjustment).

The Disposal Agreement was completed on 3 July 2009 (the "Completion"). Upon Completion, the Company is interested in only 49% equity interests in SFII , and therefore the SFII Group ceased to be subsidiaries of the Company and are accounted for as the associates of the Company and the remaining of the partial Cash Consideration which amounted to HK$18 million was received on 3 February 2010 in related to the completion of the profit guarantee as stated on the Disposal Agreement.

In view of the ongoing effects of the global financial tsunami and the spreading of the credit crunch in the Europe, the prospects of the coal market will continue to be affected and the business in coal mining will continue to be difficulty and challenging. Pursuant to a management review of the business environment and the comparative landscape for the Group's mining business, taking into account the limited prospects, the residual 49% equity interests in the SFII held by the Group will be disposed (the "Aggregate Disposal") to the subsidiary of China Sonangol for the consideration of HK$50 million in cash. Reference is made to the announcement of the Company dated 24 May 2010 in respect of the suspension of trading in shares of the Company on the Stock Exchange pending the publication of an announcement in relation to, among other things, disposal of the 49% equity interests in SFII, which constitutes a very substantial disposal of the Company.

As at the date of this annual report, the Company was in the process of preparing the announcement in relation to the Transaction and the Directors consider that additional time is required for such purposes. An announcement setting out, amongst other things, details of the Transaction will be published as and when appropriate. Suspension of trading in shares of the Company will remain until publication of the announcement in relation to the Transaction.

Subsequent to the Completion, the Company is also engaged in investment holding and property investment in HK and the PRC respectively. On 3 July 2009, Shenzhen Star Investment Consultancy Limited, an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement for leasing its property to one of the Company's associate for an annual rental of HK$980,000.

On 7 July 2009, Star Energy International Investment Company Limited, an indirect wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Ming Kei Properties Investment Limited (the "Ming Kei Properties"), a connected person, of which 51% of the shareholding of Ming Kei Properties is beneficially owned by Mr. Wong Wai Sing, a substantial shareholder and a non-executive Director and the remaining 49% of the shareholding of Ming Kei Properties is beneficially owned by Mr. Wong Wai Ngok, the elder brother of Mr. Wong Wai Sing in relation to the acquisition (the "Acquisition") of a property, a flat in Block 5 Sorrento, 1 Austin Road West, Kowloon for a total cash consideration of HK$8,300,000.

The Acquisition will provide a good opportunity for the Group to expand its investment in the property market in HK.

The Acquisition was completed on 7 August 2009 and the Acquisition's property was leased out shortly after the completion of the Acquisition, which will provide a stable source of rental income to the Group.

Further, the rising trend of the property market in HK and the PRC has been slowed down and price of the properties in HK and the PRC has been adjusted downward recently due to the regulations and policies imposed by HK and the PRC government towards the property market. The Directors will continue to explore opportunities to invest in good quality properties in both HK and the PRC to strengthen its property investment business and the investment properties hold by the Group will continue provide a stable source of rental income to the Group and the potential possible of the appreciation of the properties, the future prospect of the property marketing in HK and PRC is promising.

On 16 July 2009, Star Trading International Investment Company Limited (the "Star Trading"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Best Rise Asia Limited (the "Best Rise"), a connected person, of which is wholly and beneficially owned by Mr. Wong Wai Sing, and Mr. Poon Chi Ho (the "Mr. Poon") (collectively referred to as the "Vendors"). Pursuant to the sale and purchase agreement, the Vendors agreed to sell, and Star Trading, as purchaser, has agreed to purchase: (i) the entire issued share capital of HongKong Talent Holdings Limited (the "Target"), which is a company incorporated in Hong Kong with limited liability, the shares of which is owned as to 90% by Mr. Poon and 10% by Best Rise respectively and (ii) the sale loan of which an outstanding shareholder's advance in an aggregate amount of approximately HK$14.5 million owed by the Target and its subsidiaries to one of the Vendors, Mr. Poon, which is unsecured, interest free and has no fixed terms of repayment for a total consideration of HK$18,000,000 which shall be settled by Star Trading in cash.

The principal asset of the Target is its interest in its subsidiary in the PRC and 100% indirect attributable interests in a commercial property located at Room A, Floor 13, Noble Center, Fuzhong San Road, Futian District, Shenzhen, the PRC, with a total gross floor area of approximately 321.35 square metres.

The acquisition of the Target was completed on 31 August 2009.

Despite of the net loss of the Group for the year ended 31 March 2010, the Board considers that the Group's overall financial positions are healthy and the Board remains positive on the prospects of the Group. Notwithstanding the foregoing, as at 31 March 2010, 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 would like to emphasize that the Group's financial positions remain stable and has sufficient cash resources to meet its present and future cash flow requirements.

In related to the Group's general trading businesses, started on October 2009, the Group has entered into three letters of intent with one new and two different existing customers respectively (collectively referred to as the "Trading Customers") for long term acquisition contracts with the aggregate amount of RMB28 million starting from the period of 1 July 2010 to 30 June 2011 for different electronic appliances. As some of the Trading Customers' customers are state owned enterprises in the PRC, the secure of the long terms acquisition contracts will strengthen the stability of the trading business of the Company. Powered by the continuous growth in domestic demand and continuous input in infrastructure and construction projects in the PRC, the selected products under the trading business enjoys ample opportunities.

In addition, as announced by the PRC government for the strategies in boosting up internal customers' demand and encouraging of domestic consumer spending, the Directors is optimistic about the prospect of the trading business and expect that the expansion of the trading business will contribute more revenue stream to the Company in the near future for the benefit of the shareholders and the Company. In the future, the Company will further negotiate for cooperative business opportunities with different customers and/or suppliers for source of products which are supported by the government policy or are with potential possible market.

As the consideration for the Disposal and the Aggregate Disposal is all cash in nature, the Disposal and the Aggregate 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 outside the coal mining, property investment and general trading sectors or other sector(s) with growth potential respectively including those sectors which the Directors believe are less affected by the global downturn to improve its standard performance and to improve shareholders' returns.

Hence, on 2 November 2009, Star Enterprise Investment Company Limited (the "Star Enterprise"), entered into the subscription documents (the "Subscription") pursuant to which Proteus Growth Fund Ltd., as issuer, agreed to allot and issue, and Star Enterprise, as subscriber, agreed to subscribe for 12,830 (subsequently adjusted to 12,913) Class A shares for a subscription price of USD1,283,000 (equivalent to approximately HK$10,007,000) which was settled in cash and funded by the internal resources of the Group.

The Group considers that the Subscription provides (i) an opportunity to enjoy any potential capital gain in the value of the Subscription; and (ii) a good investment channel for the Group, which is in the interests of the shareholders and the Company as a whole.

On 29 December 2009, the Company as an issuer entered into three conditional warrant placing agreements (the "Placing") with the subscribers and the guarantors in relation to a private placing of an aggregate of 10,560,000 warrants to the subscribers, at the warrant issue price of HK$0.19.

The warrants entitled the subscribers to subscribe for the new shares at the subscription price of HK$1.31 per new share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carried the right to subscribe for one new share.

The Directors are of the view that additional funding will strengthen the financial position of the Group for any future investment and development, which will be beneficial and in the interest of the Group and the shareholders as a whole. The Board considered that the present warrant placing is appropriate as (i) it does not have any immediate dilution effect on the shareholding of the existing shareholders of the Company while capital will be raised upon completion; (ii) non-interest bearing nature of warrants; and (iii) favorable market sentiment for equity fund raising. In addition, further capital will be raised upon the exercise of the subscription rights attaching to the warrants by the holder of the warrants during the subscription period.

The Placing was completed on 15 January 2010 and the entire unlisted warrants were exercised by the Placing's subscribers during the year under reviewed.

The Board will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and Company's shareholders' return.

APPRECIATION

The Board has performed business review to streamline the current business operations and improve the financial position of the Group. New investment opportunities in any other business section outside the coal mining, property investment and general trading sectors or other sectors respectively 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.

For and on behalf of
the Board of
Ming Kei Holdings Limited
Mr. Wong Wai Sing
Chairman

Hong Kong
18 June 2010

Management Discussion and Analysis

OPERATIONAL REVIEW

General

Ming Kei Holdings Limited (the "Company") and its subsidiaries and associates (collectively refer to as the "Group") are principally engaged in investment holding and property investment in Hong Kong (the "HK") and the People's Republic of China (the "PRC") and businesses of general trading and mining in the PRC respectively.

The Group hold 49% equity interests in Star Fortune International Investment Company Limited (the "Star Fortune") which Star Fortune's indirect wholly-owned subsidiaries principally 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 and the Group also hold a property in the Shenzhen, the PRC.

In addition, the Group also hold a property in HK and Xinjiang, the PRC respectively for investment property purposes.

The business of general trading in the PRC consists of general trading in the following products: construction and decoration materials, electronics appliances and components as well as motor vehicles components respectively.

BUSINESS REVIEW

For the year ended 31 March 2010, the Group achieved revenue of approximately HK$78.56 million (2009: approximately HK$127.70 million) for the continuing operations of coal mining (51% equity interests of the mining segments were disposed on 3 July 2009) and new business of property investment and general trading respectively, representing a decreased by approximately HK$49.14 million or 38.48% over the corresponding prior year ended. The decrement was mostly contributed by the record of no revenue from the mining segment as a result of the Disposal.

For the year ended 31 March 2010, the Group recorded total revenue of approximately HK$78.56 million (2009: approximately HK$127.70 million) which was derived from the continuing operations of coal mining business (carrying on as associates after 3 July 2009), property investment business and business of general trading which accounted for approximately of 80.78%, 1.13% and 18.09% (2009: approximately of 100%, Nil and Nil) of the total revenue respectively.

A decreased in turnover by approximately HK$49.14 million or 38.48%, as compared to the corresponding prior year ended was due to no revenue was contributed by the mining segment as a result of the Disposal. The Group generated an operating loss from continuing operations of approximately HK$71.08 million (2009: approximately HK$765.38 million). The raw coal production was approximately 0.74 million tons (up to 3 July 2009) for the year ended 31 March 2010 (2009: approximately 1.44 million tons).

The Group's gross profit from continuing operations was approximately HK$12.49 million or 15.90% for the year ended 31 March 2010 (2009: approximately HK$43.93 million or 34.40%). The gross profit decreased as compared to the corresponding prior year ended, which was mainly due to the record of no revenue from the mining segment as a result of the Disposal.

For the year ended 31 March 2010, the Group's selling and distribution costs amounted to approximately HK$0.51 million (2009: approximately HK$1.19 million) which represented a decreased by approximately HK$0.68 million or 57.14% , while the Group's administrative expenses amounted to approximately HK$42.33 million (2009: approximately HK$28.15 million), which represented increased by approximately HK$14.18 million or 50.37%, as compared to the corresponding prior year ended. The increased in the administrative expenses was mainly due to the overall increase in Directors' remuneration, staff costs, recognition of share-based payments in respect of share options granted, and project related expenses on potential projects which terminated during the year under reviewed.

Core Business LOCATION

For the year ended 31 March 2010, the Group recorded the share of loss of associates of approximately HK$23.36 million (2009: HK$Nil), which represented the share of 49% results attributed by the SFII Group to the Group subsequent to the Disposal. The SFII Group are principally engaged in mining, sale and distribution of coals in the PRC.

For the year ended 31 March 2010, the Group recorded an impairment loss of property, plant and equipment of approximately of HK$1.13 million (2009: HK$Nil), which represented the decrease in value of one of the Group's properties which has been leased out during the year under review.

For the year ended 31 March 2010, the Group recorded a fair value loss on investment properties of approximately of HK$3.36 million (2009: HK$Nil), which represented a decreased in fair value of the Group's investment properties which are hold for investment purposes during the year under review.

For the year ended 31 March 2010, the Group recorded a loss attributable to the equityholders of the Company from the continuing operations of approximately HK$71.08 million (2009: approximately HK$765.38 million) represented a decreased in loss by approximately HK$694.30 million or 90.71%. The overall decreased in loss attributable to the equityholders of the Company from the continuing operations as compared to the corresponding prior year ended was mostly caused by the record of Nil impairment loss on intangible assets which amounted to approximately HK$1,160.22 million recorded as compared to the corresponding prior year, the record of Nil impairment loss on intangible assets for the year ended 31 March 2010 was as a result of the completion of the Disposal.

For the year ended 31 March 2010, the Group recorded a loss attributable to the equityholders of the Company from the discontinued operation of HK$Nil (2009: approximately HK$0.6 million). The logistics business (the discontinued operation) was entirely disposed on 3 September 2008.

Liquidity, financial resources and capital structure

On 17 February 2010, the Company entered into the subscription agreement (the "Subscription Agreement") with the Ming Kei International Holding Co. Limited (明基國際集團有限公司) (the "Ming Kei International"), a company incorporated in Hong Kong, a substantial shareholder of the Company, which is wholly and beneficially owned by Mr. Wong Wai Sing, a non-executive Director and the chairman of the Group (the "Subscriber") in respect of the subscription of the zero coupon convertible bonds with a three-year term in the principal amount of HK$20,000,000 (the "Convertible Bonds") , pursuant to which the Subscriber has conditionally agreed to subscribe or procure subscription by its nominee(s) for the Convertible Bonds with the rights to convert into 11,976,047 new share(s) of Company to be allotted and issued to the holder(s) of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds (the "Conversion Shares") at the initial conversion price of HK$1.67 per Conversion Share (subject to adjustments) of the Convertible Bonds per Conversion Share. The subscription price payable by the Subscriber or procured by the Subscriber to be payable by its nominee(s) under the Subscription Agreement will be satisfied by setting off against the outstanding principal amount of the zero coupon promissory note in the original principal amount of HK$40,000,000 issued by the Company to the Subscriber of HK$20,000,000.

As at 31 March 2010, the Group had net current assets of approximately HK$79.08 million (2009: approximately HK$90.03 million) including cash and bank balances of approximately HK$33.28 million (2009: approximately HK$54.18 million). Except for the Group's bills payable of approximately HK$Nil million (2009: approximately HK$3.45 million), the Group had no other bank overdraft facilities and bank borrowing as at 31 March 2009 and 2010 respectively.

As at 31 March 2010, the Group has obligations under promissory notes of HK$Nil million (2009: HK$120.00 million) in nominal principal amount, and obligations under promissory notes stated at amortised cost of approximately HK$Nil million which was repayable beyond one year but within 5 years (2009: approximately HK$103.19 million). As at 31 March 2010, the Group has obligations under convertible bonds of HK$4.00 million (2009: HK$Nil) in nominal principal amount, and obligations under convertible bonds stated at amortised cost of approximately HK$2.83 million which was repayable beyond one year but within 5 years (2009: HK$Nil). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2010 was approximately 0.03 (2009: approximately 0.53).

The shares (the "Shares") of the Company have been listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 November 2002.

On 21 September 2009, the Directors, propose to reorganise (the "Reorganization") the shares of the Company (the "Shares") in the following manner: (a) the Shares consolidation of every fifty (50) Shares of HK$0.01 each in the issued and unissued Shares of the Company into one consolidated Share (the "Consolidated Share") of HK$0.50 each in the issued and unissued Shares of the Company; (b) the reduction of the issued Shares of the Company through a cancellation of the paid up Shares of the Company to the extent of HK$0.49 each on each of the issued Consolidated Share so that the nominal value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01; (c) the subdivision of each authorised but unissued Consolidated Share of HK$0.50 each into 50 new Shares of HK$0.01 each; and (d) the entire amount standing to the credit of the share premium account of the Company as at the date of extraordinary general meeting (the "EGM") will be reduced and cancelled.

Following the passing of a special resolution of the Company's EGM on 29 October 2009, the Reorganization was completed on 21 December 2009. Immediately after the EGM, the total issued shares capital is reduced to 52,800,000 Shares.

4,065,000 share options (the "Share Options") were granted to and exercised by the eligible participants during the year under reviewed and 4,065,000 new Shares were issued and allotted on 24 February 2010.

9,580,838 new Shares of the Company (the "New Conversion Shares") were issued and allotted on 25 March 2010 upon partial conversation of the Convertible Bonds by the Subscriber.

As a result of the Share Options and New Conversion Shares, additional 13,645,838 new ordinary shares were issued and allotted by the Company during the year under reviewed.

As at 31 March 2010, the total issued share capital is 66,445,838 Shares.

Charge of group assets

As at 31 March 2010, the Group did not have any material charge of assets. (2009: HK$Nil).

Foreign exchange exposure

The reporting currencies of the Group is Hong Kong Dollars (the "HKD").

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in the RMB and the equity investments denominated in the United States dollars (the "USD"). As at 31 March 2010, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB, used by the Group entities or in the USD for HKD functional currency Group entities.

As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant for transactions denominated in USD. 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 2010, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

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

As at 31 March 2010, 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.

The Board would like to emphasize the Group's financial positions remain stable and has sufficient cash resources to meet its present and future cash flow requirements.

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.

Significant Investment

On 2 November 2009, Star Enterprise Investment Company Limited (the "Star Enterprise"), entered into the subscription documents (the "Class A Subscription") pursuant to which Proteus Growth Fund Ltd., as issuer, agreed to allot and issue, and Star Enterprise, as subscriber, agreed to subscribe for 12,830 (subsequently adjusted to 12,913) Class A shares for a subscription price of USD1,283,000 (the "Class A Subscription Shares") (equivalent to approximately HK$10,007,000) which was settled in cash and funded by the internal resources of the Group.

The Class A Subscription Shares represents 100% of the issued Class A Share capital of Proteus Growth Fund Ltd. as enlarged by the allotment and issue of the Class A Subscription Shares as at the date of the Class A Subscription.

The Class A Subscription constituted a discloseable transaction for the Company under Rule 19.06(2) under the Rules Governing the Listing of Securities in the Growth Enterprise Market (the "GEM Listing Rules").

Save as disclosed above, there was no other significant investment held by the Group as at 31 March 2010.

(2009: 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. The Company has agreed, as one of the subscribers, to subscribe in cash for the 1,600,000 subscription shares (the "Wing Hing Subscription") for a total subscription price of HK$2,288,000, i.e. HK$1.43 per new Wing Hing share.

The Wing Hing Subscription constituted a discloseable transaction on the part of the Company under the GEM Listing Rules.

The Wing Hing 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 Wing Hing 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.)

Material acquisitions or disposals of subsidiaries and affiliated companies

On 30 April 2009, Star Fortune International Development Company Limited (the "SFID"), an indirect wholly-owned subsidiary of the Company, entered into a conditional disposal agreement (the "Disposal Agreement") with the purchaser, a wholly owned subsidiary of China Sonangol Resources Enterprise Limited (the "China Sonangol") (formerly known as "Artfield Group Limited") (a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1229)), for the disposal of the sale shares (the "Disposal"), representing 51% equity interests in SFII, (an indirect wholly-owned subsidiary of the Company, immediately before the completion of the Disposal and carry on as associate immediately after the Disposal), held by SFID for a total cash consideration of HK$100 million (subject to adjustment).

The Disposal Agreement was completed on 3 July 2009 (the "Completion"). Upon Completion, the Company is interested in only 49% equity interests in SFII , and therefore the SFII Group ceased to be subsidiaries of the Company and are accounted for as the associates of the Company.

On 7 July 2009, Star Energy International Investment Company Limited, an indirect wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Ming Kei Properties Investment Limited (the "Ming Kei Properties"), a connected person, of which 51% of the shareholding of Ming Kei Properties is beneficially owned by Mr. Wong Wai Sing, a substantial shareholder and a non-executive Director and the remaining 49% of the shareholding of Ming Kei Properties is beneficially owned by Mr. Wong Wai Ngok, the elder brother of Mr. Wong Wai Sing in relation to the acquisition (the "Acquisition") of a property, a flat in Block 5 Sorrento, 1 Austin Road West, Kowloon for a total cash consideration of HK$8,300,000.

The Acquisition was completed on 7 August 2009.

On 16 July 2009, Star Trading International Investment Company Limited (the "Star Trading"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Best Rise Asia Limited (the "Best Rise"), a connected person, of which is wholly and beneficially owned by Mr. Wong Wai Sing, and Mr. Poon Chi Ho (the "Mr. Poon") (collectively referred to as the "Vendors"). Pursuant to the sale and purchase agreement, the vendors agreed to sell, and Star Trading, as purchaser, agreed to purchase: (i) the entire issued share capital of HongKong Talent Holdings Limited (the "Target"), which is a company incorporated in Hong Kong with limited liability, the shares of which is owned as to 90% by Mr. Poon and 10% by Best Rise respectively and (ii) the sale loan of an outstanding shareholder's advance in an aggregate amount of approximately HK$14.5 million owed by the Target and its subsidiaries to one of the Vendors, Mr. Poon, which is unsecured, interest free and has no fixed terms of repayment for a total consideration of HK$18,000,000 which shall be settled by Star Trading in cash.

The principal asset of the Target is its interest in its subsidiary in the PRC and 100% indirect attributable interests in a commercial property located at Room A, Floor 13, Noble Center, Fuzhong San Road, Futian District, Shenzhen, the PRC, with a total gross floor area of approximately 321.35 square metres.

The acquisition of the Target was completed on 31 August 2009.

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 2010.

(2009: On 8 July 2008, the Company entered into a disposal agreement (the "Logistics Disposal") for the disposal of the entire equity interests in Precious Logistics Limited (the "Precious Logistics") for an aggregate cash consideration of HK$1,500,000.

The Logistics 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 Logistics Disposal was completed on 3 September 2008.

After the completion of the Logistics 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.)

Proposed Acquisition

There was no proposed acquisition held by the Group as at 31 March 2010.

(2009: On 18 July 2008, the Company's indirect 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 "Independent 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 sale 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 Independent Vendors upon the signing of the MOU. In return for the payment of the Deposit by Star Energy, the Independent 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 Independent 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 and 4 June 2009 respectively.

Saved as disclosed above, there were no other proposed acquisition during the year ended 31 March 2009 held by the Group.)

Proposed Disposal

There was no proposed disposal held by the Group as at 31 March 2010.

(2009: On 30 April 2009, the SFID entered into the Disposal Agreement, among others, with the Lasting Power Investments Limited, a wholly-owned subsidiary of the China Sonangol for the disposal of the sale shares, representing 51% equity interests in the SFII for a total consideration of HK$100,000,000 in cash.

Details of the Disposal Agreement have been set out in the announcement of the Company dated 7 May 2009 and circular of the Company dated 12 June 2009 respectively.

Save as disclosed above, there were no other proposed disposal during the year ended 31 March 2009 held by the Group.)

Segment information

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating 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 operating segments. Summary details of the operating segments are as follows:

(a) The mining segment comprised the mining, exploration and sale of coal. On 3 July 2009, the Group disposed of 51% equity interests in SFII. As a result of the Disposal, the SFII Group became 49% owned associates of the Group, as further detailed in Note 33(i);

(b) The trading segment comprised the business of general trading;

(c) The property investment segment comprised investment in various properties for rental income purposes; and

(d) The logistics segment comprised the provision of logistic services which was disposed of during the prior year. Accordingly, the logistics segment was classified as a discontinued operation for the year ended 31 March 2009. The disposal was further detailed in Note 11.

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.

In determing the Group's geographical segments, revenue and specified non-current assets are based on the location in which the customer is located.

Employee information

As at 31 March 2010, the Group employed a total of 27 employees (2009: 135). The tremendous decreased of the numbers of employees were due to the completion of the Disposal. 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-ended 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 HK. 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. Share options have been granted to the eligible participants under the Scheme during the current year ended under reviewed.

Staff costs, excluding Directors' remuneration, increased by approximately 15.67% to approximately HK$8.86 million (2009: approximately HK$7.66 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2009 and 2010 respectively.

Commitments

Operating lease commitments:

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms of three years. None of the leases includes contingent rentals.

As at 31 March 2010, the Group had commitment for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**2,145**	2,714
In the second to fifth year inclusive	**3,900**	–
	6,045	2,714

The operating leases relate to office premises for terms of three years to year 2012.

Continuing Disclosure Under Rules 17.22 and 17.24 of the GEM Listing Rules

The following summarised the audited consolidated statement of financial position as at 31 March 2010 of the SFII Group, associates of the Group, of which the Group has an equity interests of 49%, as required therein under rules 17.22 and 17.24 of GEM Listing Rules:

	2010 **HK$'000**
Non-current assets	**147,815**
Current assets	**90,244**
Due from the Group	**81**
Current liabilities	**(32,968)**
Non-current liabilities	**(30,882)**
Loan from the Group	**(28,500)**
Net assets	**145,790**

Immediately upon completion of the Disposal of the SFII Group, SFID (the "Vendor S"), the SFII and the Company entered into a loan facilities agreement (the "Loan Facilities Agreement"), pursuant to which the Vendor S agreed to provide an unsecured loan facilities to the SFII in the maximum amount of HK$28,500,000 (equivalent to approximately RMB25,000,000) (the "Facilities") for the daily operation of the SFII Group.

As the amount of the Facilities exceeds 8% of the total assets of the Company, the Company is required to disclose certain details and information on the Facilities pursuant to the GEM Listing Rules 17.15 and 17.18.

Immediately before Completion, the Vendor S has advanced and paid the entire amount of the Facilities (the "Loan") to the designated account of the SFII Group. The Facilities bear an interest rate of 1.5% per annum. The maturity date of such Facilities shall fall on the date falling six (6) months after the date of the Loan Facilities Agreement (the "Maturity Date 1") and shall be subject to the negotiation and agreement by the Vendor S, the SFII and the Company and the internal cash flow of the SFII Group to renew the Facilities or any part thereof (as the case may be) for further consecutive six (6) months period, and the maturity date of the Facilities shall therefore be extended for such further six (6) months period. The Loan was renewed for further consecutive six (6) months period (the "Maturity Date 2") upon the Maturity Date 1.

Pursuant to the Loan Facilities Agreement, the SFII shall repay the Loan in full on the Maturity Date 2, with a condition that the Vendor S and the SFII may agree the whole or any part of the Loan and all interest accrued thereon under the Loan Facilities Agreement to be repaid before the Maturity Date 2. Unless and until the Loan has been repaid in full, there shall be no distribution of profits or assets of any kind (including but not limited to dividend payment) by the SFII.

Further, the SFII may prepay to the Vendor S in full or in part of the Loan before the Maturity Date 2 provided that 5 days notice before the repayment has been given to the Vendor S and the SFII shall at the same time pay to the Vendor S all accrued interest up to the date of prepayment. The amount prepaid shall be available for re-borrowing and drawing of the prepaid amount shall be subject to all clauses under the Loan Facilities Agreement.

The Facilities are funded by internal resources of the Group.

As at 31 March 2010 and the date of this report, the SFII Group has no banking facilities which are guaranteed by the Company.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tsang Ho Ka, Eugene, aged 28, 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 7 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 (the "PRC"). 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 Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Tsang is also the chairman and the member of the remuneration committee of the Company.

Ms. Yick Mi Ching, Dawnibilly, aged 49, holds a postgraduate diploma in management from Macquire University, Australia and 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 16 years of experience 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 associate of the Company.

Mr. Luk Yue Kan, resigned as an executive Director of the Company on 2 March 2010.

NON-EXECUTIVE DIRECTOR

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, the PRC (中國新疆煤礦安全監察局). Mr. Wong has over 3 years of experience in mining, natural resources industry and coal trading. Mr. Wong has taken up the management role as an executive director and legal representative of a number of subsidiaries and associates 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 a chairman and an executive director of TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the GEM of the Stock Exchange (stock code: 8022).

Mr. Kinley Lincoln James Lloyd was appointed as non-executive Director on 5 October 2009 and redesignated to independent non-executive Director on 3 November 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman, aged 52, 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 TLT Lottotainment Group Limited (stock code: 8022), a company listed on the GEM of the Stock Exchange. Mr. Sung is also the member of the audit committee and the remuneration committee of the Company respectively.

Mr. Kwok Kam Tim, aged 33, is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Kwok holds a bachelor's degree of engineering in electronics engineering from the Hong Kong University of Science and Technology and bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University. Mr. Kwok has over 8 years of experience in accounting and financial managements and previously worked in an international CPA firm. Mr. Kwok is currently a qualified accountant, company secretary and authorised representative of the Loudong General Nice Resources (China) Holdings Limited (stock code: 988), a company listed on the main board of the Stock Exchange. Mr. Kwok is the chairman of the audit committee of the Company and also the member of the audit committee and remuneration committee of the Company respectively. Mr. Kwok was appointed as an independent non-executive Director on 5 October 2009.

Mr. Kinley Lincoln James Lloyd, aged 32, is a solicitor of the High Court of the Hong Kong Special Administrative Region, a solicitor of the Supreme Court of New South Wales, Australia and a barrister and solicitor of the Supreme Court of Western Australia. Mr. Kinley holds a graduate certificate in legal practice and bachelor's degree in law from the University of Technology, Sydney, Australia. Mr. Kinley has over 6 years legal experience in both Australia and Hong Kong respectively and his practice has been focused on the areas of employment law and general commercial litigation. Mr. Kinley is currently solicitor in a multinational law firm. Mr. Kinely is also the member of the audit committee and remuneration committee of the Company respectively. Mr. Kinley was appointed as non-executive Director on 5 October 2009 and redesignated to independent non-executive Director on 3 November 2009.

Mr. Fung Ho Yin, resigned as an independent non-executive Director on 5 October 2009.

Mr. Chung Ho Tung, resigned as an independent non-executive Director on 3 November 2009.

SENIOR MANAGEMENT

Mr. Tsang Ho Ka, Eugene, is currently the authorised representative, company secretary, executive Director, chairman and the member of the remuneration committee of the Company and the chief executive officer of the Group. Biographical details are set out on page 28 of the Company's annual report.

Ms. Yick Mi Ching, Dawnibilly, is currently the executive Director and administrative manager of the Group. Biographical details are set out on page 28 of the Company's annual report.

Mr. Luk Yue Kan, aged 34, 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 is currently an executive director of an associate of the Company, the qualified accountant of the Company and the chief financial officer of the Group.

Ms. Sung Ting Yee, aged 35, 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 the PRC 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 chief investment officer of the Group.

Mr. Kong Chi Keung, aged 39, holds a bachelor's degree in business administration from the Hong Kong Baptist University. He has over 12 years of experience in project management in the PRC. 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 chief operating officer of the Group.

(A) CORPORATE GOVERNANCE PRACTICES

Ming Kei Holdings Limited (the "Company") and its subsidiaries and associates (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 2010, 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"), save and except for the following:

1. A.4.1 of the CG Code requires that all non-executive director should be appointed for a specifics term, subject to re-election. Currently, the non-executive Director and all independent non-executive Directors are not appointed for a specific term. They are, however, subject to the retirement by rotation and re-election of Directors in the Bye-laws 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; and

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 (the "Code") of the GEM Listing Rules. During the year ended 31 March 2010, 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 six members are as follows:

Executive Directors:

Mr. Wong Wai Sing *(Chairman)* (redesignated to non-executive Director on 21 September 2009)
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
Ms. Yick Mi Ching, Dawnibilly
Mr. Luk Yue Kan (resigned on 2 March 2010)

Non-executive Director:

Mr. Wong Wai Sing *(Chairman)* (redesignated from executive Director on 21 September 2009)
Mr. Kinley Lincoln James Lloyd (appointed on 5 October 2009 and redesignated to independent non-executive Director on 3 November 2009)

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman
Mr. Kwok Kam Tim (appointed on 5 October 2009)
Mr. Kinley Lincoln James Lloyd (redesignated from non-executive Director on 3 November 2009)
Mr. Fung Ho Yin (resigned on 5 October 2009)
Mr. Chung Ho Tung (resigned on 3 November 2009)

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, 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)*	4	4
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*	4	4
Ms. Yick Mi Ching, Dawnibilly	4	4
Mr. Sung Wai Tak, Herman	4	4
Mr. Kwok Kam Tim (appointed on 5 October 2009)	4	3
Mr. Kinley Lincoln James Lloyd (appointed on 5 October 2009)	4	3
Mr. Fung Ho Yin (resigned on 5 October 2009)	4	1
Mr. Chung Ho Tung (resigned on 3 November 2009)	4	1
Mr. Luk Yue Kan (resigned on 2 March 2010)	4	3

All Directors, including independent non-executive Directors 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 2010, 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) NON-EXECUTIVE DIRECTOR

The Company has one non-executive Director, namely, Mr. Wong Wai Sing. The non-executive Director is not appointed for a fixed term of office, but he is subject to the retirement by rotation and re-election of Director in the Bye-laws of the Company, which require one-third of the Director in office to retire from office by rotation and re-election at each annual general meeting.

(F) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, namely Mr. Sung Wai Tak, Herman, Mr. Kwok Kam Tim and Mr. Kinley Lincoln James Lloyd respectively.

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

(G) REMUNERATION OF DIRECTORS

The 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. Tsang Ho Ka, Eugene and three other members, namely, Mr. Sung Wai Tak, Herman, Mr. Kwok Kam Tim and Mr. Kinley Lincoln James Lloyd respectively, 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. Tsang Ho Ka, Eugene (appointed on 21 September 2009)	1	1
Mr. Sung Wai Tak, Herman	1	1
Mr. Kwok Kam Tim (appointed on 5 October 2009)	1	1
Mr. Kinley Lincoln James Lloyd (appointed on 3 November 2009)	1	1
Mr. Fung Ho Yin (resigned on 5 October 2009)	1	0
Mr. Chung Ho Tung (resigned on 3 November 2009)	1	0

(H) 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.

(I) AUDITORS' REMUNERATION

During the year ended 31 March 2010, the fees paid to the auditors in respect of audit and non-audit services provided by the auditors of the Group were as follows:

Nature of services	**2010 Amount (HK$)'000**	2009 Amount (HK$)'000
Audit services	**550**	650
Non-audit services	**527**	177

(J) AUDIT COMMITTEE

The audit committee (the "AC") of the Company comprises all independent non-executive Directors and headed by Mr. Kwok Kam Tim. 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. Kwok Kam Tim *(Chairman)* (appointed on 5 October 2009)	4	3
Mr. Sung Wai Tak, Herman	4	4
Mr. Kinley Lincoln James Lloyd (appointed on 3 November 2009)	4	3
Mr. Fung Ho Yin (resigned on 5 October 2009)	4	1
Mr. Chung Ho Tung (resigned on 3 November 2009)	4	1

(K) 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.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 51 and 52 of this annual report.

(L) 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.

(M) INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company's web site (http://www.mingkeiholdings.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 the Ming Kei Holdings Limited (the “Company”) and its subsidiaries and associates (collectively referred to as the “Group”) for the year ended 31 March 2010.

CHANGE OF THE COMPANY NAME

Pursuant to a special resolution in relation to the proposed change of company name at the extraordinary general meeting held on 29 October 2009 and was approved by the Registrar of Companies in the Cayman Islands and Hong Kong on 2 November 2009 and on 18 November 2009 respectively, the Company’s name was changed from the Ming Kei Energy Holdings Limited (Chinese translation being 明基能源控股有限公司, for identification purpose only) to Ming Kei Holdings Limited (Chinese translation being 明基控股有限公司, for identification purpose only).

CHANGE OF DOMICILE

The domicile of the Company changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company with limited liability under the laws of Bermuda, and to adopt a new memorandum of continuance and the Bye-laws in compliance with Bermuda law to replace the existing memorandum and articles of association of the Company following the passing of a special resolution at the Company’s extraordinary general meeting held on 29 October 2009.

The change of domicile came into effective on 30 November 2009.

DATE OF INCORPORATION

The Company is 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 and continued in Bermuda as an exempted company with limited liability in accordance with the section 132C(4)(d) of the Companies Act 1981 of the Bermuda. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is Room 3308, 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 and associates of the Company are set out in notes 18 and 19 to the accounts, respectively. During the year under reviewed, 51% of the Group’s mining business was disposed of and the Group also engaged in the new businesses of property investment in Hong Kong (the “HK”) and People’s Republic of China (the “PRC”) and general trading in the PRC respectively.

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 loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 53 to 121.

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 2010 and of the assets and liabilities of the Group as at 31 March 2010, 2009, 2008, 2007 and 2006 respectively prepared on the basis set out in the note below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(restated)	(restated)	(restated)
Revenue					
Continuing operations	**78,557**	127,705	35,071	–	–
Discontinued operation	**–**	6,054	16,068	33,444	65,732
	78,557	133,759	51,139	33,444	65,732
Profit/(loss) before tax from continuing and discontinued operations	**(69,227)**	(1,058,072)	13,414	(7,352)	(8,128)
Income tax from continuing and discontinued operations	**(1,852)**	292,141	1,974	(3,149)	1,510
Profit/(loss) attributable to owners of the Company	**(71,079)**	(765,931)	15,388	(10,501)	(6,618)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**124,311**	249,103	1,448,486	1,748	6,091
Current assets	**82,841**	139,590	187,668	18,826	13,337
Current liabilities	**3,764**	49,565	87,396	7,270	7,234
Net current assets	**79,077**	90,025	100,272	11,556	6,103
Non-current liabilities	**2,834**	154,876	604,368	879	1,268
	200,554	184,252	944,390	12,425	10,926

Note: The consolidated results of the Group for the years ended 31 March 2010 and 2009 and the consolidated assets and liabilities of the Group as at 31 March 2010 and 2009 are set out on pages 53 to 56 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 2006, the earliest period presented.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year ended 31 March 2010 are set out in notes 15 and 16 to the accounts respectively.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at 31 March 2010. The revaluation resulted in a fair value loss of HK$3,356,000 (2009: HK$Nil), which has been charged to the Group's consolidated income statement. Further details of the Group's investment properties are set out in note 16 to the financial statements.

PROPERTIES

Details of the properties of the Group at 31 March 2010 are set out on page 122.

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 notes 30 and 34 to the accounts respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the Bye-laws of Bermuda which would oblige the Company to offer new shares on a pro rate 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 (2009: HK$Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended are set out in the consolidated statement of changes in equity on page 58 of the annual report and in note 31(b) to the accounts respectively.

TRANSFER TO ACCUMULATED LOSSES

Based on the audited financial statements of the Company as at 31 March 2009, the amount standing to the credit of the share premium account of the Company was approximately HK$841.53 million and the amount of accumulated losses of the Company as at 31 March 2009 (the "Accumulated Losses") was approximately HK$751.65 million. After the offset of the credit of approximately HK$25.87 million arising from the reduction of issued share capital (the "Reduction Of The Issued Share Capital ") of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.49 each on each of the consolidation of every fifty (50) existing shares (the "Shares") of HK$0.01 each in the issued and unissued Share capital of the Company into one consolidated Share (the "Consolidated Share") and the transfer of outstanding amount standing to the credit of the Company's share option reserve of approximately HK$15.36 million as at 31 March 2009 to the Accumulated Losses of the Company upon cancellation of all outstanding options granted under the share option scheme (the "Share Options") of the Company, the remaining balance of the Accumulated Losses will be approximately HK$710.42 million.

Pursuant to the cancellation of the entire amount standing to the credit of the share premium account of the Company and applying part of the credit arising therefrom towards elimination of all the Accumulated Losses of the Company and the remaining being credited to the contributed surplus account of the Company (the "Share Premium Reduction"), that the amount of approximately HK$841.53 million standing to the share premium account of the Company as at 31 March 2009 be cancelled, with the credit arising therefrom as to (i) approximately HK$710.42 million to be applied to offset the remaining balance of the Accumulated Losses after the Reduction Of The Issued Share Capital and upon cancellation of all outstanding Share Options; and (ii) the remaining balance of the credit of approximately HK$131.11 million to be credited to the contributed surplus account of the Company.

Upon the Share Premium Reduction effective, all the Accumulated Losses were eliminated.

Details of movements to the accumulated losses of the Group and the Company during the year ended are set out in the consolidated statement of changes in equity on page 58 of the annual report and in note 31(b) to the accounts respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company had no retained profits (2009: HK$Nil) available for cash distribution. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company at 31 March 2010 amounted to approximately HK$131.11 million (2009: HK$Nil).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contribution surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the relisable value of its assets would thereby less than the aggregate of its liabilities and its issued share capital and share premium accounts.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for approximately 56% (2009: approximately 32%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 21% (2009: approximately 17%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 88% (2009: approximately 88%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 35% (2009: approximately 38%) 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 during the year and up to the date of this report were:

Executive Directors:

Mr. Wong Wai Sing *(Chairman)*	(redesignated to non-executive Director on 21 September 2009)
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*	
Ms. Yick Mi Ching, Dawnibilly	
Mr. Luk Yue Kan	(resigned on 2 March 2010)

Non-executive Director:

Mr. Wong Wai Sing (Chairman)	(redesignated from executive director on 21 September 2009)
Mr. Kinley Lincoln James Lloyd	(appointed on 5 October 2009 and redesignated to independent non-executive Director on 3 November 2009)

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman	
Mr. Kwok Kam Tim	(appointed on 5 October 2009)
Mr. Kinley Lincoln James Lloyd	(redesignated from non-executive Director on 3 November 2009)
Mr. Fung Ho Yin	(resigned on 5 October 2009)
Mr. Chung Ho Tung	(resigned on 3 November 2009)

In accordance with the Company's Bye-laws 84, Mr. Tsang Ho Ka, Eugene, Ms. Yick Mi Ching, Dawnibilly, Mr. Wong Wai Sing, Mr. Sung Wai Tak, Herman, Mr. Kwok Kam Tim and Mr. Kinley Lincoln James Lloyd will retire at the forthcoming annual general meeting 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 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 28 to 30 of the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Tsang Ho Ka, Eugene, one of the executive Director, 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.

Ms. Yick Mi Ching, Dawnibilly, one of the executive Director, 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. Wong Wai Sing, one of the non-executive Director, 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. Sung Wai Tak, Herman, one of the independent non-executive Director, 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. Kwok Kam Tim, one of the independent non-executive Director, entered into the services contract with the Company for a term of one year commencing from 5 October 2009 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 ended of the year.

DIRECTORS' INTEREST IN COMPETING 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 defined in 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under reviewed.

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

As at 31 March 2010, 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:

Interest in shares

Name	Capacity of interests	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of shareholding in the Company
Ming Kei International Holding Co. Limited (the "Ming Kei") (Note 1)	Beneficial owner	16,360,838(L) (Note 2 and 7)	–	24.62
		–	2,395,209(L) (Note 3 and 7)	3.60
Mr. Wong Wai Sing (the "Mr. Wong")	Beneficial owner	3,252,200(L) (Note 7)	–	4.89
	Interest of controlled corporation	16,360,838(L) (Note 2 and 7)	–	24.62
		–	2,395,209(L) (Note 3 and 7)	3.60
Lonestar Group Limited (the "Lonestar") (Note 4)	Beneficial owner	200,000(L) (Note 7)	–	0.30
Mr. Tsang Ho Ka, Eugene (the "Mr. Tsang") (Note 5)	Interest of controlled corporation	200,000(L) (Note 7)	–	0.30
Ms. Lau Kimberly Siu Yan Kaiulani (the "Ms. Lau") (Note 6)	Interest of spouse	200,000(L) (Note 7)	–	0.30

Notes:

1. Ming Kei is wholly and beneficially owned by Mr. Wong, a non-executive Director and a sole executive director of Ming Kei.

2. Ming Kei is wholly and beneficially owned by Mr. Wong, therefore, Mr. Wong, is deemed to be interested in the 16,360,838 Shares in which Ming Kei in interested.

3. Ming Kei is wholly and beneficially owned by Mr. Wong, therefore, Mr. Wong is deemed to be interested in the 2,395,209 conversion Shares which Ming Kei in interested.

4. Lonestar is wholly and beneficially owned by Mr. Tsang, an executive Director and a sole executive director of Lonestar.

5. Lonestar is wholly and beneficially owned by Mr. Tsang, therefore, Mr. Tsang is deemed to be interested in the 200,000 Shares in which Lonestar in interested.

6. Lonestar is wholly and beneficially owned by Mr. Tsang and who is the spouse of Ms. Lau. Accordingly, Mr. Tsang and Ms. Lau is deemed to be interested in the 200,000 Shares in which Lonestar in interested and Ms. Lau is deemed to be interested in the Shares beneficially owned by Mr. Tsang in his own capacity.

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

Save as disclosed above, as at 31 March 2010, 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 OR DEBENTURES

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 34 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

On 26 October 2002, the Company conditionally adopted the Share Option Scheme (the "Scheme") under which share options to subscribe for the shares of the Company may be granted under the terms and conditions stipulated therein. On 11 October 2007, options to subscribe for an aggregate of 105,000,000 shares at HK$0.888 per share (the "Granted 1") and on 10 March 2008, options to subscribe for an aggregate of 20,000,000 Shares at HK$0.718 per share (the "Granted 2") had been granted by the Company under the Scheme, and the Granted 1 and Granted 2 were subsequently cancelled on 21 September 2009. On 30 December 2009, options to subscribe for an aggregate of 4,065,000 Shares at HK$1.79 (the "Granted 3") had been granted by the Company under the Scheme and the Granted 3 were exercised on 24 February 2010. As at 31 March 2010, no share options granted during the year under reviewed were outstanding. Details number of share options granted, cancelled, exercised and their respective exercise price and exercisable period are 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 01/04/2009	Granted during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31/03/2010
Employee(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 (resigned on 2 March 2010)	10/03/2008	10/03/2008–11/03/2018	0.718	0.670	20,000,000	–	(20,000,000)	–	–
Employee(s)	30/12/2009	30/12/2009–31/12/2019	1.790	1.740	–	3,030,000	–	(3,030,000)	–
Consultant(s)	30/12/2009	30/12/2009–31/12/2019	1.790	1.740	–	1,035,000	–	(1,035,000)	–
Total					125,000,000	4,065,000	(125,000,000)	(4,065,000)	–

The fair value of the share options granted during the current year ended is estimated at approximately HK$2,294,000 at the date of granted by using the Binomial option pricing model by Greater China Appraisal Limited, an independent firm of professionally qualified valuers. The fair value is estimated based on the share price of HK$1.74 per share at the grant date, the average historical volatility of share prices of certain companies with similar business operation as the Company (due to recent changes in business of the Company) of 52.95% at the granted date, time to maturity of 10 years, expected nil dividend yield, and the risk free rate of 2.566% with reference to the rate on the 10-year Exchange Fund Notes.

The Binomial option pricing model was developed for use in estimating the fair value of option. Such option pricing model requires input of highly subjective assumptions, including the expected share price volatility. As the characteristics of the options granted during the current year ended are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Details of the Scheme are set out in note 34 to the accounts.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, the interests and short positions of persons, other than the Directors 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 are, directly or indirectly, interested in 5% 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 required to be kept by the Company under Section 336 of the SFO were as follows:

Interest in shares:

Name of shareholders	Capacity of interests	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of shareholding in the Company
Ming Kei (Note 1)	Beneficial owner	16,360,838(L) (Note 2 and 6)	–	24.62
		–	2,395,209(L) (Note 3 and 6)	3.60
Mr. Wong	Beneficial owner	3,252,200(L) (Note 6)	–	4.89
	Interest of controlled corporation	16,360,838(L) (Note 2 and 6)	–	24.62
		–	2,395,209(L) (Note 3 and 6)	3.60
Cypress Bright Limited (the "Cypress") (Note 4)	Beneficial owner	–	4,752,000(L) (Note 6)	7.15
Mr. Lam Wing Hong, Jimmy (the "Mr. Lam") (Note 4)	Interest of controlled corporation	–	4,752,000(L) (Note 6)	7.15
Pulsar Securities Limited (the "Pulsar") (Note 5)	Beneficial owner	–	4,224,000(L) (Note 6)	6.36
Mr. Tam Chak Chi (the "Mr. Tam") (Note 5)	Interest of controlled corporation	–	4,224,000(L) (Note 6)	6.36

Notes:

1. Ming Kei is wholly and beneficially owned by Mr. Wong, a non-executive Director and a sole executive director of Ming Kei. Therefore Mr. Wong is deemed to be interested in the shares of Ming Kei.

2. Ming Kei is wholly and beneficially owned by Mr. Wong, therefore, Mr. Wong, is deemed to be interested in the 16,360,838 shares in which Ming Kei in interested.

3. Ming Kei is wholly and beneficially owned by Mr. Wong, therefore, Mr. Wong is deemed to be interested in the 2,395,209 conversion Shares in interested.

4. Cypress which is a subscriber of 4,752,000 non-listed warrants under the private placing of non-listed warrants conferring rights to Cypress to subscribe for 4,752,000 subscription Shares. Cypress is wholly and beneficially owned by Mr. Lam, therefore, Mr. Lam is deemed to be interested in the 4,752,000 subscription Shares in which Cypress in interested.

5. Pulsar which is a subscriber of 4,224,000 non-listed warrants under the private placing of non-listed warrants conferring rights to Pulsar to subscribe for 4,224,000 subscription Shares. Pulsar is wholly and beneficially owned by Mr. Tam, therefore, Mr. Tam is deemed to be interested in the 4,224,000 subscription Shares in which Pulsar in interested.

6. The letter "L" denotes a long position in Shares.

Save as disclosed above, as at 31 March 2010, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2010.

CORPORATE GOVERNANCE

Subject to the deviations as disclosed in Corporate Governance Report set out on pages 31 to 36 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 reviewed.

In order to maintain high standard of disclosure, an announcement of "PROFIT WARNING" dated 11 June 2010 was announced by the Company that the Group expected to record a significant decrease in net loss, non-current assets, current liabilities and non-current liabilities of the Group respectively as compared to the corresponding prior year.

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 of three members, Mr. Sung Wai Tak, Herman, Mr. Kinley Lincoln James Lloyd and Mr. Kwok Kam Tim respectively, all are independent non-executive Directors. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2010 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. The chairman of the audit committee is Mr. Kwok Kam Tim.

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 four members, namely Mr. Tsang Ho Ka, Eugene, an executive Director and Mr. Sung Wai Tak, Herman, Mr. Kinley Lincoln James Lloyd and Mr. Kwok Kam Tim respectively all being independent non-executive Directors. 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. The chairman of the remuneration committee is Mr. Tsang Ho Ka, Eugene.

CONNECTED TRANSACTIONS

On 30 April 2009, the Ming Kei International Holding Co. Limited (明基國際集團有限公司) (the "Ming Kei International"), a company incorporated in Hong Kong, a substantial shareholder of the Company, which is wholly and beneficially owned by Mr. Wong Wai Sing ("Mr. Nelson Wong"), a non-executive Director, a substantial shareholder of the Company and a director of the Star Fortune International Investment Company Limited (the "SFII" or the "Target"), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company (carry on as an associates of the Company as at the date of this report) and each of the SFII's subsidiaries respectively, (together the Ming Kei International, Mr. Nelson Wong and Mr. Wong Wai Ngok ("Mr. Benny Wong"), the elder brother of Mr. Nelson Wong, collectively refer to as the "Former Vendors") entered into the supplemental agreement (the "Supplemental Agreement") with the Target pursuant to which amendments have been made to the sale and purchase agreement dated 3 July 2007 entered into among the Former Vendors and the Target in relation to the sale and purchase of the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited (the "Former Agreement") to reflect the changes in the profit guarantee provided by the Former Vendors under the Former Agreement in respect of the audited net profit after tax and any extraordinary items or exceptional items of the Target's subsidiaries for the financial years ending 31 December 2008 and 31 December 2009 to be not less than an average of HK$60,000,000 for each of the two financial years ending 31 December 2008 and 31 December 2009 (i.e. HK$120,000,000 in aggregate) under the Former Agreement and the proposed amendment to the promissory note issued by the Company in favour of Ming Kei International in the principal sum of HK$120,000,000 with zero coupon issued by the Company in favour of Ming Kei International with a revised principal amount of HK$40,000,000.

As Mr. Nelson Wong is a non-executive Director, a substantial shareholder of the Company and director of the Target and each of the Target's subsidiaries respectively and Ming Kei International, is a substantial shareholder of the Company, the entering into the Supplemental Agreement constituted a connected transaction on the part of the Company under the GEM Listing Rules.

On 7 July 2009, the Star Energy International Investment Company Limited, (the “Purchaser”) a company incorporated in the British Virgin Islands with limited liability, an indirect wholly owned subsidiary of the Company entered into the provisional agreement (the “Provisional Agreement”) for sale and purchase (the “Acquisition 1”) for a flat in Block 5 Sorrento, 1 Austin Road West, Kowloon, Hong Kong with gross area of approximately 848 sq.ft. (the “Property”) and between the Purchaser and Ming Kei Properties Investment Limited (the “Vendor”), a company incorporated in Hong Kong with limited liability, the beneficial owner of the Property, which the Vendor, a connected person, of which 51% of the Vendor’s shareholding is beneficially owned by Mr. Nelson Wong and the remaining 49% of the Vendor’s shareholding is beneficially owned by Mr. Benny Wong.

Mr. Nelson Wong is a non-executive Director and a substantial shareholder of the Company. Pursuant to Chapter 20 of the GEM Listing Rules, Mr. Nelson Wong is a connected person of the Company. The Acquisition 1 contemplated thereunder the Provisional Agreement constituted a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules.

On 16 July 2009, Star Trading International Investment Company Limited (the “Star Trading”), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) with Best Rise Asia Limited (the “Best Rise”), a connected person, of which Best Rise is wholly and beneficially owned by Mr. Nelson Wong, and Mr. Poon Chi Ho (the “Mr. Poon”) (collectively referred to as the “Vendors”) have agreed to sell, and Star Trading, as purchaser, has agreed to purchase (the “Acquisition 2”): (i) the entire issued share capital of HongKong Talent Holdings Limited (the “Target 1”), which is a company incorporated in Hong Kong with limited liability, the shares of which is owned as to 90% by Mr. Poon and 10% by Best Rise respectively and (ii) the sale loan of which an outstanding shareholder’s advance in an aggregate amount of approximately HK$14.5 million owed by the Target 1 and its subsidiaries to one of the Vendors, Mr. Poon, which is unsecured, interest free and has no fixed terms of repayment for a total consideration of HK$18,000,000 which shall be settled by Star Trading in cash.

The principal asset of the Target is its interest in its subsidiary in the PRC and 100% indirect attributable interests in a commercial property located at Room A, Floor 13, Noble Center, Fuzhong San Road, Futian District, Shenzhen, the PRC, with a total gross floor area of approximately 321.35 square metres.

The Sale and Purchase Agreement constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. The ultimate beneficial owner of Best Rise is Mr. Nelson Wong, a non-executive Director and a substantial shareholder of the Company and accordingly Best Rise is a connected person of the Company. The Acquisition 2 therefore also constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

On 17 February 2010, the Company entered into the subscription agreement (the “Subscription Agreement”) with the Ming Kei International (the “Subscriber”) in respect of the subscription of the zero coupon convertible bonds with a three-year term in the principal amount of HK$20,000,000 (the “Convertible Bonds”), pursuant to which the Subscriber has conditionally agreed to subscribe or procure subscription by its nominee(s) for the Convertible Bonds with the rights to convert into 11,976,047 new Share(s) to be allotted and issued to the holder(s) of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds (the “Conversion Shares”) at the initial conversion price of HK$1.67 (the “Conversion Price”) per Conversion Share (subject to adjustments) of the Convertible Bonds per Conversion Share. The subscription price payable by the Subscriber or procured by the Subscriber to be payable by its nominee(s) under the Subscription Agreement will be satisfied by setting off against the outstanding principal amount of the zero coupon promissory note in the original principal amount of HK$40,000,000 issued by the Company to the Subscriber of HK$20,000,000.

As the Subscriber and Mr. Nelson Wong are substantial shareholders of the Company and thus, connected persons of the Company, the issue of the Convertible Bonds constituted a non-exempt connected transaction on the part of the Company under the GEM Listing Rules.

Save as disclosed above, there were no other significant connected transactions entered into by the Group as at 31 March 2010.

(2009: No significant connected transactions entered into by the Group as at 31 March 2009.)

MATERIAL SUBSEQUENT EVENTS

Reference is made to the announcement of the Company dated 3 June 2010 in respect of the suspension of trading in shares of the Company on the Stock Exchange pending the publication of an announcement in relation to, among other things, disposal of the 49% equity interests in SFII, which constitutes a very substantial disposal of the Company (the "Transaction").

As at the date of this annual report, the Company was in the process of preparing the announcement in relation to the Transaction and the Directors consider that additional time is required for such purposes. An announcement setting out, amongst other things, details of the Transaction will be published as and when appropriate. Suspension of trading in shares of the Company will remain until publication of the announcement in relation to the Transaction.

AUDITORS

The consolidated financial statements for the year ended 31 March 2010 have been audited by BDO Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

For and on behalf of
the Board of
Ming Kei Holdings Limited
Mr. Wong Wai Sing
Chairman

Hong Kong, 18 June 2010

BDO

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TO THE SHAREHOLDERS OF MING KEI HOLDINGS LIMITED
(Formerly known as Ming Kei Energy Holdings Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Ming Kei Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 121, which comprise the consolidated and Company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows 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.

BDO LIMITED
Certified Public Accountants

18 June 2010

Lam Siu Fung
Practising Certificate number P05308

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	6	78,557	127,705
Cost of sales		(65,880)	(83,774)
Direct operating expenses		(189)	–
Gross profit		12,488	43,931
Other income and gains	6	369	1,226
Selling and distribution costs		(510)	(1,192)
Administrative and other expenses		(42,328)	(28,146)
Finance costs	8	(4,516)	(14,795)
Share of results of associates	19	(23,364)	–
Impairment loss on intangible assets	17	–	(1,160,219)
Gain on partial waiver of promissory notes by a non-equity participant	29(ii)	–	101,677
Loss on disposal of subsidiaries	33(i)	(6,883)	–
Impairment loss on property, plant and equipment	15	(1,127)	–
Fair value loss on investment properties	16	(3,356)	–
Loss before income tax from continuing operations	7	(69,227)	(1,057,518)
Income tax	10	(1,852)	292,141
Loss for the year from continuing operations		(71,079)	(765,377)
Discontinued operation			
Loss for the year from discontinued operation	11	–	(554)
Loss for the year	12	(71,079)	(765,931)
Dividend	13	–	–
Loss per share attributable to owners of the Company:	14		
			(Restated)
From continuing and discontinued operations			
– Basic (Hong Kong dollar)		(1.33)	(14.51)
– Diluted (Hong Kong dollar)		(1.33)	(14.51)
From continuing operations			
– Basic (Hong Kong dollar)		(1.33)	(14.50)
– Diluted (Hong Kong dollar)		(1.33)	(14.50)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(71,079)**	(765,931)
Other comprehensive income for the year, net of tax:		
– Change in fair value of available-for-sale financial assets	**1,429**	(1,072)
– Reclassification adjustment of fair value gain included in profit or loss on disposal of available-for-sale financial assets	**(25)**	–
– Exchange differences on translation of financial statements of overseas subsidiaries	**333**	(46,794)
– Reclassification adjustment of release of exchange reserve on disposal of interests in overseas subsidiaries	**(8,524)**	–
– Exchange differences on translation of financial statements of overseas associates	**(1,443)**	–
Total comprehensive income for the year attributable to owners of the Company	**(79,309)**	(813,797)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	19,178	38,655
Investment properties	16	23,136	–
Intangible assets	17	–	187,385
Interests in associates	19	71,437	–
Deposits paid for possible acquisition of subsidiaries	20	–	21,500
Available-for-sale financial assets	21	10,560	1,460
Deferred tax assets	27(i)	–	103
		124,311	249,103
Current assets			
Inventories	22	–	49,494
Accounts and bills receivable	23	4,880	11,909
Prepayments, deposits and other receivables		6,184	24,011
Escrow money receivable	24	10,000	–
Loan to an associate	19	28,500	–
Cash and cash equivalents	25	33,277	54,176
		82,841	139,590
Current liabilities			
Accounts and bills payable	26	–	18,415
Accrued expenses and other payables		3,683	29,438
Amount due to an associate	19	81	–
Current tax payable		–	1,712
		3,764	49,565
Net current assets		79,077	90,025
Total assets less current liabilities		203,388	339,128
Non-current liabilities			
Promissory notes	29	–	103,193
Convertible bonds	28	2,834	–
Provision for close down, restoration and environmental costs	37	–	6,600
Deferred tax liabilities	27(ii)	–	45,083
		2,834	154,876
Net assets		200,554	184,252

	Notes	2010 HK$'000	2009 HK$'000
CAPITAL AND RESERVES			
Issued capital	30	664	26,400
Reserves	31(a)	199,890	157,852
Total equity		200,554	184,252

These financial statements were approved and authorised for issue by the board of directors on 18 June 2010 and were signed on its behalf.

Mr. Wong Wai Sing
Director

Mr. Tsang Ho Ka, Eugene
Director

The accompanying notes form part of these financial statements.

Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	–	–
Deposits paid for possible acquisition of subsidiaries	20	–	21,500
Available-for-sale financial assets	21	–	1,460
Deferred tax assets	27(i)	–	103
		–	23,063
Current assets			
Prepayments, deposits and other receivables		190	8,703
Amounts due from subsidiaries	18	175,336	246,039
Cash and cash equivalents	25	30,516	10,641
		206,042	265,383
Current liabilities			
Accrued expenses and other payables		2,977	1,029
Net current assets		203,065	264,354
Total assets less current liabilities		203,065	287,417
Non-current liabilities			
Promissory notes	29	–	103,193
Convertible bonds	28	2,834	–
		2,834	103,193
Net assets		200,231	184,224
CAPITAL AND RESERVES			
Issued capital	30	664	26,400
Reserves	31(b)	199,567	157,824
Total equity		200,231	184,224

These financial statements were approved and authorised for issue by the board of directors on 18 June 2010 and were signed on its behalf.

Mr. Wong Wai Sing	**Mr. Tsang Ho Ka, Eugene**
Director	*Director*

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Issued capital HK$'000 (Note 30)	Share premium HK$'000 (Note 31(a)(i))	Contributed surplus HK$'000 (Note 31(a)(ii))	Capital reserve HK$'000 (Note 31(a)(iii))	Statutory reserve fund HK$'000 (Note 31(a)(iv))	Warrant reserve HK$'000 (Note 31(a)(v))	Share option reserve HK$'000 (Note 31(a)(v))	Convertible bonds reserve HK$'000 (Note 31(a)(vi))	Asset revaluation reserve HK$'000 (Note 31(a)(viii))	Exchange reserve HK$'000 (Note 31(a)(vii))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2008	26,400	841,530	–	3,867	862	–	15,360	–	–	63,233	(6,862)	944,390
Total comprehensive income 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 waiver of promissory notes by an equity participant (Note 29(iii))	–	–	–	53,659	–	–	–	–	–	–	–	53,659
Balance at 31 March 2009 and 1 April 2009	**26,400**	**841,530**	**–**	**53,659**	**4,856**	**–**	**15,360**	**–**	**(1,072)**	**16,439**	**(772,920)**	**184,252**
Total comprehensive Income for the year	–	–	–	–	–	–	–	–	1,404	(9,634)	(71,079)	(79,309)
Capital reorganisation	(25,872)	(841,530)	131,109	–	–	–	(15,360)	–	–	–	751,653	–
Issue of convertible bonds (Note 28)	–	–	–	–	–	–	–	5,859	–	–	–	5,859
Issue of new shares on conversion of convertible bonds	96	15,904	–	–	–	–	–	(4,687)	–	–	–	11,313
Recognition of share-based payments	–	–	–	–	–	–	2,294	–	–	–	–	2,294
Exercise of share options	40	9,530	–	–	–	–	(2,294)	–	–	–	–	7,276
Appropriations	–	–	–	–	6,170	–	–	–	–	–	(6,170)	–
Issue of warrants (Note 35)	–	–	–	–	–	1,734	–	–	–	–	–	1,734
Transfer upon disposal of subsidiaries	–	–	–	–	(4,670)	–	–	–	–	–	4,670	–
Charge and direct costs on early redemption of promissory note held by an equity participant (Notes 29(i) & (iv))	–	–	–	(2,810)	–	–	–	–	–	–	–	(2,810)
Gain on partial waiver of promissory note by an equity participant (Note 29(i))	–	–	–	69,945	–	–	–	–	–	–	–	69,945
Balance at 31 March 2010	**664**	**25,434**	**131,109**	**120,794**	**6,356**	**1,734**	**–**	**1,172**	**332**	**6,805**	**(93,846)**	**200,554**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
Loss before tax from continuing and discontinued operations	(69,227)	(1,058,072)
Adjustments for:		
Impairment loss on intangible assets	–	1,160,219
Impairment loss on property, plant and equipment	1,127	–
Gain on disposal of available-for-sale financial assets	(25)	–
Gain on partial waiver of promissory notes by a non-equity participant	–	(101,677)
Depreciation	3,363	3,112
Amortisation of intangible assets	2,243	17,939
Fair value loss on investment properties	3,356	–
Loss on disposal of property, plant and equipment	–	765
Loss/(gain) on disposal of subsidiaries	6,883	(444)
Provision for close down, restoration, and environmental costs	–	6,600
Share-based payments	2,294	–
Share of results of associates	23,364	–
Interest income	(289)	(455)
Finance costs	4,516	14,800
	(22,395)	42,787
Increase in inventories	(20,803)	(46,617)
(Increase)/decrease in accounts and bills receivable	(16,555)	62,252
Decrease in prepayments, deposits and other receivables	12,626	11,698
Increase in amount due to an associate	81	–
Increase/(decrease) in accounts and bills payable	13,945	(26,000)
Decrease in accrued expenses and other payables	(871)	(6,292)
Cash (used in)/generated from operations	(33,972)	37,828
Interest received	289	455
Tax paid	(1,712)	–
Interest paid	(51)	(3,265)
Net cash (used in)/generated from operating activities	(35,446)	35,018
Cash flows from investing activities		
Acquisition of subsidiaries	(18,583)	–
Disposal of subsidiaries	42,304	(646)
Purchase of an investment property	(9,104)	–
Purchases of property, plant and equipment	(2,483)	(27,366)
Proceeds from disposal of property, plant and equipment	–	2,558
Proceeds from disposal of available-for-sale financial assets	2,557	–
Investment in available-for-sale financial assets	(10,228)	(2,532)
Deposits refunded from/(paid) for possible acquisition of subsidiaries	21,500	(21,500)
Net cash generated from/(used in) investing activities	25,963	(49,486)

	2010 HK$'000	2009 HK$'000
Cash flows from financing activities		
Proceeds from issue of shares on exercise of shares options	7,276	–
Direct costs on early redemption of promissory note	(517)	–
Proceeds from issue of warrants	1,734	–
Repayment of principal of promissory notes	(20,000)	(2,000)
Repayment of finance lease obligations	–	(145)
Net cash used in financing activities	(11,507)	(2,145)
Net decrease in cash and cash equivalents	(20,990)	(16,613)
Cash and cash equivalents at beginning of year	54,176	69,400
Effect of foreign exchange rate, net	91	1,389
Cash and cash equivalents at end of year	33,277	54,176
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	33,277	54,176

The accompanying notes form part of these financial statements.

1. ORGANISATION AND OPERATIONS

Ming Kei 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 and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3308, The Center, 99 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates (together with the Company referred to as the "Group") are set out in Notes 18 and 19 respectively.

Pursuant to a special resolution in relation to the proposed change of company name at the extraordinary general meeting held on 29 October 2009 and was approved by the Registrar of Companies in the Cayman Islands and Hong Kong on 2 November 2009 and on 18 November 2009 respectively, the Company's name was changed from Ming Kei Energy Holdings Limited to Ming Kei Holdings Limited.

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 in 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 had no material effect on the reported results or financial position of the Group and the Company for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 31 March 2009 have not been presented as there was no change to the originally published statements.

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

At the date of authorisation of these financial statements, the following HKFRSs that are potentially relevant to the Group, were in issue but not yet effective and have not been early adopted:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HKFRS 9	Financial Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

(b) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, except for investment properties and available-for-sale financial assets which were stated at fair value as explained in the accounting policies set out below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

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 at 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(g) 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. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position 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) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Associates *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(g) 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 assets 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.

(h) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

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 end of each reporting period, 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	3 – 5 years
Motor vehicles	5 – 10 years

Assets held under finance leases are depreciated over their 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.

(i) 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.

Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for use.

(j) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation and not occupied by the Group or held for sale in the ordinary course of business. Investment properties are stated at fair value. Changes in fair value are recognised in profit or loss.

For a transfer of an owner-occupied property to an investment property, the deemed cost of investment property is the fair value of the owner-occupied property at the date of transfer.

(k) 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 statement of financial position, where appropriate, when the actual stripping ratios vary from the planned mine average stripping ratios. Deferral of costs to the statement of financial position is not made where the actual stripping ratio is expected to be evenly distributed. Costs, which have previously been deferred to the consolidated statement of financial position (deferred overburden removal costs), are included in the profit or loss 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)*

(l) 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 profit or loss. 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 indicates 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 profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets excluding goodwill

At the end of each reporting period, 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 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.

(n) Inventories

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 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)*

(o) 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 end of reporting period, 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, other receivables, and loan to an associate 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-sale financial assets are non-derivative financial assets in listed and unlisted equity 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 statements of financial position at cost less impairment losses.

Gains and losses arising from changes in fair value are recognised directly in other comprehensive income 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 other comprehensive income is included in profit or loss.

(iii) Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of each reporting period. 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial assets *(Continued)*

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

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.

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

- For accounts and bills receivable, other receivables, and loan to an associate, 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 other comprehensive income 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 other comprehensive income.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial assets *(Continued)*

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts and bills receivable, other receivables and loan to an associate, 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.

(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.

(p) 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) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceeds received from the issue of warrants are recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(iv) 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.

(v) 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.

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.

(vi) Derecognition of financial liabilities

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

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at banks, and, for the purpose of consolidated statement of cash flows, 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.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the 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 statement of financial position as a finance lease obligation.

(i) The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Leases *(Continued)*

(ii) The Group as lessee

Rental payable under operating leases is charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

(s) 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 end of reporting period, 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.

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 profit or loss on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs does not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at the end of each reporting period to reflect changes in conditions.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) 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 profit or loss 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 at the end of reporting period.

(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 profits, 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 the end of each reporting period 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 end of reporting period. 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 end of reporting period, 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) 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 entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. 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 other comprehensive income and accumulated in equity as exchange reserve and recognised in profit or loss on 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 end of reporting period. Income and expense 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 recognised in other comprehensive income and accumulated in equity as the Group's exchange reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation is 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.

(v) 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 People's Republic of China (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 profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the share options granted 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 the end of each reporting period, 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.

(x) Borrowing costs

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

(y) 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.

(z) 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 and rental income. 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 goods

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

(ii) Fees for services

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

(iii) Rental income

Rental income is recognised in accordance with the Group's accounting policy for leases set out in Note 3(r).

(iv) Interest income

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

4. CRITICAL ACCOUNTING JUDGMENTS 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 respective 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 17. In addition, the Company also assessed the impairment on its amounts due from subsidiaries, details of which are set out in Note 18.

(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.

(d) Accounts and bills receivable and other receivables

The Group's management determines the allowance for impairment of accounts and bills receivable, 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 the end of each reporting period.

4. CRITICAL ACCOUNTING JUDGMENTS 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.

5. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires that disclosure of information about the Group's operating segments. It replaces the requirements under HKAS 14 to determine the primary (business) and secondary (geographical) reporting operating segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position as the Group has determined that the operating segments are substantially the same as the business segments previously identified under HKAS 14.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating 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 operating segments. Summary details of the operating segments are as follows:

(a) The mining segment comprised the mining, exploration and sale of coal. On 3 July 2009, the Group disposed of 51% equity interests of its then wholly-owned subsidiaries, Star Fortune International Investment Company Limited ("SFII") and its subsidiaries (collectively referred to as the "SFII Group") ("the "Disposal"). As a result of the Disposal, the SFII Group became 49% owned associates of the Group as further detailed in Note 33(i);

(b) The trading segment comprised the business of general trading;

(c) The property investment segment comprised investment in various properties for rental income purposes; and

(d) The logistics segment comprised the provision of logistic services which was disposed of during the prior year. Accordingly, the logistics segment was classified as a discontinued operation for the year ended 31 March 2009. The disposal was further detailed in Note 11.

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.

In determing the Group's geographical segments, revenue and specified non-current assets are based on the location in which the customer is located.

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments

2010

	Continuing operations			
	Mining HK$'000	Trading HK$'000	Property investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
External sales and services	63,461	14,205	192	77,858
Inter-segment revenue	–	–	710	710
Reportable segment revenue	63,461	14,205	902	78,568
Reportable segment loss	(24,196)	(3,045)	(3,734)	(30,975)
Interest income	244	2	–	246
Sundry income	54	–	–	54
Depreciation and amortisation charges	2,910	1	–	2,911
Finance costs	(50)	–	–	(50)
Share of results of associates	(23,364)	–	–	(23,364)
Loss on disposal of subsidiaries	(6,883)	–	–	(6,883)
Impairment loss on property, plant and equipment	(1,127)	–	–	(1,127)
Fair value loss on investment properties	–	–	(3,356)	(3,356)
Income tax	(1,749)	–	–	(1,749)
Reportable segment assets	109,937	8,952	25,611	144,500
Additions to non-current assets	2,403	13	9,104	11,520
Reportable segment liabilities	81	6	184	271

5. SEGMENT INFORMATION *(Continued)*

(a) 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
Reportable segment revenue	127,705	6,054	133,759
Reportable segment loss	(1,127,909)	(549)	(1,128,458)
Interest income	117	–	117
Sundry income	219	80	299
Depreciation and amortisation charges	20,578	198	20,776
Finance costs	(693)	(5)	(698)
Gain on disposal of subsidiaries	–	444	444
Impairment loss on intangible assets	(1,160,219)	–	(1,160,219)
Income tax	292,141	–	292,141
Reportable segment assets	343,995	–	343,995
Additions to non-current assets	27,366	–	27,366
Reportable segment liabilities	53,143	–	53,143

5. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	2010 HK$'000	2009 HK$'000
Revenue		
Reportable segment revenue	78,568	133,759
Elimination of inter-segment revenue	(11)	–
Consolidated revenue	78,557	133,759

	2010 HK$'000	2009 HK$'000
Loss before income tax from continuing operations		
Reportable segment loss	(30,975)	(1,128,458)
Segment loss from discontinued operation	–	549
Gain on partial waiver of promissory notes by a non-equity participant	–	101,677
Interest income	289	455
Gain on disposal of available-for-sale financial assets	25	–
Unallocated corporate expenses	(34,050)	(16,946)
Finance costs	(4,516)	(14,795)
Consolidated loss before income tax from continuing operations	(69,227)	(1,057,518)

	2010 HK$'000	2009 HK$'000
Total assets		
Reportable segment assets	144,500	343,995
Deferred tax assets	–	103
Non-current financial assets	10,560	1,460
Unallocated corporate assets	52,092	43,135
Consolidated total assets	207,152	388,693

5. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities *(Continued)*

	2010 HK$'000	2009 HK$'000
Total liabilities		
Reportable segment liabilities	271	53,143
Deferred tax liabilities	–	45,083
Unallocated corporate assets	6,327	106,215
Consolidated total liabilities	6,598	204,441

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong	192	6,054	9,126	22,135
PRC	78,365	127,705	104,625	225,405
	78,557	133,759	113,751	247,540

(d) Information about major customers

Revenue from a customer contributed to more than 10% of the Group's revenue amounted to HK$16,116,000 and HK$21,948,000 for the years ended 31 March 2010 and 2009, respectively, as included in the above disclosures for mining segment revenue.

6. TURNOVER, 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, and rental income. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation. An analysis of the Group's turnover, other income and gains is as follows:

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover:–			
Sale of goods		77,666	127,705
Rental income		891	–
		78,557	127,705
Other income and gains:–			
Interest income		289	455
Gain on disposal of available-for-sale financial assets	21	25	–
Sundry income		55	771
		369	1,226
Discontinued operation			
Turnover:–			
Fees for logistic services provided	11	–	6,054
Other income and gains:–			
Net exchange gains	11	–	80

7. LOSS BEFORE INCOME TAX

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

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	65,880	83,774
Cost of services provided (Note 11)	–	4,250
Auditors' remuneration	550	650
Direct operating expenses arising on rental-earning investment properties	189	–
Depreciation (Note 15)	3,363	3,112
Amortisation of intangible assets (Note 17)*	2,243	17,939
Loss on disposal of property, plant and equipment	–	765
Provision for close down, restoration and environmental costs (Note 37)*	–	6,600
Staff costs (excluding directors' remuneration (Note 9(a))):		
Salaries and wages	6,878	7,193
Pension scheme contributions	268	467
Share-based payments**	1,710	–
	8,856	7,660
Share-based payments (Note 34)	2,294	–
Minimum lease payments under operating leases for land and buildings***	3,148	2,788

* Amount is also included in the "Cost of inventories sold" above.

** The amount of share-based payments for the year ended 31 March 2009 and 2010 is also included in total share-based payments above.

*** Included in the balance for the year ended 31 March 2010 is approximately HK$412,000 (2009: HK$254,000) in respect of rental expenses for directors' quarters. This balance has also been included in the amount of directors' remuneration disclosed in Note 9(a).

8. FINANCE COSTS

Interest expense on following borrowings wholly repayable within five years:

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations:			
Trade financing		51	701
Promissory notes	29	4,459	14,094
Convertible bonds	28	6	–
Total interest expenses		4,516	14,795
Discontinued operation – Finance leases	11	–	5

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:

2010

Name of Directors	Fees HK$'000	Basic salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Wong Wai Sing ("Mr. Wong") (redesignated to a non-executive director on 21 September 2009)	1,220	103	6	1,329
Mr. Tsang Ho Ka, Eugene	135	1,836	12	1,983
Ms. Yick Mi Ching Dawnibilly	135	524	19	678
Mr. Luk Yue Kan (resigned on 2 March 2010)	120	1,140	11	1,271
Non-executive Director				
Mr. Wong	3,690	–	6	3,696
Mr. Kinley Lincoln James Lloyd (appointed on 5 October 2009 and redesignated to an independent non-executive director on 3 November 2009)	–	–	–	–
Independent Non-executive Directors				
Mr. Sung Wai Tak, Herman	75	–	–	75
Mr. Kinley Lincoln James Lloyd	–	–	–	–
Mr. Kwok Kam Tim (appointed on 5 October 2009)	44	–	–	44
Mr. Fung Ho Yin (resigned on 5 October 2009)	31	–	–	31
Mr. Chung Ho Tung (resigned on 3 November 2009)	36	–	–	36
	5,486	3,603	54	9,143

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

(a) Directors' remuneration *(Continued)*

2009

Name of Directors	Fees HK$'000	Basic salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Wong	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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: HK$Nil). In addition, no emolument was paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2009: HK$Nil).

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

(b) Five highest paid individuals

Of the five highest paid individuals in the Group, three (2009: three) are directors of the Company whose emoluments are set out in Note 9(a) above. The emoluments of the remaining two (2009: two) non-director individuals are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries and other allowances	1,482	1,223
Share-based payments	576	–
Pension scheme contributions	24	21
	2,082	1,244

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

	Number of employees 2010	2009
HK$1,000,001 to HK$1,500,000	1	–
HK$Nil to HK$1,000,000	1	2
	2	2

During the year ended 31 March 2010, share options were granted to non-director, highest paid individuals in respect of their services to the Group, further details of which are included in the disclosures in Note 34. The fair value of such options, which has been recognised to the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the profit or loss for the year ended 31 March 2010 was included in the above non-director, highest paid individuals remuneration disclosures.

No share option was granted to non-director, highest paid individuals in respect of their services to the Group during the year ended 31 March 2009.

10. INCOME TAX

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

	2010 HK$'000	2009 HK$'000
Continuing operations:		
Deferred tax charge – Hong Kong (Note 27(i))	103	–
Current tax charge – PRC	2,263	1,694
Deferred tax credit – PRC (Note 27(ii))	(514)	(293,835)
	1,749	(292,141)
	1,852	(292,141)

No provision for Hong Kong profits tax was made for the current and prior years as the Group has no assessable profits for Hong Kong profits tax purpose in the current and prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or places 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 ("Kai Yuan Coal"), a subsidiary of the Group immediately before the completion of the Disposal and carrying on as an associate immediately after the Disposal, operating in the PRC, is entitled to two years' exemption from the PRC corporate income tax ("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. Accordingly, CIT was provided at applicable rate of 12.5% on the assessable profit of Kai Yuan Coal for the current year and for the 3 months ended 31 March 2009 in the prior year.

The share of income tax credit attributable to associates for the year ended 31 March 2010 amounting to HK$5,702,000 (2009: HK$Nil) is included in "Share of results of associates" on the face of the consolidated income statement.

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

	2010 HK$'000	2009 HK$'000
Loss before income tax		
– from continuing operations	(69,227)	(1,057,518)
– from discontinued operation	–	(554)
	(69,227)	(1,058,072)
Tax calculated at the rate of 16.5% (2009: 16.5%)	(11,422)	(174,582)
Tax effect of tax rates of other jurisdictions	1,364	(95,917)
Profits exempted from income tax	(2,263)	(12,318)
Tax effect of income non-taxable for taxation purpose	(52)	(16,777)
Tax effect on share of results of associates	3,855	–
Tax effect on unused tax losses not recognised and expenses not deductible for taxation purpose	10,370	7,453
Income tax charge/(credit) for the year	1,852	(292,141)

11. DISCONTINUED OPERATION

On 8 July 2008, the Company entered into a disposal agreement for the disposal of the entire equity interests in Precious Logistics Limited ("Precious Logistics") and its subsidiaries for an aggregate cash consideration of HK$1,500,000 (Note 33(ii)). Precious Logistics and its subsidiaries was 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.

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

	Notes	2010 HK$'000	2009 HK$'000
Turnover	6	–	6,054
Cost of services provided	7	–	(4,250)
Gross profit		–	1,804
Other income and gains	6	–	80
Gain on disposal of subsidiaries	33(ii)	–	444
Selling and distribution costs		–	(20)
Administrative expenses		–	(2,857)
Finance costs	8	–	(5)
Loss before income tax	7	–	(554)
Income tax		–	–
Loss for the year from discontinued operation		–	(554)

The cash flows of the discontinued operation were as follows:

	2010 HK$'000	2009 HK$'000
Net cash used in operating activities	–	(779)
Net cash generated from investing activities	–	815
Net cash used in financing activities	–	(145)
Total net cash outflows	–	(109)

Basic loss per share for the discontinued operation for the prior year is HK$0.01 (restated) based on the loss for the prior year from the discontinued operation of HK$554,000.

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

Basic and diluted loss per share amounts for the prior years were equal as the convertible instruments of the Group outstanding during the prior year had an anti-dilutive effect on the basic loss per share from the discontinued operation for the prior year.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the year ended 31 March 2010 dealt with in the financial statements of the Company was approximately HK$80,676,000 (2009: HK$696,286,000).

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2009: HK$Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the capital reorganisation of the Company effected on 21 December 2009 (Note 30(i)). Basic and diluted loss per share amounts for the year ended 31 March 2009 are restated to take into effect the capital reorganisation during the current year.

The calculation of diluted loss per share for the year is based on the loss for the year attributable to the owners 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 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.

As the Company's outstanding convertible bonds, share options and warrants where applicable had an anti-dilutive effect to the basic loss per share calculation for the current and prior years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted losses per share calculations (i) from continuing and discontinued operations; and (ii) from continuing operations for the respective years are equal.

14. LOSS PER SHARE *(Continued)*

(i) From continuing and discontinued operations

The calculations of basic and diluted loss per share are based on:

	2010 HK$'000	2009 HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculation	(71,079)	(765,931)

	Number of shares	
	2010 '000	2009 '000 (Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	53,253	52,800

(ii) From continuing operations

The calculations of basic and diluted loss per share are based on:

	2010 HK$'000	2009 HK$'000
Loss		
Loss attributable to the owners of the Company from continuing operations, used in the basic and diluted loss per share calculation	(71,079)	(765,377)

	Number of shares	
	2010 '000	2009 '000 (Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	53,253	52,800

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	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
Cost:							
At 1 April 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 33(ii))	–	–	–	(160)	(656)	(2,541)	(3,357)
Disposal	–	(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
Additions	2,116	–	240	–	127	–	2,483
Acquisition of subsidiaries (Note 32)	–	11,664	–	541	6,392	–	18,597
Disposal of subsidiaries (Note 33(i))	(437)	(9,163)	(11,538)	–	(570)	(1,133)	(22,841)
Transfer	(4,125)	–	4,125	–	–	–	–
Transfer to investment properties (Note 16)	–	(17,301)	–	(2,581)	–	–	(19,882)
Exchange realignments	3	70	4	6	16	8	107
At 31 March 2010	**–**	**11,692**	**–**	**810**	**7,230**	**2,628**	**22,360**
Accumulated depreciation and impairment losses:							
At 1 April 2008	–	1,024	1,937	170	704	3,861	7,696
Disposal of subsidiaries (Note 33(ii))	–	–	–	(160)	(604)	(1,911)	(2,675)
Disposal	–	(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
Disposal of subsidiaries (Note 33(i))	–	(1,805)	(1,675)	–	(127)	(444)	(4,051)
Transfer to investment properties (Note 16)	–	(1,993)	–	(516)	–	–	(2,509)
Impairment loss	–	1,127	–	–	–	–	1,127
Charge for the year (Note 7)	–	723	208	338	1,807	287	3,363
Exchange realignments	–	5	2	–	2	2	11
At 31 March 2010	**–**	**375**	**–**	**348**	**1,970**	**489**	**3,182**
Net carrying amount:							
At 31 March 2010	**–**	**11,317**	**–**	**462**	**5,260**	**2,139**	**19,178**
At 31 March 2009	2,443	24,104	5,704	2,318	977	3,109	38,655

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net carrying amount of leasehold land and buildings shown above comprises:

	2010 HK$'000	2009 HK$'000
Located in the PRC held under medium term lease	11,317	24,104

During the year ended 31 March 2010, a property of the Group with its related leasehold improvements previously held for own use were leased out (as further detailed in Note 36(a) and Note 38(b)). The property was reclassified from property, plant and equipment to investment property, and was revalued at its open market value at the date of change in use by reference to a valuation carried out by Greater China Appraisal Limited ("Greater China Appraisal"), an independent firm of professionally qualified valuers. A revaluation deficit was resulted and an impairment loss on property, plant and equipment of HK$1,127,000 was charged to the profit or loss for the year ended 31 March 2010.

16. INVESTMENT PROPERTIES

The Group

	2010 HK$'000	2009 HK$'000
Fair value:		
At beginning of year	–	–
Additions	9,104	–
Transferred from property, plant and equipment (Note 15)	17,373	–
Decrease in fair value recognised	(3,356)	–
Exchange realignments	15	–
At the end of year	23,136	–

The Group's property interests, which are held under operating leases to earn rentals or capital appreciation purposes, are measured using fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties includes land and buildings situated in Hong Kong and the PRC as follows:

	2010 HK$'000	2009 HK$'000
Located in Hong Kong, held under medium term lease	8,700	–
Located in the PRC, held under medium term lease	14,436	–
	23,136	–

The investment properties of the Group were revalued at 31 March 2010 at their open market value by reference to a valuation carried out on that date by Greater China Appraisal. A revaluation deficit was resulted and a fair value loss on investment properties of HK$3,356,000 was charged to the profit or loss for the year ended 31 March 2010.

17. INTANGIBLE ASSETS

	Exploration and evaluation assets HK$'000	Mining right HK$'000	Total HK$'000
Cost:			
At 1 April 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
Disposal of subsidiaries (Note 33(i))	(1,184,867)	(289,576)	(1,474,443)
Exchange realignments	1,410	345	1,755
At 31 March 2010	**–**	**–**	**–**
Accumulated amortisation and impairment losses:			
At 1 April 2008	–	12,268	12,268
Amortisation for the year (Note 7)*	–	17,939	17,939
Impairment charged for the year**	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
Amortisation for the year (Note 7)*	–	2,243	2,243
Disposal of subsidiaries (Note 33(i))***	(1,060,179)	(228,941)	(1,289,120)
Exchange realignments	1,261	313	1,574
At 31 March 2010	**–**	**–**	**–**
Net carrying amount:			
At 31 March 2010	**–**	**–**	**–**
At 31 March 2009	124,539	62,846	187,385

17. INTANGIBLE ASSETS *(Continued)*

The mining right and the exploration right together with other exploration and evaluation assets purchased as part of a business combination in a prior year were initially recognised at their fair values on acquisition with reference to professional valuations performed by Greater China Appraisal. Prior to the Disposal, the mining right and the 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 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 Group's "cost of sales" in the consolidated income statement.

** The Company acquired the 100% equity interests of Ming Kei Kai Yuan Investment Company Limited and its subsidiaries (the "MKKY Group") in prior years 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 were a number of unforeseeable and uncontrollable factors happened subsequent to such investment decision in the global economy in 2008 and had been continuing which resulted in the prospect of the coal mining industry that had not been growing as fast as expected.

The prospect of coal mining business grows in line with the economy. In the prior year, the global recession and slower economic growth of the PRC were negatively hindering the manufacturing activities in the PRC which in turn affected 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 the period of global recession in the year ended 31 March 2009, the prospect of the coal market would continue to be affected and the business in the coal mining would continue to be difficult and challenging. The Group believed that the profitability potential of the MKKY Group would be reduced in the short and medium terms. The Group considered such decline indicated that the carrying amount of the Group's intangible assets had been impaired and an impairment loss of HK$1,160,219,000 had been recognised in the consolidated income statement for the year ended 31 March 2009 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 in respect of the coal mining business of the Group as at 31 March 2009.

*** On 3 July 2009, the SFII Group (carrying on the coal mining business of the Group), the then subsidiaries of the Company, became associates of the Company as a result of the Disposal and therefore the Group's intangible assets have been derecognised from the consolidated statement of financial position of the Group on the same date, details of the Disposal are set out in Note 33(i).

17. INTANGIBLE ASSETS *(Continued)*

Details of the mining right and exploration right held by the associates (2009: subsidiaries) of the Group at end of reporting period are as follows:–

Mines	Locations	Expiry dates
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)	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)	22 October 2011

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

The Company

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**992,684**	1,013,239
	992,684	1,013,239
Less: Allowance for amounts due from subsidiaries	**(817,348)**	(767,200)
	175,336	246,039

Amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. An aggregate accumulated allowance for amounts due from subsidiaries of HK$817,348,000 (2009: HK$767,200,000) was recognised as at 31 March 2010 because the related recoverable amounts of the amounts due from subsidiaries with reference to the values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due are reduced to their recoverable amounts as at 31 March 2010 and 2009.

18. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries as at 31 March 2010 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 activity
Star Fortune International Group Company Limited	British Virgin Islands ("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 ("SFID")	BVI/Hong Kong	US$1	–	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	Property holding
Ming Kei Coal's Trading Company Limited	Hong Kong/Hong Kong	HK$1	–	100	Investment holding
Star Enterprise Group Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Star Enterprise Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Enterprise Investment Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Trading International Group Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Star Trading International Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Trading International Investment Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star International Business Company Limited	Hong Kong/Hong Kong	HK$1	–	100	Provide administrative service
Star International Business Group Company Limited	BVI/Hong Kong	US$1	100	–	Dormant
Star International Business Development Company Limited	BVI/Hong Kong	US$1	–	100	Dormant
Shenzhen Star Investment Consultancy Limited *	PRC/PRC	RMB100,000	–	100	Provide administrative service
Ming Kei Fu Wang Trading (Shenzhen) Company Limited *	PRC/PRC	HK$10,000,000	–	100	Trading of goods
Ming Kei Fu Shing Technology (Shenzhen) Company Limited *	PRC/PRC	HK$8,000,000	–	100	Property holding
HongKong Talent Holdings Limited	Hong Kong/Hong Kong	HK$100	–	100	Investment holding

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

19. INTERESTS IN ASSOCIATES

	2010 HK$'000	2009 HK$'000
Share of net assets	71,437	–
Loan to an associate	28,500	–
Amount due to an associate	(81)	–

Loan to an associate as at 31 March 2010 was unsecured, interest-bearing at a rate of 1.5% per annum, and repayable on the date falling 6 months after the date of the loan facilities agreement (i.e. 3 July 2009) entered into between SFID, SFII and the Company which shall be subject to further negotiation and the cash level of the SFII Group to renew the loan for a further 6-month period. On 3 January 2010, the repayment date of the loan to the associate has been extended to 3 July 2010. Loan to an associate is neither past due nor impaired.

Amount due to an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Group's associates as at 31 March 2010, all of which are unlisted entities, are as follows:–

Name of company	Place of establishment and operation	Percentage of equity interest attributable to the Group	Principal activities
SFII (Note)/Corporate	BVI	49	Investment holding
Ming Kei Kai Yuan Investment Company Limited (Note)	Hong Kong	49	Investment holding
Kai Yuan Coal (Note)/Corporate*	PRC	49	Coal mining and selling
Qitai County Zexu Trading Company Limited (Note)/Corporate	PRC	49	Coal mining and selling

* The company is registered as a wholly foreign-owned enterprise with limited liability under the PRC law.

Note: On 3 July 2009, the SFII Group, the then subsidiaries of the Company, became associates of the Company as a result of the Disposal. Further details of the Disposal are set out in Note 33(i).

19. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of the Group's associates since the respective dates at which they became associates of the Group is set out below:

	2010 HK$'000	2009 HK$'000
Turnover	86,579	–
Loss for the year	(47,681)	–
Loss attributable to the Group	(23,364)	–
Total assets	238,140	–
Total liabilities	(92,350)	–
Net assets	145,790	–
Net assets attributable to the Group	71,437	–

20. DEPOSITS PAID FOR POSSIBLE ACQUISITION OF SUBSIDIARIES

The Group and the Company

The amounts comprised refundable deposits of aggregately HK$21,500,000 paid to the vendors under a non-legally binding memorandum of undertaking dated 18 July 2008 in relation to a possible acquisition of 100% equity interest in a target company which would indirectly holds 99% interest in a coal mine located in Guizhou Province, the PRC, after reorganisation. The deposits were secured by pledge of 100% equity interest in the target company, interest-free and refundable in the event that no formal sale and purchase agreement would be entered into between the Group and the vendors on or before 16 October 2009 in relation to the above possible acquisition. During the year ended 31 March 2010, the memorandum was terminated and the deposits were fully refunded to the Group, details of which are set out in the Company's announcement dated 4 June 2009.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	2010 HK$'000	2009 HK$'000
Listed shares in Hong Kong, at fair value (Note (i))	–	1,460
Unlisted investment fund in Hong Kong, at fair value (Note (ii))	10,560	–
	10,560	1,460

The Company

	2010 HK$'000	2009 HK$'000
Listed shares in Hong Kong, at fair value (Note (i))	–	1,460

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(i) The investments represent listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They had no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices as at the end of reporting period.

During the year ended 31 March 2010, a surplus arising on change in fair value of HK$1,097,000 (2009: a deficit of HK$1,072,000) on the listed equity securities was resulted which was recognised in the comprehensive income and the asset revaluation reserve of the Group. During the year ended 31 March 2010, the entire listed equity securities were disposed of by the Group, and a gain on disposal of available-for-sale financial assets of HK$25,000 (Note 6) was recognised in the consolidated income statement for the year accordingly.

(ii) On 2 November 2009, the Group entered into a subscription agreement pursuant to which Proteus Growth Fund Limited (the "Fund") as issuer agreed to allot and issue, and the Group as subscriber agreed to subscribe for 12,830 (subsequently adjusted to12,913) Class A shares of the Fund for a total subscription price of HK$10,228,000 (after issuing costs) in cash.

The Fund represents an unlisted investment fund that offers the Group the opportunity for return through dividend income and fair value gains. It had no fixed maturity or coupon rate. The fair value of the Fund is determined based on quote issued by respective fund administrator as at the end of each reporting period.

During the year ended 31 March 2010, a surplus was arising on the change in fair value of HK$332,000 on the Fund which was recognised in the comprehensive income and the asset revaluation reserve of the Group.

22. INVENTORIES

The Group

	2010 **HK$'000**	2009 HK$'000
Coals	–	49,315
Ancillary materials, spare parts and small tools	–	179
	–	49,494

23. ACCOUNTS AND BILLS RECEIVABLE

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

	2010 HK$'000	2009 HK$'000
Within 90 days	4,880	5,190
91 to 180 days	–	1,709
181 to 365 days	–	1,565
Total accounts receivable	4,880	8,464
Bills receivable	–	3,445
	4,880	11,909

(ii) During the year, the Group generally allows an average credit term of 30 to 60 days to its customers for business of general trading, and the Group's sales to coal customers were mainly on cash basis, or with advanced receipts. For certain well-established coal 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 both current and prior years. 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 2010, the Group had no outstanding bills receivable.

As at 31 March 2009, the Group's outstanding bills receivable of approximately HK$3,445,000 (Note 26) were discounted to banks with recourse. The Group continued to recognise the full carrying amount of the bills receivable and the cash received on the transfer as a secured borrowing which is included in bills payable as at that date.

24. ESCROW MONEY RECEIVABLE

The Group

	2010 HK$'000	2009 HK$'000
Balance at the end of year and included in current assets	10,000	–

It represents the remaining consideration in the amount of HK$10,000,000 receivable from the purchaser of the SFII Group in respect of the Disposal (as detailed in Note 33(i)), which is to be released to the Group upon fulfilment of certain conditions according to the disposal agreement, for which the Group considered it is probable that such conditions can be met.

25. 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

	2010 HK$'000	2009 HK$'000
Cash and cash equivalents were denominated in:		
Hong Kong dollars	30,958	11,291
Renminbi ("RMB")	2,319	42,885
Total	33,277	54,176

The Company

As at the end of reporting period, the cash and cash equivalents of the Company were denominated in Hong Kong dollars.

26. ACCOUNTS AND BILLS PAYABLE

An ageing analysis of the accounts payable of the Group at the end of reporting period, based on the invoice date, is as follows:

	2010 HK$'000	2009 HK$'000
Within 90 days	–	11,615
91 to 180 days	–	2,150
181 to 365 days	–	1,205
Total accounts payable	–	14,970
Bills payable (Note 23(iv))	–	3,445
	–	18,415

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

27. DEFERRED TAX

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

(i) Deferred tax assets

	Notes	The Group 2010 HK$'000	The Group 2009 HK$'000	The Company 2010 HK$'000	The Company 2009 HK$'000
Balance at beginning of year		**103**	180	**103**	103
Charge to consolidated income statement	10(a)	**(103)**	–	**(103)**	–
Disposal of subsidiaries	33(ii)	**–**	(77)	**–**	–
Balance at the end of year		**–**	103	**–**	103

Deferred 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.

(ii) Deferred tax liabilities
The Group

	Notes	Accelerated tax depreciation 2010 HK$'000	Accelerated tax depreciation 2009 HK$'000	Intangible assets 2010 HK$'000	Intangible assets 2009 HK$'000	Total 2010 HK$'000	Total 2009 HK$'000
Balance at beginning of year		**–**	264	**45,083**	355,110	**45,083**	355,374
Credited to consolidated income statement	10(a)	**–**	–	**(514)**	(293,835)	**(514)**	(293,835)
Disposal of subsidiaries	33(i)/(ii)	**–**	(264)	**(44,613)**	–	**(44,613)**	(264)
Exchange realignments		**–**	–	**44**	(16,192)	**44**	(16,192)
Balance at the end of year		**–**	–	**–**	45,083	**–**	45,083

27. DEFERRED TAX *(Continued)*

(iii) Deferred tax balances presented in the statements of financial position are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	–	103	–	103
Deferred tax liabilities	–	(45,083)	–	–
Balance at 31 March	–	(44,980)	–	103

At 31 March 2010, the Group and the Company have unused tax losses of HK$1,965,000 (2009: HK$1,076,000) and HK$592,000 (2009: HK$592,000) respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses amount of HK$1,965,000 (2009: HK$487,000) and HK$592,000 (2009: HK$3,000) 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 have no other material unprovided deferred tax as at 31 March 2010 (2009: HK$Nil).

28. CONVERTIBLE BONDS

The Group and the Company

On 25 March 2010, zero-coupon convertible bonds in the principal amount of HK$20,000,000 were issued by the Company to settle the outstanding promissory notes with principal amount of HK$20,000,000. The convertible bonds are payable in one lump sum on maturity of three years. The convertible bonds are convertible into ordinary shares of HK$0.01 each of the Company at an initial conversion price of HK$1.67 per conversion share (subject to anti-dilutive adjustments) at any time between the date of issue of the convertible bonds and its maturity date on 24 March 2013, provided that (i) no holder of the convertible bonds shall exercise the conversion right attached to the convertible bonds held by such holder if immediately after such conversion, resulting in the public float of the Company unable to meet the requirement under the GEM Listing Rules; and (ii) no conversion rights attached to the convertible bonds may be exercised, to the extent that following such exercise, a holder of the convertible bonds and parties acting in concert with it, taken together, will trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers.

The conversion option is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the principal amount of the convertible bonds. The residual amount represents the value of the conversion option, which is credited directly to equity as 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 2010, the convertible bonds with the principal amount of HK$16,000,000 have been converted into approximately 9,581,000 ordinary shares of the Company (Note 30(ii)). Subsequent to 31 March 2010, the remaining outstanding convertible bonds with the principal amount of HK$4,000,000 have been fully converted into approximately 2,395,000 ordinary shares of the Company.

The Company determined the fair value of the liability component based on a valuation performed by Greater China Appraisal using an effective interest method at the date of issuance of the convertible bonds. The effective interest rate was determined to be 12.25% per annum.

The movements of the liability component and equity component of the convertible bonds during the 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	14,141	5,859	20,000
Imputed interest expenses (Note 8)	6	–	6
Conversion into ordinary shares of the Company	(11,313)	(4,687)	(16,000)
At 31 March 2010	2,834	1,172	4,006

29. PROMISSORY NOTES

The Group and the Company

The movements on the promissory notes of the Company for the years ended 31 March 2010 and 2009 are as follows:

	Notes	**2010** **HK$'000**	2009 HK$'000
Carrying value at beginning of the year		**103,193**	248,994*
Partial waiver of promissory notes by a non-equity participant credited to profit or loss	(ii)	**–**	(101,677)
Repayment of promissory notes	(i)/(ii)	**(20,000)**	(2,000)
Charge on early redemption of promissory note held by an equity participant to capital reserve	(i)	**1,224**	–
Partial waiver of promissory notes held by an equity participant credited to capital reserve	(i)/(iii)	**(69,945)**	(53,659)
Accrued effective interest expense	8	**4,459**	14,094
Interest paid		**–**	(2,559)
Charge on early redemption of promissory note by way of issuing of convertible bonds held by an equity participant to capital reserve	(iv)	**1,069**	–
Derecognition of the promissory note upon issuance of the convertible bonds	(iv)	**(20,000)**	–
Carrying value at end of the year		**–**	103,193

* During the prior years, the promissory notes were issued by the Company in connection with the acquisition of 100% equity interests in the MKKY Group. 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 (before the amendment of the terms in the year ended 31 March 2009). 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 effective interest rate of the promissory notes is determined to be 5.81% per annum.

29. PROMISSORY NOTES *(Continued)*

The Group and the Company *(Continued)*

(i) During the year, pursuant to the supplemental agreement dated 30 April 2009 entered into between SFII and Ming Kei International Holding Co. Limited ("MK International"), a substantial shareholder of the Company, which is wholly and beneficially owned by Mr. Wong, a non-executive director of the Company, and Mr. Wong Wai Ngok, the elder brother of Mr. Wong, and Mr. Wong, such that the promissory notes issued by the Company to MK International in the prior years in the principal amount of HK$120,000,000 with zero coupon interest were revised and substituted by the promissory notes in the principal amount of HK$40,000,000 with zero coupon interest which constituted an issue of new promissory notes (the "New PN") to MK International by the Company. The New PN was issued by the Company on 3 July 2009. The carrying amount of the original promissory notes held by MK International was HK$105,584,000 as at 3 July 2009. The fair value of the New PN as at issue date (i.e. 3 July 2009) is HK$35,639,000 by reference to a valuation carried out on the issue date by Greater China Appraisal. The effective interest rate of the New PN is determined to be 8.72% per annum. The New PN in the principal amount of HK$20,000,000 was early repaid on 17 February 2010. This issue of the New PN at a reduced principal amount and early repayment of the New PN in substance constituted a contribution from and a distribution to an equity participant of the Company and the difference between the then carrying amount of the promissory notes held by MK International and the fair value of the New PN at the date of issue of the New PN of HK$69,945,000 and the accrued effective interest charged on the early repayment of the New PN of HK$1,224,000 were, respectively, credited and charged to the capital reserve of the Company and the Group.

(ii) During the prior year, on 13 February 2009, Mr. Wong Wai Ngok, the elder brother of Mr. Wong, a non-executive director and a 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.

(iii) During the prior year, on 13 February 2009, MK International, a 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 only; and (c) the coupon interest of 1% per annum payable monthly at the end of each calendar month was amended to zero coupon interest. 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 on the promissory notes held by MK International in substance constituted an issue of new promissory notes to MK International by the Company. The fair value of the new promissory notes as at the issue date (i.e. 13 February 2009) is approximately HK$102,007,000 and the difference between the then carrying amount and the fair value in the amount 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.

(iv) As further detailed in Note 28, convertible bonds with principal amount of HK$20,000,000 were issued to MK International on 25 March 2010 to settle the remaining New PN with the same principal amount. The carrying amount of the New PN held by MK International was HK$18,931,000 as at the date of its derecognition. The derecognition of the New PN by way of issuing convertible bonds to MK International in substance constituted a distribution to an equity participant of the Company and the difference between the then carrying amount of the New PN as at the date of its derecognition and the principal amount of the convertible bonds issued by the Company of HK$1,069,000 was charged to the capital reserve of the Company and the Group. The direct costs on the early redemption of the New PN in the amount of HK$517,000 were also charged to the capital reserve of the Company and the Group.

30. SHARE CAPITAL

	Notes	2010 Number of shares '000	2010 Amount HK$'000	2009 Number of shares '000	2009 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01 each					
At 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	2,640,000	26,400
Capital reorganisation	(i)	(2,587,200)	(25,872)	–	–
Issue of new shares on conversion of convertible bonds	(ii)	9,581	96	–	–
Exercise of share options	(iii)	4,065	40	–	–
At end of year		66,446	664	2,640,000	26,400

Notes:

(i) During the year ended 31 March 2010, the directors of the Company proposed to effect a capital reorganisation in the following manner; (a) the share consolidation of every 50 ordinary shares of HK$0.01 each in the issued and unissued shares of the Company; (b) the reduction of the issued shares of the Company through a cancellation of the paid-up share capital of the Company to the extent of HK$0.49 each on each of the issued and consolidated shares so that the nominal value of each issued and consolidated share be reduced from HK$0.50 to HK$0.01 each; (c) the subdivision of each authorised but unissued consolidated share of HK$0.50 each into 50 new shares of HK$0.01 each; (d) the entire amount standing to the credit of the share premium account of the Company as at the date of extraordinary general meeting be reduced and cancelled and applied towards elimination of all the accumulated losses of the Company at 31 March 2009 and the remaining balance being credited to the contributed surplus account of the Company; and (e) cancellation of all outstanding share options of the Company which were granted on 11 October 2007 and 10 March 2008 respectively (the above collectively referred as the "Capital Reorganisation").

The Capital Reorganisation was completed on 21 December 2009.

Upon completion of the Capital Reorganisation, the amount of approximately, HK$25,872,000 arising from the reduction of the issued share capital of the Company, the amount standing to the credit of the Company's share premium account of approximately HK$841,530,000 and the amount standing to the credit of the Company's share option reserve of approximately HK$15,360,000 have been used to set off the accumulated losses of the Company of approximately HK$751,653,000. The remaining credit balance of approximately HK$131,109,000 has been transferred to the contributed surplus account of the Company.

(ii) As set out in Note 28, the convertible bonds with the principal amount of HK$16,000,000 and carrying value of HK$11,313,000 have been converted into approximately 9,581,000 ordinary shares of HK$0.01 each of the Company at the conversion price, of which HK$96,000 was credited to issued share capital and the remaining balance of HK$11,217,000 was credited to the share premium account. In addition, an amount of HK$4,687,000 has been transferred from convertible bonds reserve to the share premium account.

(iii) During the year ended 31 March 2010, 4,065,000 new ordinary shares of HK$0.01 each of the Company were issued on exercise of 4,065,000 share options at an aggregate consideration of HK$7,276,000, of which HK$40,000 was credited to issued share capital and the remaining balance of HK$7,236,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$2,294,000 has been transferred from the share option reserve to the share premium account.

31. 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) Contributed surplus

The balance represents the remaining credit balance pursuant to the Group's Capital Reorganisation that took place during the year, details of which are set out in Note 30(i).

(iii) Capital reserve

The capital reserve of the Group as at 31 March 2010 represents the contributions from equity participants of the Company for modification of terms, partial waiver and early redemption of the promissory notes held thereby, details of which are set out in Note 29.

(iv) Statutory reserve fund

According to Articles of Association of the Group's then subsidiary/associate operating in the PRC, the subsidiary/associate 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 paid-up capital. The transfer to this reserve must be made before distribution of a dividend to equity holders of the PRC subsidiary/associate.

(v) Share option reserve and warrant reserve

The share option reserve and warrant reserve of the Company and the Group represents (i) the fair value of the share options granted by the Company which are yet to be exercised; and (ii) the net proceeds received in respect of the outstanding warrants issued by the Company, respectively, in accordance with the accounting policies set out in Notes 3(w) and (p)(iii).

(vi) Convertible bonds reserve

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

(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 policy set out in Note 3(u).

(viii) Asset revaluation reserve

The asset revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets held at the end of each reporting period and is dealt with in accordance with the accounting policy set out in Note 3(o)(ii).

31. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000 Note 31(a)(i)	Contributed surplus HK$'000 Note 31(a)(ii)	Capital reserve HK$'000 Note 31(a)(iii)	Warrant reserve HK$'000 Note 31(a)(v)	Share option reserve HK$'000 Note 31(a)(v)	Convertible bonds reserve HK$'000 Note 31(a)(vi)	Assets revaluation reserve HK$'000 Note 31(a)(viii)	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2008	841,530	–	6,510	–	15,360	–	–	(61,877)	801,523
Total comprehensive income for the year	–	–	–	–	–	–	(1,072)	(696,286)	(697,358)
Transfer upon disposal of subsidiaries	–	–	(6,510)	–	–	–	–	6,510	–
Gain on partial waiver of promissory notes by an equity participant (Note 29(iii))	–	–	53,659	–	–	–	–	–	53,659
Balance at 31 March 2009 and 1 April 2009	841,530	–	53,659	–	15,360	–	(1,072)	(751,653)	157,824
Total comprehensive income for the year	–	–	–	–	–	–	1,072	(80,676)	(79,604)
Capital reorganisation	(841,530)	131,109	–	–	(15,360)	–	–	751,653	25,872
Issue of convertible bonds (Note 28)	–	–	–	–	–	5,859	–	–	5,859
Issue of new shares on conversion of convertible bonds	15,904	–	–	–	–	(4,687)	–	–	11,217
Recognition of share-based payments	–	–	–	–	2,294	–	–	–	2,294
Exercise of share options	9,530	–	–	–	(2,294)	–	–	–	7,236
Issue of warrants (Note 35)	–	–	–	1,734	–	–	–	–	1,734
Charge and direct costs on early redemption of promissory note held by an equity participant (Notes 29(i) & (iv))	–	–	(2,810)	–	–	–	–	–	(2,810)
Gain on partial waiver of promissory note by an equity participant (Note 29(i))	–	–	69,945	–	–	–	–	–	69,945
Balance at 31 March 2010	**25,434**	**131,109**	**120,794**	**1,734**	**–**	**1,172**	**–**	**(80,676)**	**199,567**

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 31 August 2009, the Group acquired a property located in the PRC and its related assets and liabilities from Best Rise Asia Limited, which is jointly owned by (a) Mr. Wong and (b) Mr. Poon Chi Ho ("Mr. Poon"), an independent third party, and Mr. Poon, at a total consideration of HK$18,000,000 which was satisfied in cash. The acquisition was made by way of acquisition of (i) the 100% equity interests in HongKong Talent Holdings Limited ("HongKong Talent") and its subsidiaries (the "HongKong Talent Group") and (ii) the shareholder's advance owed by the HongKong Talent Group to Mr. Poon (the "HongKong Talent Shareholder's Loan"). This transaction has been reflected as a purchase of assets and liabilities.

Details of the fair value of net assets acquired in respect of the acquisition of the HongKong Talent Group are as follows:

	Note	2010 HK$'000
Net assets acquired:		
Property, plant and equipment	15	18,597
Other receivables		2
Cash and cash equivalents		122
The HongKong Talent Shareholder's Loan		(14,520)
Other payables		(16)
		4,185
Add: Assignment of the HongKong Talent Shareholder's Loan		14,520
		18,705
Consideration satisfied by:		
Cash		18,000
Costs directly attributable to the acquisition		705
Total consideration		18,705
Net cash outflow arising on acquisition:		
Consideration paid in cash		(18,000)
Costs directly attributable to the acquisition		(705)
Cash and cash equivalents acquired		122
		(18,583)

33. DISPOSAL OF SUBSIDIARIES

(i) For the year ended 31 March 2010

On 3 July 2009, the Group disposed of its 51% equity interests in the SFII Group for a total consideration of HK$100,000,000, of which HK$90,000,000 was satisfied in cash as of 31 March 2010 and the remaining cash consideration receivable of HK$10,000,000 (Note 24) was held by an escrow agent and classified as escrow money receivable in the consolidated statement of financial position as at 31 March 2010.

Upon completion of the Disposal, the Group's interest in the SFII Group was reduced from 100% to 49%. As a result, the SFII Group ceased to be the subsidiaries of the Group and became the associates of the Group upon the completion of the Disposal on 3 July 2009. On the same day, the assets, liabilities and results of the SFII Group were deconsolidated and the Group's interest in the SFII Group was accounted for under equity method. Further details are set out in the Company's announcement and circular dated 7 May 2009 and 12 June 2009 respectively.

The net assets of the SFII Group at the date of disposal were as follows:

	Notes	2010 HK$'000
Net assets disposed of:		
Property, plant and equipment	15	18,790
Intangible assets	17	185,323
Inventories		70,297
Accounts and bills receivable		23,584
Prepayments, deposits and other receivables		5,203
Cash and cash equivalents		32,461
Accounts and bills payable		(32,360)
Accrued expenses and other payables		(24,900)
Current tax payable		(2,263)
Deferred tax liabilities	27(ii)	(44,613)
Provision for close down, restoration and environmental costs	37	(6,606)
		224,916
Exchange reserve realised		(8,524)
Interests in associates		(96,244)
Loan to an associate	19	(28,500)
Costs directly attributable to the Disposal		15,235
Loss on disposal of subsidiaries		(6,883)
Total consideration		100,000
Consideration satisfied by:		
Cash consideration received during the year		90,000
Escrow money receivable	24	10,000
		100,000
Net cash inflow arising on the Disposal:		
Cash consideration received during the year		90,000
Cash and cash equivalents disposed of		(32,461)
Costs directly attributable to the Disposal		(15,235)
		42,304

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

(ii) For the year ended 31 March 2009

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

The net assets of Precious Logistics 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	27(i)	77
Accounts and other receivables		5,521
Cash and cash equivalents		1,461
Accounts and other payables		(7,106)
Deferred tax liabilities	27(ii)	(264)
		371
Costs directly attributable to the disposal		685
Gain on disposal of subsidiaries	11	444
Total consideration		1,500
Net cash outflow arising on disposal:		
Total cash consideration received		1,500
Bank balances and cash disposed of		(1,461)
Costs directly attributable to the disposal		(685)
		(646)

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

34. 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.

34. SHARE OPTION SCHEME *(Continued)*

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.

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:

	2010		2009	
	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**	0.86	125,000
Cancelled during the year	**0.86**	**(125,000)**	–	–
Granted during the year	**1.79**	**4,065**	–	–
Exercised during the year	**1.79**	**(4,065)**	–	–
At end of year	**–**	**–**	0.86	125,000

34. SHARE OPTION SCHEME *(Continued)*

There is no outstanding share option as at 31 March 2010. The exercise prices and exercise periods of the share options outstanding as at 31 March 2009 is as follows:

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 to employees and others providing similar services during the current year was HK$2,294,000 (2009: HK$Nil) which was recognised as share-based payments (Note 7) during that year. The fair value was determined using the Binomial Option Pricing Model with the following major inputs:

Share price on the date of grant	HK$1.74
Exercise price	HK$1.79
Expected volatility (%)	52.95%
Expected life of options (year)	10
Risk-free interest rate (%)	2.566%

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at 31 March 2010, the Company had no share option outstanding under the Scheme.

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

35. UNLISTED WARRANTS

During the year, the Company entered into three conditional warrant placing agreements (with two former independent non-executive directors of the Company and an independent third party) in relation to the private placing of an aggregate of 10,560,000 unlisted warrants, at the premium of HK$0.19 each and the aggregate premium, after issuing expenses, of HK$1,734,000 was received and was credited to warrant reserve. Each warrant entitles the holder to subscribe for a fully-paid new ordinary share at the initial subscription price of HK$1.31 per share, subject to anti-dilutive adjustments. At 31 March 2010, the Company has outstanding 10,560,000 unlisted warrants, which have been fully exercised subsequent to the end of reporting period.

36. OPERATING LEASE COMMITMENTS

(a) As lessor

During the current year, the Group leases its investment properties under operating lease arrangements, with the leases negotiated for terms of one year. The terms of the leases generally also require the tenants to pay security deposits.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follow:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**351**	–

(b) As lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms of three years. None of the leases includes contingent rentals.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**2,145**	2,714
In the second to fifth years, inclusive	**3,900**	–
	6,045	2,714

The Company had no material operating lease commitment at 31 March 2009 and 2010.

37. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

The Group

	2010 HK$'000	2009 HK$'000
At beginning of year	6,600	–
Provision made during the year (Note 7)	–	6,600
Exchange realignments	6	–
Disposal of subsidiaries (Note 33(i))	(6,606)	–
At the end of year	–	6,600

The provision for close down, restoration and environmental costs, in relation to all of the two mines of the Group has been determined by the management and charged to cost of sales in the prior 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 was 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 the then existing legislation, management believed that there were no probable liabilities that would have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities were subject to considerable uncertainty which affected 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 clean-up 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 had 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 were updated accordingly.

On 3 July 2009, the SFII Group, the then subsidiaries of the Company, became associates of the Company as a result of the Disposal, and therefore the Group's provision for close down, restoration and environmental costs was derecognised from the consolidated statement of financial position of the Group on the same date.

38. 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 for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group received interest income from the associate in respect of the loan to an associate amounted to HK$217,000 (2009: HK$Nil) and the details of the loan to the associate are set out in Note 19.

(b) During the year, the Group has leased out one of its investment properties to a subsidiary of the SFII Group, which become an associate of the Group immediately after the Disposal, for an annual rental of HK$980,000 for a 12-month period (subject to renewal) from 3 July 2009 to 2 July 2010. During the year, the Group received rental income of HK$699,000 from the associate, which has been included in the Group's turnover for the year (2009: HK$Nil).

(c) During the year, the Group purchased a property from a vendor which is beneficially owned by Mr. Wong, a director of the Company and his close family member, at a cash consideration of HK$8,300,000, further details of which are set out in the Company's announcement dated 8 July 2009.

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

	2010 **HK$'000**	2009 HK$'000
Salaries and other short-term employee benefits	**10,571**	3,336
Retirement benefit costs	**78**	49
Share-based payment expense	**576**	–
	11,225	3,385

39. 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.

39. CAPITAL RISK MANAGEMENT *(Continued)*

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 statement of financial position, comprising bills payable, promissory notes and convertible bonds. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus borrowings. The gearing ratios of the Group at 31 March 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Total borrowings	**2,834**	106,638
Equity	**200,554**	184,252
Total capital	**203,388**	290,890
Gearing ratio	**1.4%**	36.7%

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.

40. 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, liquidity risk, and fair value 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 purposes other than trading.

(a) Market risk

(i) Price risk – commodity price risk

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 on equity securities at the end of reporting period.

If equity prices had been 10% higher:–

The Group's reserves would increase by HK$1,056,000 (2009: HK$146,000) as a result of the changes in fair value of available-for-sale financial assets.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

(ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in the RMB and the equity investments denominated in the United States dollars (the "USD"). As at 31 March 2010, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB, used by the Group entities or in the USD for HKD functional currency Group entities.

As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant for transactions denominated in USD. 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 2010, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

(iii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from promissory notes and convertible bonds. The Group's promissory notes and convertible bonds issued at fixed rate expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there is no borrowing which bears floating interest rates. The Group historically has not used any financial instrument to hedge potential fluctuation in interest rates.

(b) Credit risk

The carrying amounts of cash and cash equivalents, accounts and bills receivable, other receivables and loan to an associate except for prepayments included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits and available-for-sale financial assets are placed with renowned financial institutions and the credit risk is considered low. The Group has policies in place to ensure that sales of products 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 if needed 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 goods, 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.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Fair values

The fair values of financial assets and financial liabilities are determined as follow:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

The Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these financial statements approximate their corresponding fair values.

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, including listed equity securities on exchange.

Level 2 – Valuation technique using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data. This level includes the unlisted investment fund with quote issued by respective fund administrator.

The Group's available-for-sale financial assets are measured at fair value. At the end of reporting period, there is no significant transfer between Level 1 and Level 2. The fair value of Level 3 financial assets are mainly derived from unobservable range of data involved.

31 March 2010	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets	–	–	10,560	10,560

41. 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 2010 and 2009 may be categorised as follows:

	2010 HK$'000	2009 HK$'000
Financial assets		
Available-for-sale financial assets measured at fair value	10,560	1,460
Loans and receivables (including cash and cash equivalents) measured at amortised cost	78,573	80,092
	89,133	81,552
Financial liabilities		
Financial liabilities measured at amortised cost	5,406	136,977

42. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save for the significant events after the reporting period of the Group as disclosed in this annual report and those significant events after the reporting period of the Group disclosed elsewhere in these financial statements, details of other significant events after the reporting period of the Group disclosed as below.

SFID entered into a conditional disposal agreement dated 20 May 2010 with Lasting Power Investments Limited, a wholly-owned subsidiary of China Sonangol Resources Enterprise Limited, a company with shares listed on the Main Board of the Stock Exchange, regarding the Group's proposed disposal of its remaining 49% equity interests in the SFII Group, at a cash consideration of HK$50 million. Reference is made to the announcement of the Company dated 3 June 2010 in respect of the suspension of trading in shares of the Company on the Stock Exchange pending the publication of an announcement in relation to, among other things, disposal of the 49% equity interests in SFII, which constitutes a very substantial disposal of the Company.

Particular of Properties

At 31 March 2010

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Flat B, 15th Floor Tower 5, Sorrento No. 1 Austin Road West Kowloon Hong Kong	Residential	Medium term lease	100%
Unit 2, 6th Floor Block A, Yema Building No. 158 Kunming Road Urumqi Xinjiang Uygur Autonomous Region The PRC	Office	Medium term lease	100%

PROPERTY HELD FOR OWN USE

Location	Use	Tenure	Attributable interest of the Group
Unit A, 13th Floor Noble Center No. 1006 Fuzhong San Road Futian District Shenzhen The PRC	Office	Medium term lease	100%

Ming Kei Holdings Limited
明基控股有限公司 *

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(於開曼群島註冊成立及於百慕達存續)
(Stock Code 股份代號：8239)

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