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)

Expand for Future Growth 擴展迎未來

Annual Report 年報 2010/11

* For identification purpose only 僅供識別

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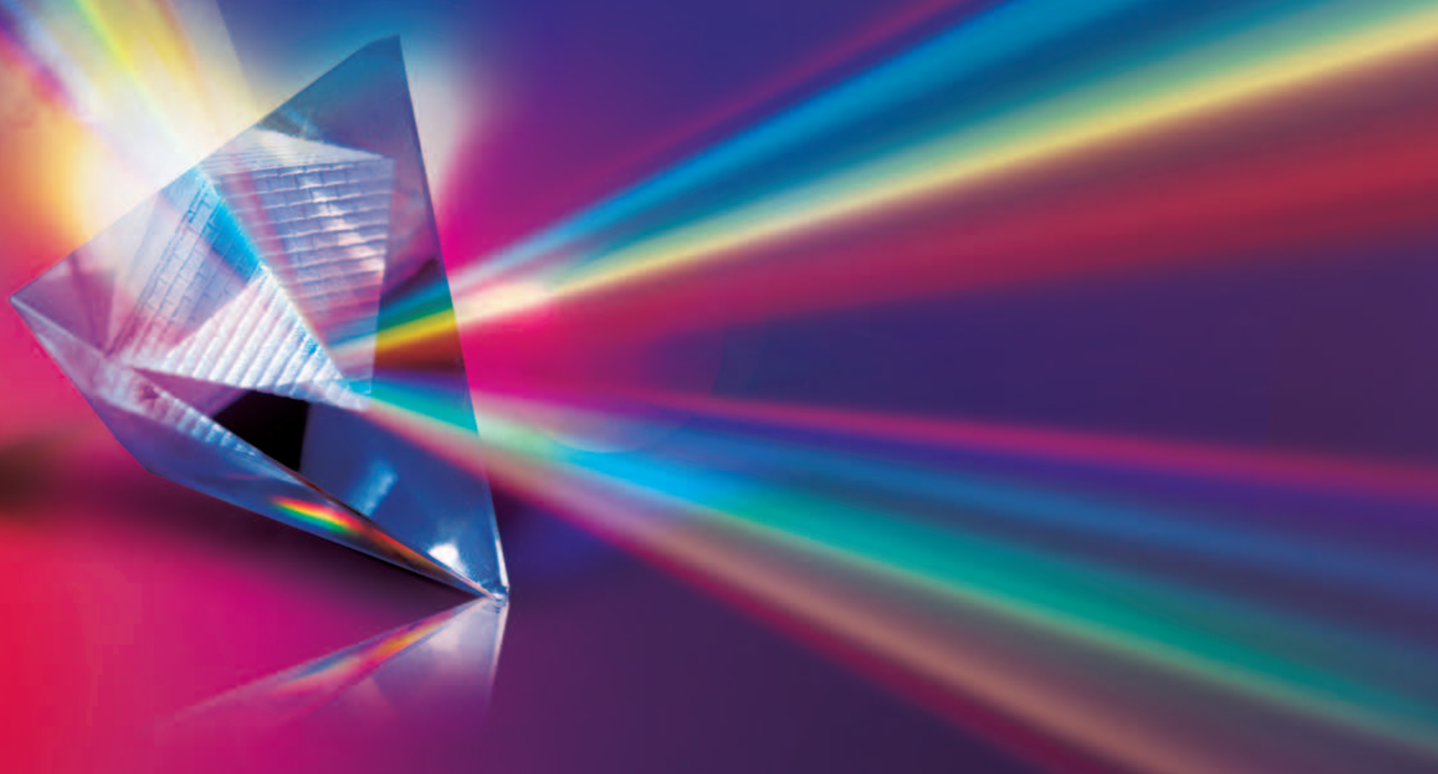
This report, for which the directors of Ming Kei Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Director(s)"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

VISION

Increasing Company's Shareholders **Return**

MISSION

Customers Oriented,
Excellence Services and
Growth by Integration



Content

Corporate Information

EXECUTIVE DIRECTORS

Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
Ms. Yick Mi Ching, Dawnibilly

NON-EXECUTIVE DIRECTOR

Mr. Wong Wai Sing *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman
Mr. Kwok Kam Tim
Mr. Kinley Lincoln James Lloyd

COMPLIANCE OFFICER

Mr. Wong Wai Sing

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

MEMBERS OF THE AUDIT COMMITTEE

Mr. Kwok Kam Tim *(Chairman)*
Mr. Sung Wai Tak, Herman
Mr. Kinley Lincoln James Lloyd

MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Tsang Ho Ka, Eugene *(Chairman)*
Mr. Sung Wai Tak, Herman
Mr. Kwok Kam Tim
Mr. Kinley Lincoln James Lloyd

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)
DBS Bank (Hong Kong) Limited
Hang Seng Bank 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 2010 and 2011

JULY 2010

Performance guarantee had been achieved in related to the very substantial disposal involved disposal of 51% equity interests in the Star Fortune International Investment Company Limited (the "SFII"), which beneficially owned the entire interests in the mining rights (採礦許可證) in the Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and the exploration permit (礦產資源勘查許可證) in the Zexu Open Pit Coal Mine (澤旭露天煤礦).

An annual general meeting was held, and resolutions were duly approved by the shareholders (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.

AUGUST 2010

Announced of quarter 1 results of 2010/2011.

Completion of the disposal of 49% equity interests in the SFII.

The group entered into the conditional sale and purchase agreement in relation to the acquisition (the "Acquisition") of a target group which principally engaged in the business of coal trading between People's Republic of China (the "PRC") and Indonesia respectively.

SEPTEMBER 2010

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 15,000,000 (subsequently adjusted to 30,000,000 immediately after the Bonus Issue (as defined below)) warrants to the subscribers, at the warrant issue price of HK$0.92 (subsequently adjusted to HK$0.46 immediately after the Bonus Issue per warrant).

The board (the "Board") of the Company announces that it has resolved to grant 7,940,104 (subsequently adjusted to 15,880,208 immediately after the Bonus Issue) share options to the grantees, to subscribe, in aggregate, for up to 7,940,104 (subsequently adjusted to 15,880,208 immediately after the Bonus Issue) shares subject to acceptance by the grantees.

OCTOBER 2010

Completion of the Acquisition.

NOVEMBER 2010

Announced of interim results of 2010/2011.

The group delivered the redemption notice to the Proteus Growth Fund for the entire redemption of the Class A shares which subscribed on November 2009, a gain of approximately HK$0.78 million is recognized.

A special general meeting was held, and resolutions were duly approved by the Shareholders to approve the grant of the options under the share option scheme, to approve the refreshment of the scheme mandate limit and to approve the refreshment of general mandate.

DECEMBER 2010

The Board proposed a bonus issue (the "Bonus Issue") to the qualifying Shareholders (other than excepted Shareholders). The Bonus Issue is proposed to be made on the basis of one Bonus Share for every one existing share held by the qualifying Shareholders (other than excepted Shareholders) whose names appear on the register of members of the Company on the record date. The Bonus Issue will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company.

The Board announced that subject to the Bonus Issue becoming effective, the board lot size of the shares for trading on The Stock Exchange of Hong Kong Limited will be changed from 1,000 Shares to 2,000 Shares.

FEBRUARY 2011

Announced of quarter 3 results of 2010/2011.

The group entered into a non-legal binding memorandum of understanding in relation to the possible acquisition of a talc mine in the Hubei Province, PRC.

A special general meeting was held, and resolutions were duly approved by the Shareholders to approve the refreshment of share option scheme mandate limit, to approve the grant a general mandate to directors to allot, issue and otherwise deal with the Company's shares (the "Resolution") and to add the nominal amount of shares repurchased by the Company to the mandate granted to the directors under the Resolution.

JUNE 2011

Announced of annual results for 2010/2011.

Top 5 Customers

Business Diversification and Customers Oriented

北京鑫健偉業科貿有限公司
Beijing Xinjian Weiye Technology & Trading Company Limited

北京恆世隆業投資有限公司
Beijing Heng Shi Long Ye Investment Company Limited

北京實業開發總公司
Beijing Enterprises Development Corporation

北京英保通科技發展有限公司
Beijing Yingbaotong Technology Development Company Limited

木壘縣凱源煤炭有限責任公司
Mulei County Kai Yuan Coal Company Limited

Corporate Profile

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding and property investment in Hong Kong and the People's Republic of China (the "PRC"), business of general trading in the PRC and business of coal trading between PRC and Indonesia respectively.

In addition, the Group also holds 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, electronic appliances and components as well as motor vehicles components respectively.

The business of coal trading between PRC and Indonesia mostly consists of trading of steam coals.

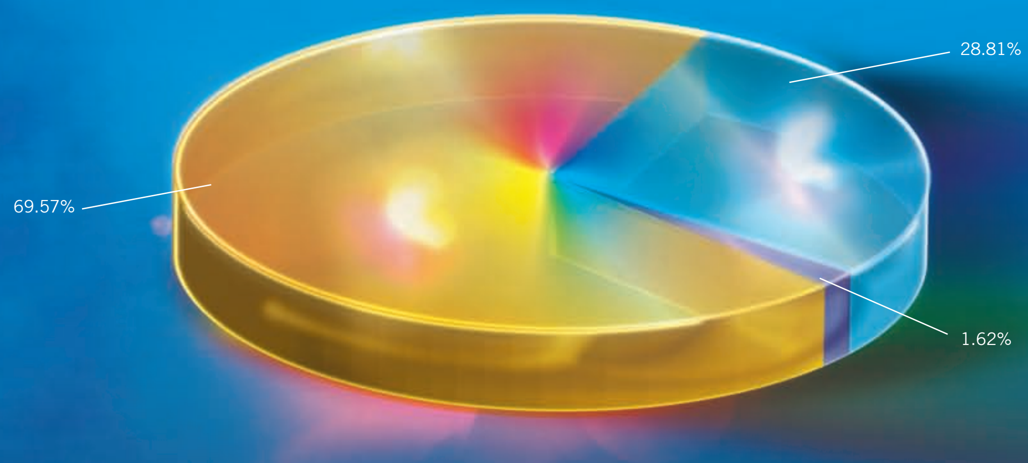
Corporate Structure

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 2011.
4. Effective percentage of equity interests attributable to the Group.

Financial Highlights

Revenue By Business Segments

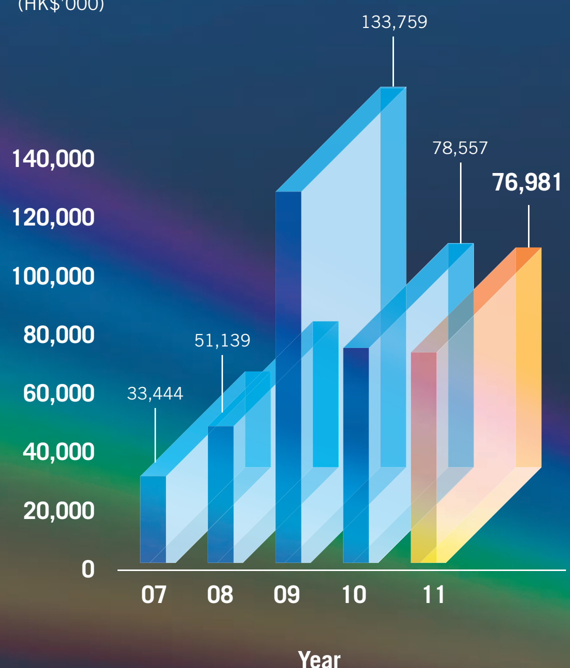


For the year ended 31 March 2011

Coal Trading Business
General Trading Business
Property Investment Business

Five Years Revenue

(HK$'000)



Aggressive plans for present and future **expansion**

Turnover Increased By Approximately

409.8%

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 2011 to the Company's shareholders.

MARKET OVERVIEW

The Group achieved revenue of approximately HK$76.98 million for the year ended 31 March 2011 from the business of property investment, general trading and new business of coal trading respectively, represented an increased by approximately HK$61.88 million or 409.80% over the corresponding prior year ended. The increment was mostly contributed by the revenue stream which derived from the coal trading business which commenced on November 2010 as well as an increased of the received of the rental income from its investments properties and trading income from the general trading respectively.

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 as well as the limited financial contribution from this investment, the residual 49% equity interests in the Star Fortune International Investment Company Limited (the "SFII") held by the Group was disposed during the current year. On 20 May 2010, the 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 2") with the purchaser (the "Purchaser"), a wholly-owned subsidiary of the International Resources Enterprise Limited *(formerly known as China Sonangol Resources Enterprise 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 of Hong Kong Limited (the "Stock Exchange") (stock code: 1229)), for the disposal of the sale shares (the "Disposal Shares 2"), representing 49% equity interests in SFII, held by SFID for a total cash consideration of HK$50 million. Upon the completion of the Disposal Agreement 2 on 16 August 2010, the SFII Group (as defined below) ceased to be the associates of the Group.

In relation to the Group's coal trading business (the "Coal Trading Business"), it has been commenced in November 2010, turnover recorded from it was accounted for approximately 69.57% of the Group's turnover for the year ended 31 March 2011 (2010: Nil%). The coals' traded was approximately 0.16 million tones for the year ended 31 March 2011 (2010: Nil). Directors expected that the Coal Trading Business will remain as the first main source of the Group's turnover due to the already entered into of the supplier letter of intents and the customer letter of intents for a term of three years since July 2010 which represented a foreseeable and stable profitable business opportunity to the Group. In addition, the People's Republic of China (the "PRC") became a net coal importer in year 2009 and a continuous increase in demand of coals from the PRC and was noticed that Australia, Indonesia and Russia were the largest exporters of coal to the PRC since year 2009. It is a valuable opportunity for the Group to be able to line up companies from one of the world's largest exporters' country (the Indonesia) and one of the world's fast growing importers' country (the PRC) for the Coal Trading Business.

In relation to the Group's general trading business, its turnover accounted for approximately 28.81% of the Group's turnover for the year ended 31 March 2011 (2010: 94.11% (restated)). Approximately RMB16.40 million was recorded for the general trading business out of the RMB28 million long terms acquisition contract (the "Acquisition Contract") which signed on 1 July 2010 between the Group and the trading customers' (the "Trading Customers") of the Group. The Acquisition Contract will be expired on 30 June 2011 and as per the preliminary verbal replied from the Trading Customers, they are not intended to renew of it once upon the expired of the Acquisition Contract. However, the Directors still expected that the turnover to be contributed from the general trading business will remain as the second main source of the Group's turnover on the forthcoming financial year.

The acquisition of the CIFC Group not only diversified the Group's business but also contributed further source to the Group's turnover. Furthermore, the acquired of the CIFC Group has provided cost and operation efficiency and other synergy effects to the Group from the prior management experiences and expertises from the disposed SFII Group. As the Coal Trading Business is still in its development stage, Directors expected a potential growth from the Coal Trading Business and hence the Group will put extra resources and diverts its current resources and focusing from the general trading to the Coal Trading Business to pursuit its growth and the Group will commit itself in controlling costs and improving the quality of the products.

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 slightly recently due to the regulations and policies adopted 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 will remain as the third main source of the turnover to the Group and the potential possible of the appreciation of the properties, the future prospect of the property market in HK and PRC is promising. Addition, the Directors might consider to dispose certain of the properties of the Group which held for investment properties or property held for own use respectively when the properties can be disposed for profits as when and appropriate.

FINANCIAL REVIEW

For the year ended 31 March 2011, the Group achieved revenue of approximately HK$76.98 million (2010: approximately HK$15.10 million (restated)) for the Coal Trading Business, business of general trading and property investments respectively, representing an increased by approximately HK$61.88 million or 409.80% over the corresponding prior year ended. The increment was mostly contributed by the revenue stream which derived from the Coal Trading Business which commenced in November 2010 as well as an increased of the received of the rental income from its investments properties and trading income from the general trading respectively.

For the year ended 31 March 2011, the Group recorded total revenue of approximately HK$76.98 million (2010: approximately HK$15.10 million (restated)) which was derived from the Coal Trading Business, business of general trading and property investments respectively which accounted for approximately of 69.57%, 28.81% and 1.62% respectively (2010: Nil%, approximately of 94.11% and 5.89% respectively). Details of the Group's revenue are disclosed in the financial statements under Notes 5 and 6 "SEGMENT INFORMATION" and "TURNOVER, OTHER GAINS AND LOSSES, NET" respectively.

An increased in turnover by approximately HK$61.88 million or 409.80%, as compared to the corresponding prior year ended was mostly contributed by the revenue stream which derived from the Coal Trading Business which commenced in November 2010 as well as an increased of the received of the rental income from its investment properties and trading income from the general trading respectively.

The Group generated an operating profit of approximately HK$0.25 million for the year ended 31 March 2011 (2010: operating loss of approximately HK$3.05 million (restated)) for the general trading. The Group generated an operating loss of approximately HK$31.03 million and HK$4.15 million respectively for the year ended 31 March 2011 (2010: HK$Nil and HK$3.73 million (restated) respectively) for the coal trading and property investments segments' respectively.

Chairman's Statement

The Group's gross profit was approximately HK$4.96 million for the year ended 31 March 2011 (2010: approximately HK$1.18 million (restated)). The gross profit increased as compared to the corresponding prior year ended was mostly contributed by the revenue stream which derived from the Coal Trading Business which commenced in November 2010 as well as an increased of the received of the rental income from its investments properties and trading income from the general trading. The gross profit margin was approximately of 6.44% for the year ended 31 March 2011 (2010: approximately of 7.81% (restated)), the decrement was mostly contributed by the Coal Trading Business which commenced in November 2010 due to the positive price gap between the purchase price and the selling price of at least US$2 per metric tonne of coal sold, the Group will keep continue to bargain for the possibility of exceeding US$2 per metric tonne for the coal trade.

For the year ended 31 March 2011, Class A shares of the Proteus Growth Fund Ltd. which subscribed on 2 November 2009 by the Group was fully redeemed (the "Redemption") and a gain of approximately HK$0.78 million (2010: HK$Nil (restated)) has been recognised from the Redemption.

For the year ended 31 March 2011, the Group's selling and distribution costs amounted to approximately HK$0.33 million (2010: HK$Nil (restated)), the selling and distribution costs are in relation to the selling expenses for the Coal Trading Business which commenced in November 2010.

For the year ended 31 March 2011, the Group's administrative and other expenses amounted to approximately HK$57.28 million (2010: approximately HK$36.95 million (restated)), which represented a tremendous increased by approximately HK$20.33 million or 55.02%, as compared to the corresponding prior year ended. The increment was contributed by the increased on the depreciation charges, Directors remunerations, charges on the share-based payments, project expenses in related to the acquisition of CIFC Group (as defined below) and the disposal of SFII Group and overseas and local travelling charged for the business trips.

For the year ended 31 March 2011, the Group's finance costs amounted to approximately HK$0.15 million (2010: approximately HK$4.47 million (restated)), the tremendous decreased by approximately HK$4.32 million or by 96.64% was contributed by the repayment of the promissory notes in the prior year.

For the year ended 31 March 2011, the Group recorded an impairment loss on goodwill (the "Goodwill") and intangible assets (the "Intangible Assets") arising from the acquisition of the China Indonesia Friendship Coal Trading Company Limited (the "CIFC") and its subsidiary (collectively referred to as the "CIFC Group") during the current year of approximately HK$24.43 million (2010: HK$Nil) and approximately HK$8.92 million (2010: HK$Nil) respectively which represented the impairment testing has been carried out as at 31 March 2011 and impairment loss was recognised in the income statement. Details of the Group's impairment loss on Goodwill and Intangible Assets and disclosed in the financial statements under Note 17 "GOODWILL" and Note 18 "INTANGIBLE ASSETS" respectively.

Even though there is a positive contribution of profit streams from the acquired CIFC Group, the coal trading segment still resulted in a net loss (the "Net Loss") position of approximately HK$29,943,000 for the year ended 31 March 2011 (2010: HK$Nil). The Net Loss was mostly a result of non-cash impairment loss on Goodwill and Intangible Assets respectively, a net profit before all of the major non-cash items (the "Net Profit") of approximately HK$1,926,000 for the year ended 31 March 2011 (2010: HK$Nil) will present a better reflection of the CIFC Group's actual operation results.

	Year ended 31 March 2011 HK$'000
Net Loss for coal trading segment	**(29,943)**
Adjusted for major non-cash items	
• Impairment loss on Goodwill	**8,915**
• Impairment loss on Intangible Assets	**24,425**
• Taxation — deferred tax credit	**(1,471)**
Net Profit after striping out major non-cash items	**1,926**

The impairment loss on Goodwill and Intangible Assets recognised for the year ended 31 March 2011 did not have impact to the CIFC Group's cash-flows and did not affect the operating model of the CIFC Group as referred to on pages 18 and 19 of the circular of the Company dated on 14 October 2010, in particular maintaining a positive price gap between the purchase price and the selling price of at least US$2 per metric tonne of coal sold, did not reduce the expected net profits to be derived from the business of CIFC Group, did not have impact on the profit guarantee as provided by the vendor and did not have impact to the CIFC Group's cash flows.

Apart from these, the CIFC Group had no other debts or borrowings. The CIFC Group would have a net cash position and a bank interest income of approximately HK$1.08 million (2010: HK$Nil) and approximately HK$34 (2010: HK$Nil) respectively for the year ended 31 March 2011.

The impairment loss on Goodwill and Intangible Assets is mostly due to the change in terms and conditions of the customer letter of intents and change in the discount rate respectively.

For the year ended 31 March 2011, the Group recorded an impairment loss on property, plant and equipment of HK$Nil (2010: approximately HK$1.13 million (restated)).

For the year ended 31 March 2011, the Group recorded a fair value loss on investment properties of approximately HK$1.70 million (2010: approximately HK$3.36 million), which represented decreased in fair value of the Group's investment properties which are hold for investment purposes during the current year under reviewed.

For the year ended 31 March 2011, the Group recorded the share of loss of associates, net of tax, of approximately HK$0.86 million (2010: approximately HK$23.36 million (restated)), which represented the share of 49% results attributed by the SFII and its subsidiaries (collectively referred to as the "SFII Group") to the Group. The SFII Group is principally engaged in mining, sale and distribution of coals in the PRC. The 49% equity interests in the SFII were disposed on 16 August 2010 and the SFII Group ceased to be the associates of the Group.

For the year ended 31 March 2011, the Group recorded a loss for the year from discontinued operation of approximately HK$21.07 million (2010: approximately HK$27.46 million (restated)) mainly represented a loss for the disposal of SFII Group.

Chairman's Statement

For the year ended 31 March 2011, the Group recorded a loss attributable to owners of the Company from the continuing operations of approximately HK$106.04 million (2010: approximately HK$71.08 million (restated)) represented an increase in loss by approximately HK$34.96 million or 49.18%. The overall increase in loss attributable to the owners of the Company as compared to the corresponding prior year ended was mainly attributable by (i) the increase of the administrative and other expenses, (ii) the impairment loss on the Goodwill and the Intangible Assets and (iii) the loss on disposal of 49% equity interests in SFII Group.

PROSPECTS AND APPRECIATION

For the year ended 31 March 2011, the Group achieved revenue of approximately HK$76.98 million (2010: approximately HK$15.10 million (restated)) for the Coal Trading Business, business of general trading and property investments respectively, representing an increased by approximately HK$61.88 million or 409.80% over the corresponding prior year ended. The increment was mostly contributed by the revenue stream which derived from the Coal Trading Business which commenced in November 2010 as well as an increased of the received of the rental income from its investments properties and trading income from the general trading respectively.

On 30 April 2009, SFID entered into a conditional disposal agreement (the "Disposal Agreement 1") with the Purchaser for the disposal of 51% equity interests in SFII held by SFID for a total cash consideration (the "Cash Consideration") of HK$100 million.

The Disposal Agreement 1 was completed on 3 July 2009 (the "Completion"). Upon Completion, the Company has only 49% equity interests in the SFII, and therefore the SFII Group ceased to be subsidiaries of the Group and are accounted for as the associates of the Group and the remaining of the partial Cash Consideration which amounted to HK$18 million and HK$10 million was received on 3 February 2010 and 12 July 2010 in related to the completion of the profit guarantee and output guarantee respectively as stated on the Disposal Agreement 1.

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 as well as the limited financial contribution from this investment, the residual 49% equity interests in the SFII held by the Group was disposed during the current year. On 20 May 2010, the SFID entered into a Disposal Agreement 2 with the Purchaser for the Disposal Shares 2 for a total cash consideration of HK$50 million. The Disposal Agreement 2 was completed on 16 August 2010 and the SFII Group ceased to be the associate of the Group. The Group recorded a loss for the year ended of 31 March 2011 from discontinued operation of approximately HK$21.07 million related to the Disposal Agreement 2.

As the consideration for the Disposal Agreement 2 is all cash in nature, the Disposal Agreement 2 provides a good opportunity for the Company to realize the investment and enhance the cash resources of the Group for possible future investments.

On 26 August 2010, Star Coal International Investment Company Limited (the "Star Coal"), an indirectly wholly-owned subsidiary of the Company, as a purchaser, entered into the conditional sales and purchase agreement (the "Conditional S&P") with Mr. Woo Man Wai David (the "Vendor David"), pursuant to which Star Coal agreed to acquire and the Vendor David agreed to sell its entire issued share capital of the CIFC and the sale loan for a total consideration of HK$70 million (subject to adjustment). CIFC Group is principally engaged in business of coal trading between PRC and Indonesia. For the year ended 31 March 2011, the Group recorded revenue of approximately HK$53.55 million from the coal trading (2010: HK$Nil) and accounted for approximately of 69.57% of the Group's turnover for the year ended 31 March 2011 (2010: Nil%). For the year ended 31 March 2011, the coals' traded was approximately 0.16 million tones (2010: Nil).

Directors expected that the Coal Trading Business will remain as the first main source of the Group's turnover due to the already entered into of the supplier letter of intents (the "Suppliers LOI") and the customer letter of intents (the "Customers LOI") for a term of three years since July 2010 which represented a foreseeable and stable profitable business opportunity. In addition, the PRC became a net coal importer in year 2009 and a continuous increase in demand of coals from the PRC and was noticed that Australia, Indonesia and Russia were the largest exporters of coal to the PRC since year 2009. It is a valuable opportunity for the Group to be able to link up companies from one of the world's largest exporters' country (the Indonesia) and one of the world's fast growing importers' country (the PRC) for the Coal Trading Business.

In addition, with the recent flooding in the Victoria, Australia and the Fukushima Daiichi nuclear power plant's scandals in Japan, the supply of coals from the Australia to the PRC will be reduced and the current development for the nuclear plants in PRC might be hold up and leading to the change of the energy consumption pattern to the other sources of non-renewable and renewable energy respectively. As per the China Bureau of Statistics 2009, coal fired plants accounted and supplied for over 70% of the national electricity, it can be expected that coal will be maintained as a main source of the power supply for its rapid expansions to the electricity generation and steel making capacity nationally. The Group will keep constantly negotiate with the suppliers and customers to buy and sell the extra 10% per month on top of the 30,000 metric tonnes as stated on the Suppliers LOI and Customers LOI respectively.

However, according to the National Development and Reform Commission, the PRC which announced in December 2010, the major contract price of steam coal to be signed in year 2011 must be kept the same as the major contracts in year 2010. Hence, the Group will keep continue to bargain for the possibility of exceeding US$2 per metric tonne for the coal trade for the already signed Suppliers LOI and Customers LOI respectively.

For the year ended 31 March 2011, the Group achieved revenue of approximately HK$22.18 million for the general trading business in the PRC (2010: approximately HK$14.21 million). The general trading business of the Group commenced in October 2009 and the Group has entered into an Acquisition Contact with the Trading Customers from the period of 1 July 2010 to 30 June 2011 for different electronic appliances. For the year ended 31 March 2011, approximately RMB16.40 million was recorded for the general trading business out of the RMB28 million's Acquisition Contract signed on 1 July 2010. Directors expected that the general trading business will remain as the second main source of the Group's turnover and accounted for approximately of 28.81% of the Group's turnover for the year ended 31 March 2011 (2010: approximately of 94.11% (restated)).

The Acquisition Contract will be expired on 30 June 2011, and as per the preliminary verbal replied from the Trading Customers, they are not intended to renew of it once upon expired of the Acquisition Contract. However, the Directors expected that the turnover to be contributed from the general trading business will still remain as the second main source of the Group's turnover on the forthcoming financial year.

The acquisition of the CIFC Group not only diversified the Group's business but also contributed further source to the Group's turnover. Furthermore, the acquired of CIFC Group has provided cost and operation efficiency and other synergy effects to the Group from the prior management experiences and expertises from the disposed SFII Group. As the business of coal trading is still in its development stage, Directors expected a potential growth from the coal trading business and hence the Group will put extra resources and diverts its current resources and focusing from the general trading to the coal trading segment to pursuit its growth and the Group will commit itself in controlling costs and improving the quality of the products.

Chairman's Statement

For the year ended 31 March 2011, the Group achieved revenue of approximately HK$1.25 million for the rental income from the Group's investment properties in HK and the PRC respectively (2010: approximately of HK$0.89 million (restated)). The increment of the received of the rental income was contributed by one of the Group's investment properties from Sorrento, 1 Austin Road West, Kowloon which acquired on 7 August 2009. 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 slightly recently due to the regulations and policies adopted 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 market in HK and PRC is promising. Addition, the Directors might consider to dispose certain of the properties of the Group which held for investment properties or property held for own use respectively when the properties can be disposed for profits.

For the year ended 31 March 2011, Class A shares of the Proteus Growth Fund Ltd. which subscribed on 2 November 2009 by the Group was fully redeemed (the "Redemption") and a gain of approximately HK$0.78 million (2010: HK$Nil (restated)) has been recognised from the Redemption. The net proceeds from the Redemption will be used for general working capital of the Group.

With the announced of the second round of the quantitative easing by the Federal Reserve of the United States of America and with regard to the capital market conditions at the time of Redemption in the Asian markets and the Greater China region, the Group is of the view that it is an opportune time to have the Class A shares redeemed and realise a satisfactory return on the Group's investment.

Despite of the net loss of the Group for the year ended 31 March 2011, 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 2011, 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 emphasise that the Group's financial positions remain stable and has sufficient cash resources to meet its present and future cash flow requirements.

On 2 September 2010, the Company as an issuer entered into three conditional non-listed warrant placing agreements (the "Placing") with the subscribers and the guarantors in relation to a private placing of an aggregate of 15,000,000 (subsequently adjusted to 30,000,000 warrants immediately after the Bonus Issue (as defined below)) warrants to the subscribers, at the warrant issue price of HK$0.24.

The warrants entitle the subscribers to subscribe for the new shares at the subscription price of HK$0.92 (subsequently adjusted to HK$0.46 per share for the warrants immediately after the Bonus Issue) per new share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share of the Company.

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 interests 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 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 completed on 14 September 2010.

On 23 December 2010, the Board proposed a bonus issue (the "Bonus Issue"), the Bonus Issue is a token of gratitude to the shareholders of the Company (the "Shareholders") for loyalty to and support of the Company. In addition to that, the Directors believe that the Bonus Issue will increase the Company's capital base and enhance the liquidity of the shares of the Company in the market and thereby enlarging the Shareholders and capital base.

On 25 February 2011, the Group entered into the non-legally binding memorandum of understanding (the "MOU") in relation to the acquisition of a target group (the "Target Group") which will be principally engaged in mining, exploitation and sale of talc in the PRC after the completion of the reorganisation and successful renewal of the mining permit. As at the date of this annual report, the Group is in the progress to conduct due diligence on the Target Group, the completion of the reorganisation and to obtain the renewal of the Mining Permit by the Target Group.

The Board will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and Shareholders' return. As usual and with available funds on hand, the Group is capable to actively looking for possible future investments with or within the property investments, general trading sectors and coal trading sectors or other sector(s) with growth potential to improve its Shareholders' value.

APPRECIATION

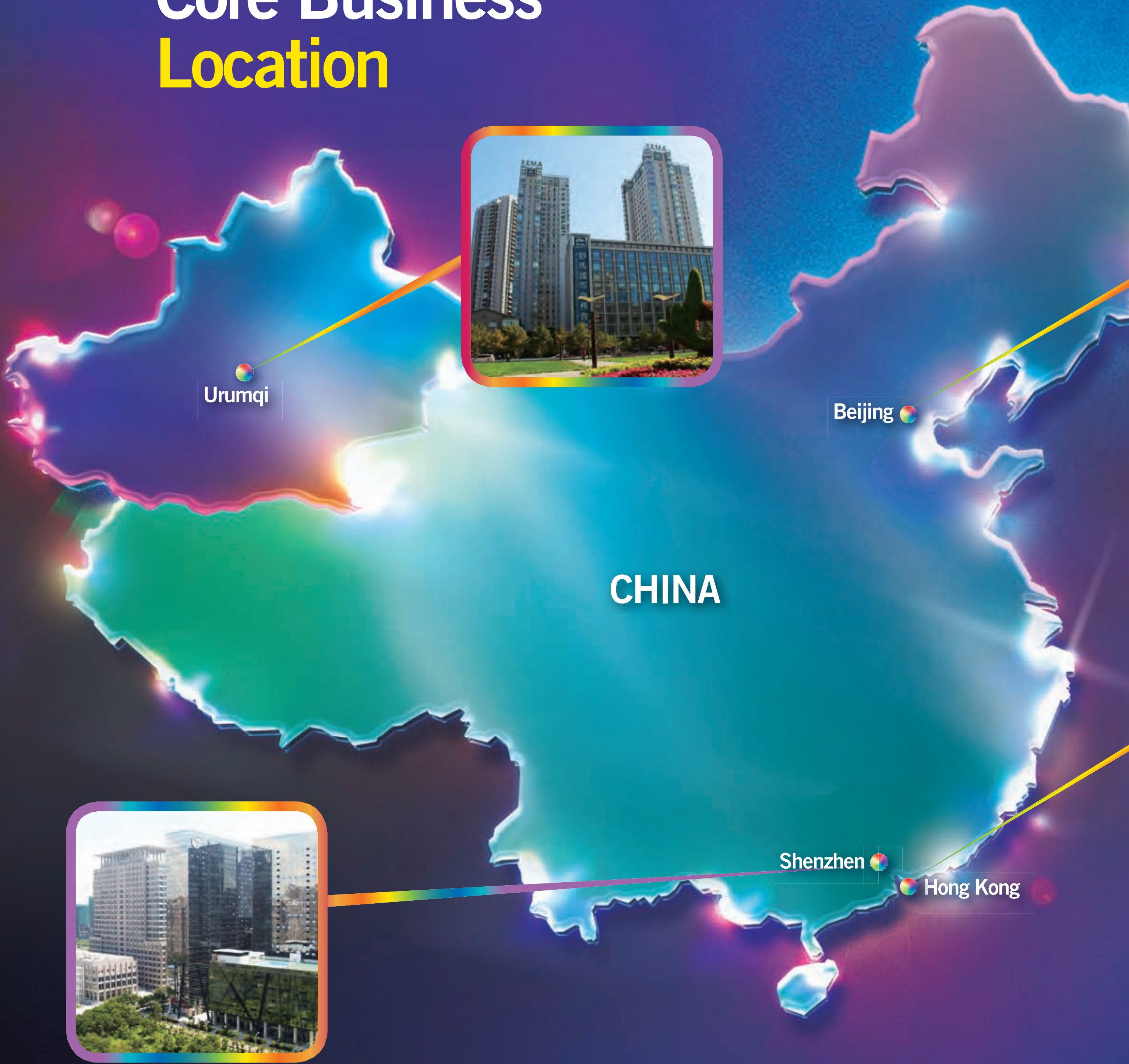
The Board has performed business review to streamline the current business operations and improve the financial position of the Group. New investment opportunities in any other business section with or within the property investments' sector, general trading sector and coal trading sector or other sectors 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
23 June 2011

Core Business Location

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INDONESIA

Management Discussion and Analysis

OPERATIONAL REVIEW

General

The Company and its subsidiaries (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"), business of general trading in the PRC and business of coal trading between PRC and Indonesia respectively.

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, electronic appliances and components as well as motor vehicles components respectively.

The business of coal trading between PRC and Indonesia mostly consists of trading of steam coals.

BUSINESS REVIEW

For the year ended 31 March 2011, the Group achieved revenue of approximately HK$76.98 million (2010: approximately HK$15.10 million (restated)) for the business of coal trading, general trading and property investments respectively, representing an increased by approximately HK$61.88 million or 409.80% over the corresponding prior year ended. The increment was mostly contributed by the revenue stream which derived from the business of coal trading which commenced in November 2010 as well as an increased of the received of the rental income from its investments properties and trading income from the general trading respectively.

For the year ended 31 March 2011, the Group recorded total revenue of approximately HK$76.98 million (2010: approximately HK$15.10 million (restated)) which was derived from the business of coal trading, general trading and property investments respectively which accounted for approximately of 69.57%, 28.81% and 1.62% respectively (2010: Nil%, approximately of 94.11% and 5.89% respectively). Details of the Group's revenue are disclosed in Notes 5 and 6 "SEGMENT INFORMATION" and "TURNOVER, OTHER GAINS AND LOSSES, NET" respectively.

An increased in turnover by approximately HK$61.88 million or 409.80%, as compared to the corresponding prior year ended was mostly contributed by the revenue stream which derived from the business of coal trading which commenced in November 2010 as well as an increased of the received of the rental income from its investment properties and trading income from the general trading respectively.

The Group generated an operating profit of approximately HK$0.25 million for the year ended 31 March 2011 (2010: operating loss of approximately HK$3.05 million (restated)) for the general trading. The Group generated an operating loss of approximately HK$31.03 million and HK$4.15 million respectively for the year ended 31 March 2011 (2010: HK$Nil and HK$3.73 million (restated) respectively) for the coal trading and property investments segments respectively.

The Group's gross profit was approximately HK$4.96 million for the year ended 31 March 2011 (2010: approximately HK$1.18 million (restated)). The gross profit increased as compared to the corresponding prior year ended was mostly contributed by the revenue stream which derived from the business of coal trading which commenced in November 2010 as well as an increased of the received of the rental income from its investments properties and trading income from the general trading. The gross profit margin was approximately of 6.44% for the year ended 31 March 2011 (2010: approximately of 7.81% (restated)), the decrement was mostly contributed by the coal trading business which commenced in November 2010 due to the positive price gap between the purchase price and the selling price of at least US$2 per metric tonne of coal sold, the Group will keep continue to bargain for the possibility of exceeding US$2 per metric tonne for the coal trade.

For the year ended 31 March 2011, Class A shares of the Proteus Growth Fund Ltd. which subscribed on 2 November 2009 by the Group was fully redeemed (the "Redemption") and a gain of approximately HK$0.78 million (2010: HK$Nil (restated)) has been recognised from the Redemption.

For the year ended 31 March 2011, the Group's selling and distribution costs amounted to approximately HK$0.33 million (2010: HK$Nil (restated)), the selling and distribution costs are in relation to the selling expenses for the coal trading business which commenced in November 2010.

Management Discussion and Analysis

For the year ended 31 March 2011, the Group's administrative and other expenses amounted to approximately HK$57.28 million (2010: approximately HK$36.95 million (restated)), which represented a tremendous increased by approximately HK$20.33 million or 55.02%, as compared to the corresponding prior year ended. The increment was contributed by the increased on the depreciation charges, Directors remunerations, charges on the share-based payments, project expenses in related to the acquisition of CIFC Group (as defined below) and the disposal of SFII Group (as defined below) and overseas and local travelling charged for the business trips.

For the year ended 31 March 2011, the Group's finance costs amounted to approximately HK$0.15 million (2010: approximately HK$4.47 million (restated)), the tremendous decreased by approximately HK$4.32 million or by 96.64% was contributed by the repayment of the promissory notes in the prior year.

For the year ended 31 March 2011, the Group recorded an impairment loss on goodwill (the "Goodwill") and intangible assets (the "Intangible Assets") arising from the acquisition of the China Indonesia Friendship Coal Trading Company Limited (the "CIFC") and its subsidiary (collectively referred to as the "CIFC Group") during the current year of approximately HK$24.43 million (2010: HK$Nil) and approximately HK$8.92 million (2010: HK$Nil) respectively which represented the impairment testing has been carried out as at 31 March 2011 and impairment loss was recognised in the income statement. Details of the Group's impairment loss on Goodwill and Intangible Assets and disclosed in the financial statements under Note 17 "GOODWILL" and Note 18 "INTANGIBLE ASSETS" respectively.

Even though there is a positive contribution of profit streams from the acquired CIFC Group, the coal trading segment still resulted in a net loss (the "Net Loss") position of approximately HK$29,943,000 for the year ended 31 March 2011 (2010: HK$Nil). The Net Loss was mostly a result of non-cash impairment loss on Goodwill and Intangible Assets respectively, a net profit before all of the major non-cash items (the "Net Profit") of approximately HK$1,926,000 for the year ended 31 March 2011 (2010: HK$Nil) will present a better reflection of the CIFC Group's actual operation results.

	Year ended 31 March 2011 HK$'000
Net Loss for coal trading segment	(29,943)
Adjusted for major non-cash items	
• Impairment loss on Goodwill	8,915
• Impairment loss on Intangible Assets	24,425
• Taxation — deferred tax credit	(1,471)
Net Profit after striping out major non-cash items	1,926

The impairment loss on Goodwill and Intangible Assets recognised for the year ended 31 March 2011 did not have impact to the CIFC Group's cash-flows and did not affect the operating model of the CIFC Group as referred to on pages 18 and 19 of the circular of the Company dated on 14 October 2010, in particular maintaining a positive price gap between the purchase price and the selling price of at least US$2 per metric tonne of coal sold, did not reduce the expected net profits to be derived from the business of CIFC Group, did not have impact on the profit guarantee as provided by the vendor and did not have impact to the CIFC Group's cash flow.

Apart from these, the CIFC Group had no other debts or borrowings. The CIFC Group would have a net cash position and a bank interest income of approximately HK$1.08 million (2010: HK$Nil) and approximately HK$34 (2010: HK$Nil) respectively for the year ended 31 March 2011.

The impairment loss on Goodwill and Intangible Assets is mostly due to the change in terms and conditions of the customer letter of intents and change in the discount rate respectively.

For the year ended 31 March 2011, the Group recorded an impairment loss on property, plant and equipment of HK$Nil (2010: approximately HK$1.13 million (restated)).

For the year ended 31 March 2011, the Group recorded a fair value loss on investment properties of approximately HK$1.70 million (2010: approximately HK$3.36 million), which represented decreased in fair value of the Group's investment properties which are hold for investment purposes during the current year under reviewed.

For the year ended 31 March 2011, the Group recorded the share of loss of associates, net of tax, of approximately HK$0.86 million (2010: approximately HK$23.36 million (restated)), which represented the share of 49% results attributed by the the Star Fortune International Investment Company Limited (the "SFII") and its subsidiaries (collectively referred to as the "SFII Group") to the Group. The SFII Group is principally engaged in mining, sale and distribution of coals in the PRC. The 49% equity interests in the SFII were disposed on 16 August 2010 and the SFII Group ceased to be the associates of the Group.

For the year ended 31 March 2011, the Group recorded a loss for the year from discontinued operation of approximately HK$21.07 million (2010: approximately HK$27.46 million (restated)) mainly represented a loss for the disposal of SFII Group.

For the year ended 31 March 2011, the Group recorded a loss attributable to owners of the Company from the continuing operations of approximately HK$106.04 million (2010: approximately HK$71.08 million (restated)) represented an increase in loss by approximately HK$34.96 million or 49.18%. The overall increase in loss attributable to the owners of the Company as compared to the corresponding prior year ended was mainly attributable by (i) the increase of the administrative and other expenses, (ii) the impairment loss on the Goodwill and the Intangible Assets and (iii) the loss on disposal of 49% equity interests in SFII Group.

Liquidity, financial resources and capital structure

As at 31 March 2011, the Group had net current assets of approximately HK$41.03 million (2010: approximately HK$79.08 million) including cash and bank balances of approximately HK$18.03 million (2010: approximately HK$33.28 million). The Group had no other bank overdraft facilities and bank borrowing as at 31 March 2010 and 2011 respectively.

As at 31 March 2011, the Group has no obligations under convertible bonds (2010: HK$4.00 million) in nominal principal amount, and no obligations under convertible bonds stated at amortised cost which was repayable beyond one year but within 5 years (2010: approximately HK$2.83 million). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2011 was approximately 0.26 (2010: approximately 0.03).

Management Discussion and Analysis

On 2 September 2010, the Company as an issuer entered into three conditional non-listed warrant placing agreements with the subscribers and the guarantors in relation to a private placing of an aggregate of 15,000,000 (subsequently adjusted to 30,000,000 warrants immediately after the Bonus Issue (as defined below)) warrants to the subscribers, at the warrant issue price of HK$0.24.

The warrants entitle the subscribers to subscribe for the new shares at the subscription price of HK$0.92 (subsequently adjusted to HK$0.46 per share for the warrants immediately after the Bonus Issue) per new share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share of the Company.

On 3 September 2010, the Board had conditionally resolved to grant an aggregate of 7,940,104 (subsequently adjusted to 15,880,208 warrants immediately after the Bonus Issue) options to the grantees.

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.

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

2,395,209 new Shares (the "New Conversion Shares") were issued and allotted on 16 April 2010 upon conversion of zero coupon convertible bonds (the "Bonds") by the Bonds' subscriber.

1,584,000 and 8,976,000 new Shares (the "Conversion of the Unlisted Warrants 1") were issued and allotted on 22 April 2010 and 11 May 2010 respectively to the unlisted warrants' subscriber.

On 23 December 2010, the Board proposed a bonus issue (the "Bonus Issue") to qualifying shareholders of the Company (the "Shareholders") (other than excepted Shareholders). The Bonus Issue is proposed to be made on the basis of one Bonus Share for every one existing share held by the qualifying Shareholders (other than excepted Shareholders) whose names appear on the register of members of the Company on the record date on 24 January 2011 (the "Record Date"). The Bonus Issue will be credited as fully paid by way of capitalisation of an amount in the share premium account after the duly approved by Shareholders in the special general meeting (the "SGM") on the Record Date.

5,000,000 new Shares (the "Conversion of the Unlisted Warrants 2") were issued and allotted on 14 January 2011 to the unlisted warrants' subscriber.

Following the passing of the ordinary resolution in the SGM and subsequently on 1 February 2011, 84,401,047 new ordinary shares of HK$0.01 each of the Company were issued to the qualifying Shareholders, of which HK$844,010.47 was credited to issued share capital of the Company and of which HK$844,010.47 by way of capitalisation of an amount in the share premium account of the Company respectively.

As a result of the New Conversion Shares, Conversion of the Unlisted Warrants 1, Bonus Issue and the Conversion of the Unlisted Warrants 2 respectively, additional 102,356,256 new Shares were issued and allotted by the Company during the year under reviewed.

As at 31 March 2011, the total issued Shares is 168,802,094.

Charge of group assets

As at 31 March 2011, the Group did not have any material charge of assets. (2010: 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 Renminbi (the "RMB") and the coal trading operation in between PRC and Indonesia denominated in the United States dollars (the "USD").

As at 31 March 2011, 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 and USD, 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 2011, 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 USD, or in the local currencies of the operating subsidiaries (as the case may be) to minimize exposure to foreign exchange risks.

As at 31 March 2011, 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.

Management Discussion and Analysis

Significant Investment

On 22 November 2010, Star Enterprise Investment Company Limited (the "Star Enterprise"), an indirect wholly owned subsidiary of the Company, delivered the redemption notice to the Proteus Growth Fund Ltd. for a fully redemption of the Class A shares (the "Redemption") which subscribed by the Group on 2 November 2009.

The Redemption constituted a discloseable transaction of the Company under Rule 19.06(2) under the Rules Governing the Listing of Securities in the GEM (the "GEM Listing Rules") and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under the GEM Listing Rules.

Save as disclosed above, there was no other significant investment held by the Group for the year ended 31 March 2011.

(2010: On 2 November 2009, 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 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 GEM Listing Rules.

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

Material acquisitions or disposals of subsidiaries and affiliated companies

On 20 May 2010, 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 2") with the purchaser (the "Purchaser"), a wholly-owned subsidiary of the International Resources Enterprise Limited *(formerly known as China Sonangol Resources Enterprise 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, for the disposal of the sale shares (the "Disposal Shares 2"), representing 49% equity interests in SFII, held by SFID for a total cash consideration of HK$50 million.

The Disposal Agreement 2 was completed on 16 August 2010 and the SFII ceased to be the associates of the Group.

On 26 August 2010, Star Coal International Investment Company Limited (the "Star Coal"), an indirect wholly owned subsidiary of the Company, as a purchaser, entered into the conditional sale and purchase agreement (the "Conditional S&P") with Mr. Woo Man Wai, David (the "Vendor David"), pursuant to which Star Coal agreed to acquire and the Vendor David agreed to sell its entire issued share capital of CIFC and the sale loan for a total consideration of HK$70 million (subject to adjustment).

The Conditional S&P was completed on 29 October 2010 (the "Conditional S&P Completion") and upon the Conditional S&P Completion, the Company has interested in the 100% equity interests in the CIFC, the accounts of the CIFC Group will be consolidated into the consolidated financial statements of the Group.

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 2011.

(2010: On 30 April 2009, SFID entered into a conditional disposal agreement (the "Disposal Agreement 1") with the Purchaser for the disposal of the sale shares (the "Disposal Shares 1"), representing 51% equity interests in SFII, (an indirect wholly-owned subsidiary of the Company, immediately before the completion of the Disposal Shares 1 and carry on as associates immediately after the Disposal Shares 1), held by SFID for a total cash consideration of HK$100 million (subject to adjustment).

The Disposal Agreement 1 was completed on 3 July 2009 (the "Completion"). Upon Completion, the Company has only 49% equity interests in SFII, and therefore the SFII Group ceased to be subsidiaries of the Group and are accounted for as the associates of the Group.

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.)

Management Discussion and Analysis

Significant impairment loss on Goodwill (defined as below) and Intangible Assets (defined as below)

Due to the unexpected global change in the interest rate, discount rate, cost of equity after the announced of the second round of the quantitative easing by the Federal Reserve of the United States of America and after the acquired of CIFC Group as well as the change in terms of the customer letter of intents dated 24 November 2010. The Group recorded an impairment loss on goodwill (the "Goodwill") and intangible assets (the "Intangible Assets") arising from the acquisition of the CIFC Group during the current year of approximately HK$24.43 million (2010: HK$Nil) and approximately HK$8.92 million (2010: HK$Nil) respectively which represented the impairment testing has been carried out as at 31 March 2011 and impairment loss was recognised in the income statement. The estimates of recoverable amount were assessed based on discounted cashflow method which is performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers. Details of the Group's impairment loss on Goodwill and Intangible Assets and disclosed in the financial statements under Note 17 "GOODWILL" and Note 18 "INTANGIBLE ASSETS" respectively.

Proposed Acquisition

On 25 February 2011, Starry Gold Resources Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into the non-legally binding memorandum of understanding (the "MOU") with the vendors in relation to a possible acquisition of a target group which will be principally engaged in mining, exploitation and sale of talc in the Hubei Province, the PRC upon the completion of the reorganisation and successful renewal of the mining permit.

Details of the MOU have been set out in the announcements of the Company dated 25 February 2011 and 29 April 2011 respectively.

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

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:

— The coal trading segment comprised the business of coal trading;

— The general trading segment comprised the business of trading of other merchandise goods;

— The property investment segment comprised investment in various properties for rental income purposes; and

— The mining segment comprised the mining, exploration and sale of coal in the PRC and the operation was disposed of by the Group in the current year. Accordingly, the mining segment was classified as a discontinued operation and the comparative figures of this segment were re-classified from a continuing operation to discontinued operation during the current year, details of which are set out in Note 11 of this annual report.

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

Employee information and remuneration policy

As at 31 March 2011, the Group employed a total of 25 employees (2010: 27). 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 under reviewed.

Staff costs, excluding Directors' remuneration, decreased by approximately 36.34% to approximately HK$5.64 million (2010: approximately HK$8.86 million).

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. Details of the movements in the share options granted and exercised during the year ended 31 March 2011 under the Scheme are disclosed in the section of "Report of the Directors".

Details of future plans for material investment or capital assets

Save as disclosed above on the "Proposed Acquisition" the Directors do not have any future plans for material investment or capital assets as at 31 March 2011.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2010 and 2011 respectively.

Commitments

Operating lease commitments:

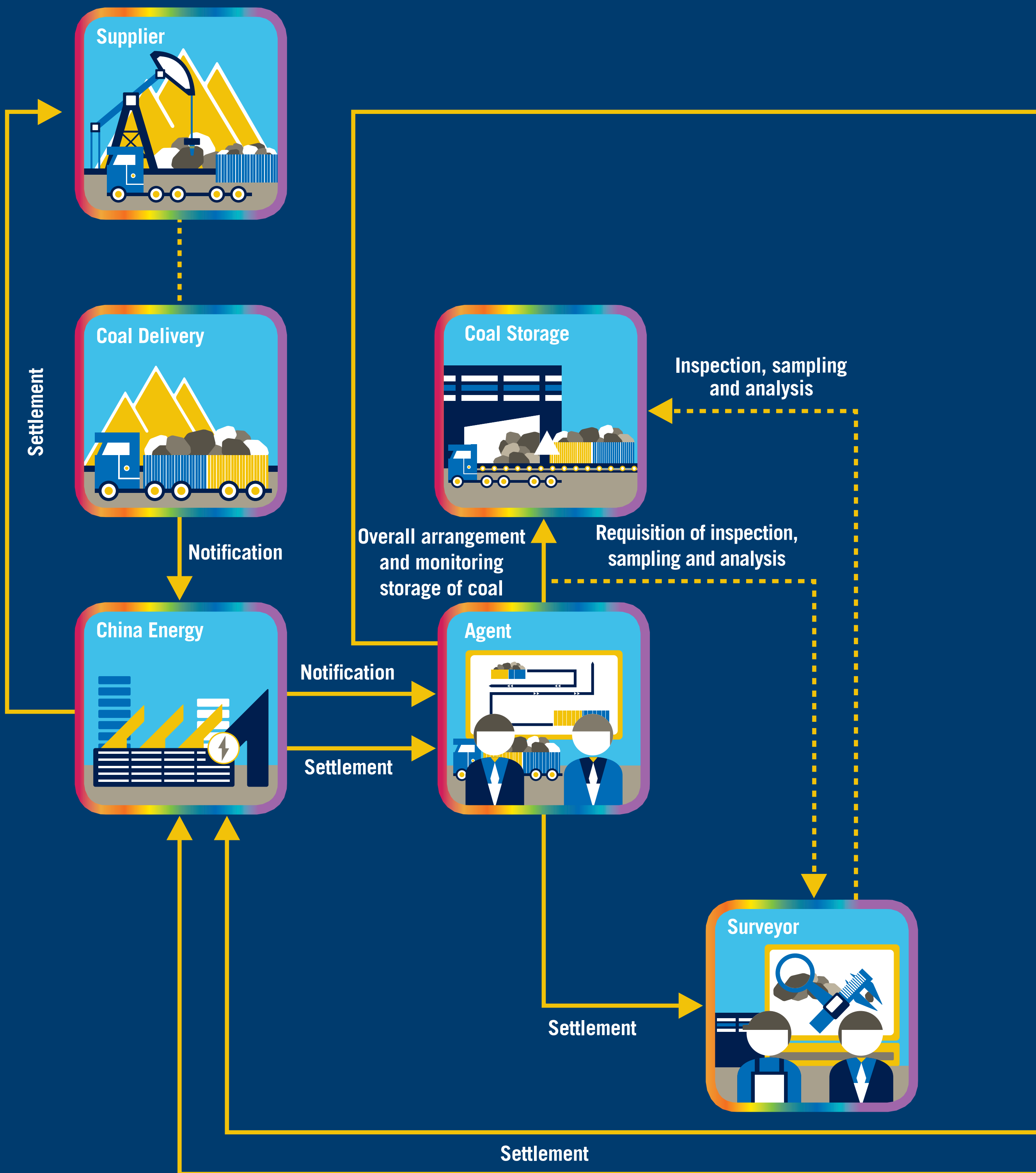
The Group leases its office premises under operating lease arrangements, with leases negotiated for terms of three years. None of the leases includes contingent rentals.

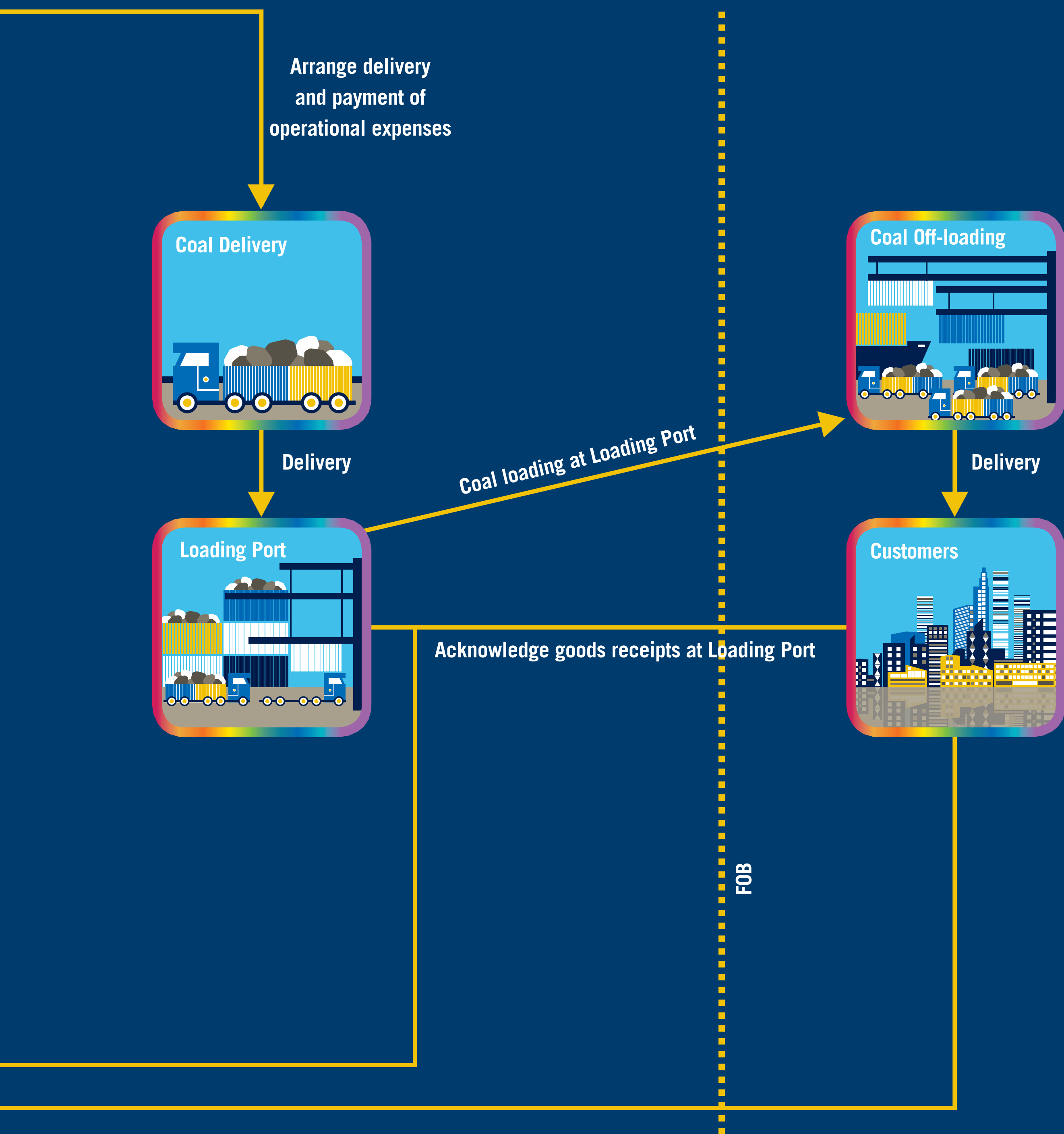
As at 31 March 2011, the Group had commitment for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**4,342**	2,145
In the second to fifth year inclusive	**7,494**	3,900
	11,836	6,045

The operating leases relate to office premises for terms of three years to year 2014.

Flow of Coal Trading




Arrange delivery
and payment of
operational expenses
Coal Delivery
Delivery
Loading Port
Coal loading at Loading Port
Coal Off-loading
Delivery
Customers
Acknowledge goods receipts at Loading Port
FOB

To Become A **Leading** Business Conglomerate

Innovative solutions and a total **dedication** to successful achievement

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tsang Ho Ka, Eugene, aged 29, 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, a full member of the Institute of Accountants Exchange and a Certified Tax Adviser of the Taxation Institute of Hong Kong. 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 8 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"). Mr. Tsang is also the founder of the Gattaca Company Limited, an independent consultancy company specializing in corporate restructuring and financial reengineering. Prior to join this Company, Mr. Tsang was the company secretary and the qualified accountant of the Richfield Group Holdings Limited (stock code: 183) which is a company incorporated in the Cayman Islands with limited liability which listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Tsang is also the chairman and a member of the remuneration committee of the Company respectively.

Ms. Yick Mi Ching, Dawnibilly, aged 50, holds a postgraduate diploma in management from Macquire University, Australia and Master of Management from Macquarie Graduate School of Management, Australia respectively and Honours Degree of Bachelor of Arts in 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 17 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 executives. Ms. Yick has taken up the management role as an executive director of a number of subsidiaries of the Company respectively.

NON-EXECUTIVE DIRECTOR

Mr. Wong Wai Sing, aged 25, 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 4 years of experience in mining, natural resources industry and coal trading. Mr. Wong has taken up the management role as an executive director of a number of subsidiaries of the Company. Prior to join this Company, Mr. Wong was a consultant of a Hong Kong based medium size certified public accountants firm. Mr. Wong was 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 Growth Enterprise Market (the "GEM") of the Stock Exchange (stock code: 8022).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman, aged 53, 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, 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. Sung is also the member of the audit committee and the remuneration committee of the Company respectively.

Mr. Kwok Kam Tim, aged 34, 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 9 years of experience in accounting and financial managements and previously worked in an international CPA firm. Mr. Kwok is currently a financial controller, company secretary and authorised representative of the Loudong General Nice Resources (China) Holdings Limited (stock code: 988), a company incorporated in the Bermuda with limited liability which 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. Kinley Lincoln James Lloyd, aged 33, 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 8 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 Hong Kong law firm. Mr. Kinely is also the member of the audit committee and remuneration committee of the Company respectively.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Tsang Ho Ka, Eugene, is currently the authorised representative, the company secretary, the executive Director, the chairman and a member of the remuneration committee of the Company and the chief executive officer of the Group respectively. Biographical details are set out on page 38 of the Company's annual report.

Ms. Yick Mi Ching, Dawnibilly, is currently an executive Director and the administrative manager of the Group. Biographical details are set out on page 38 of the Company's annual report.

Ms. Sung Ting Yee, aged 36, holds a bachelor's degree of arts (Honours) in accountancy from the Birmingham City University (formerly known as University of Central England), United Kingdom. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 12 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 as an internal audit manager. Prior to join to this Company, Ms. Sung was a finance manager of the China Mining Resources Group Limited (stock code: 340) which is a company incorporated in the Bermuda with limited liability which listed on the main board of the Stock Exchange. Ms. Sung is currently the chief financial officer and chief investment officer of the Group respectively.

Mr. Kong Chi Keung, aged 40, holds a bachelor's degree in business administration from the Hong Kong Baptist University. He has over 13 years of experience in project management in the PRC. Prior to join to this Company, Mr. Kong was a project manager of the Hopewell Highway Infrastructure Limited (stock code: 737) which is a company incorporated in the Cayman Islands with limited liability which listed on the main board of the Stock Exchange. Mr. Kong is currently the chief operating officer of the Group.

Mr. Woo Man Wai, David, aged 43, holds a bachelor's degree of arts (Honours) in the international business from the City University of Hong Kong. Mr. Woo has been a consultant of the Group since October 2009 and has periodically provided the Group with business advisory services in the PRC. Mr. Woo has over 20 years' experience in several industries in the PRC such as information technology, trading of industrial goods, natural resources and banking sectors who has established a sounds relationship. Mr. Woo has also taken up the management role for the group's general trading segments and taken up the management role as an executive director of a number of subsidiaries of the Company in relation to the Group's coal trading segments. Prior to join to this Company, Mr. Woo was the senior manager in an international CPA firm which based in Beijing, the PRC.

(A) CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2011, 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; and

3. E.1.2 of the CG Code requires that the chairman of the Board should attend the annual general meeting. Due to other business commitment, Mr. Wong Wai Sing, the chairman of the Board, is unable to attend the Company's 2011 annual general meeting held on Monday, 1 August 2011 but he has appointed Ms. Yick Mi Ching, Dawnibilly to act as his representative at the said meeting.

(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 2011, 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. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
Ms. Yick Mi Ching, Dawnibilly

Non-executive Director:

Mr. Wong Wai Sing *(Chairman)*

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman
Mr. Kwok Kam Tim
Mr. Kinley Lincoln James Lloyd

Corporate Governance Report

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, led 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	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	4	4
Mr. Kinley Lincoln James Lloyd	4	4

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 2011, 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) APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

According to the Bye-laws, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. None of the Non-Executive Director and Independent Non-Executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointments are subject to retirement by rotation and they shall offer themselves for re-election in accordance with the Bye-laws.

(H) 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 financial statements in this annual report.

The Company has conditionally adopted the Share Option Scheme (the "Scheme") on 26 October 2002. The purpose of the Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

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 *(Chairman)*	1	1
Mr. Sung Wai Tak, Herman	1	1
Mr. Kwok Kam Tim	1	1
Mr. Kinley Lincoln James Lloyd	1	1

(I) NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director and approving and terminating the appointment of a Director. 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.

During the year, the Chairman and the CEO is responsible for identifying suitable candidates as member of the Board when there is a vacancy or an additional Director is considered necessary and they also propose the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experiences and background.

(J) AUDITORS' REMUNERATION

During the year ended 31 March 2011, 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	**2011 Amount (HK$)'000**	2010 Amount (HK$)'000
Audit services	**630**	550
Non-audit services	**915**	527

(K) 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 connected persons (as if any).

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

	Audit Committee	
Directors	No. of Meetings Held	No. of Meetings Attended
Mr. Kwok Kam Tim *(Chairman)*	4	4
Mr. Sung Wai Tak, Herman	4	4
Mr. Kinley Lincoln James Lloyd	4	4

(L) 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 pages 59 and 60 of this annual report.

(M) 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.

(N) 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 (collectively referred to as the "Group") for the year ended 31 March 2011.

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 19 and 20 to the financial statements, respectively. During the year under reviewed, 49% of the Group's mining business was disposed of and the Group also engaged in the new business of coal trading between the People's Republic of China (the "PRC") and Indonesia respectively.

CHANGE IN BOARD LOT SIZE

The board lot size of the Company's shares for trading on the Stock Exchange changed from 1,000 existing shares to 2,000 new shares and came into effective on 7 February 2011.

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 financial statements.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 61 to 137.

The Directors do not recommend any dividends during the year.

On 23 December 2010, the Board proposed a bonus issue (the "Bonus Issue") to qualifying shareholders of the Company (the "Qualifying Shareholders") (other than the excepted shareholders of the Company (the "Expected Shareholders")). The Bonus Issue is proposed to be made on the basis of one Bonus Share for every one existing share of the Company (the "Share(s)") held by the Qualifying Shareholders (other than Excepted Shareholders) whose names appear on the register of members of the Company on the record date on 24 January 2011.

A special general meeting was held on 24 January 2011 and resolution was duly approved by the shareholders of the Company for approving of the Bonus Issue. Upon the Bonus Share effective, 84,401,047 Shares were allotted on 1 February 2011 and the amount of approximately of HK$0.844 million was capitalised from the share premium account of the Company (the "Share Premium Account") simultaneously.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2011 and of the assets and liabilities of the Group as at 31 March 2011, 2010, 2009, 2008 and 2007 respectively prepared on the basis set out in the note below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)		(restated)	(restated)
Revenue					
Continuing operations	**76,981**	15,096	127,705	35,071	—
Discontinued operation	—	63,461	6,054	16,068	33,444
	76,981	78,557	133,759	51,139	33,444
(Loss)/profit before income tax from continuing and discontinued operations	**(107,630)**	(69,227)	(1,058,072)	13,414	(7,352)
Income tax from continuing and discontinued operations	**1,040**	(1,852)	292,141	1,974	(3,149)
(Loss)/profit attributable to:					
Owners of the Company	**(106,038)**	(71,079)	(765,931)	15,388	(10,501)
Non-controlling interest	**(552)**	—	—	—	—
	(106,590)	(71,079)	(765,931)	15,388	(10,501)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**94,380**	124,311	249,103	1,448,486	1,748
Current assets	**77,473**	82,841	139,590	187,668	18,826
Current liabilities	**36,439**	3,764	49,565	87,396	7,270
Net current assets	**41,034**	79,077	90,025	100,272	11,556
Non-current liabilities	**8,429**	2,834	154,876	604,368	879
	126,985	200,554	184,252	944,390	12,425
Attributable to:					
Owners of the Company	**122,427**	200,554	184,252	944,390	12,425
Non-controlling interest	**4,558**	—	—	—	—
	126,985	200,554	184,252	944,390	12,425

Note: The consolidated results of the Group for the years ended 31 March 2011 and 2010 and the consolidated assets and liabilities of the Group as at 31 March 2011 and 2010 are set out on pages 61 to 64 of the annual report.

The revenue figures have been re-presented as if the logistic business segment and the mining business segment had been discontinued at the beginning of the year ended 31 March 2007 and 31 March 2010 respectively, 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 2011 are set out in notes 15 and 16 to the financial statements respectively.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at 31 March 2011. The revaluation resulted in a fair value loss approximately of HK$1,703,000 (2010: approximately of HK$3,356,000), 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 2011 are set out on page 138.

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 31 and 36 to the financial statements 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 (2010: 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 66 of the annual report and in note 32(b) to the financial statements respectively.

CAPITALISATION OF SHARE PREMIUM ACCOUNT

On 23 December 2010, the Board proposed a Bonus Issue to the Qualifying Shareholders (other than the Expected Shareholders). The Bonus Issue is proposed to be made on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders (other than Excepted Shareholders) whose names appear on the register of members of the Company on the record date on 24 January 2011.

The Bonus Issue will be credited to share capital as fully paid by way of capitalisation of an amount in the Share Premium Account.

A special general meeting was held on 24 January 2011 and resolution was duly approved by the shareholders of the Company for approving of the Bonus Issue. Upon the Bonus Share effective, 84,401,047 Shares were allotted on 1 February 2011 and the amount of approximately of HK$0.844 million was capitalised from the Share Premium Account simultaneously.

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company had no retained profits (2010: HK$Nil) available for cash distribution. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company at 31 March 2011 amounted to approximately HK$131.11 million (2010: HK$131.11 million).

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 realisable 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 100% (2010: approximately 56%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 70% (2010: approximately 21%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 100% (2010: approximately 88%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 71% (2010: approximately 35%) 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.

DONATIONS

No charitable donations was made by the Group during the year (2010: HK$Nil).

DIRECTORS

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

Executive Directors:

Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
Ms. Yick Mi Ching, Dawnibilly

Non-executive Director:

Mr. Wong Wai Sing *(Chairman)*

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman
Mr. Kwok Kam Tim
Mr. Kinley Lincoln James Lloyd

In accordance with the Company's Bye-laws 84, Ms. Yick Mi Ching, Dawnibilly and Mr. Sung Wai Tak, Herman 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 annual 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 38 to 40 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.

Mr. Kinley Lincoln James Lloyd, 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 2010 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING INTERESTS

Up to the date of this annual 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.

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

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year under reviewed.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 March 2011, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 5.46 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

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

As at 31 March 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Interests in shares

Name	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Ming Kei International Holding Co. Limited (the "Ming Kei") (Note 1)	Beneficial owner	21,275,676 (L) (Note 2 and 6)	12.60
Mr. Wong Wai Sing (the "Mr. Wong")	Beneficial owner	504,400 (L) (Note 6)	0.30
	Interest of controlled corporation	21,275,676 (L) (Note 2 and 6)	12.60
Lonestar Group Limited (the "Lonestar") (Note 3)	Beneficial owner	400,000 (L) (Note 6)	0.24
Mr. Tsang Ho Ka, Eugene (the "Mr. Tsang") (Note 4)	Interest of controlled corporation	400,000 (L) (Note 6)	0.24
Ms. Lau Kimberly Siu Yan Kaiulani (the "Ms. Lau") (Note 5)	Interest of spouse	400,000 (L) (Note 6)	0.24

(ii) Interests in share options

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK$	Number of share options granted	Approximate percentage of shareholding in the Company
Ms. Yick Mi Ching, Dawnibilly	3 September 2010	3 September 2010 to 2 September 2020	0.755	7,940,104 (L) (Note 6)	4.70
Mr. Tsang Ho Ka, Eugene	3 September 2010	3 September 2010 to 2 September 2020	0.755	7,940,104 (L) (Note 6)	4.70

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 21,275,676 Shares in which Ming Kei is interested.

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

4. Lonestar is wholly and beneficially owned by Mr. Tsang, therefore, Mr. Tsang is deemed to be interested in the 400,000 Shares in which Lonestar is interested.

5. 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 400,000 Shares in which Lonestar is interested and Ms. Lau is deemed to be interested in the Shares beneficially owned by Mr. Tsang in his own capacity.

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

Save as disclosed above, as at 31 March 2011, 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 36 to the financial statements, 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 3 September 2010, the Board conditionally resolved to grant an aggregate of 7,940,104 (subsequently adjusted to 15,880,208 immediately after of the Bonus Issue) shares at HK$1.51 (subsequently adjusted to HK$0.755 immediately after the Bonus Issue) per share under the Scheme, which had been approved by shareholders of the Company at the special general meeting held on 5 November 2010. As at 31 March 2011, 15,880,208 granted during the current year under reviewed were outstanding. Details number of share options granted, 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 01/04/2010	Granted during the year	Exercised during the year	Outstanding as at 31/03/2011
Directors								
Ms. Yick Mi Ching, Dawnibilly	3 September 2010	3 September 2010 – 2 September 2020	0.755	0.755 (Note)	—	7,940,104	—	7,940,104
Mr. Tsang Ho Ka, Eugene	3 September 2010	3 September 2010 – 2 September 2020	0.755	0.755 (Note)	—	7,940,104	—	7,940,104
					—	15,880,208	—	15,880,208

Note: The closing price at grant date of the share option was HK$1.51 per share, which is identical to the exercise price per share of HK$1.51. Upon the completion of Bonus Issues, the exercise price is adjusted to HK$0.755 per share, closing price at the grant date is adjusted to HK$0.755 per share accordingly for illustration purpose only.

The fair value of the share options granted during the current year is approximately HK$9,162,000 at the date of granted determined using the Binomial Option Pricing Model based on a valuation performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers. The major inputs into the Binomial Option Pricing Model as at grant date were the spot price of HK$1.1538, the average historical volatility of share prices of certain comparable companies with similar business operation as the Company (due to the recent change in the Company's business as a result of acquisition of the CIFC Group and disposal of the SFII Group in current year) of 50.116%, the expected life of 9.83 years, the expected dividend yield of Nil, and the risk free rate of 2.607% with reference to the 7-year and 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 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.

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

As at 31 March 2011, 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:

(i) Interests in shares:

Name of shareholders	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Ming Kei (Note 1)	Beneficial owner	21,275,676 (L) (Note 2 and 5)	12.60
Mr. Wong	Beneficial owner	504,400 (L) (Note 2 and 5)	0.30
	Interest of controlled corporation	21,275,676 (L) (Note 2 and 5)	12.60
Ms. Wong Ka Man	Beneficial owner	10,400,000 (L) (Note 5)	6.16

(ii) Interests in underlying shares — non-listed warrants

Name of shareholders	Capacity of interests	Number of underlying shares held	Approximate percentage of shareholding in the Company
Triumph Star Enterprises Limited (the "Triumph") (Note 3)	Beneficial owner	10,000,000 (L) (Note 5)	5.92
Mr. Chan Francis Ping Kuen (the "Mr. Chan") (Note 3)	Interest of controlled corporation	10,000,000 (L) (Note 5)	5.92
Glorious Smart International Investment Limited (the "Glorious") (Note 4)	Beneficial owner	10,000,000 (L) (Note 5)	5.92
Ms. Wang Hong (Note 4)	Interest of controlled corporation	10,000,000 (L) (Note 5)	5.92

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 21,275,676 shares in which Ming Kei is interested.

3. Triumph is a subscriber of 10,000,000 non-listed warrants under the private placing of non-listed warrants which confer rights to Triumph to subscribe for 10,000,000 Shares. Triumph is wholly and beneficially owned by Mr. Chan, therefore, Mr. Chan is deemed to be interested in the 10,000,000 Shares in which Triumph is interested.

4. Glorious is a subscriber of 10,000,000 non-listed warrants under the private placing of non-listed warrants which confer rights to Glorious to subscribe for 10,000,000 Shares. Glorious is wholly and beneficially owned by Ms. Wang, therefore, Ms. Wang is deemed to be interested in the 10,000,000 Shares in which Glorious is interested.

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

Save as disclosed above, as at 31 March 2011, 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 2011.

CORPORATE GOVERNANCE

Subject to the deviations as disclosed in Corporate Governance Report set out on pages 41 to 46 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 31 May 2011 was announced by the Company that the Group expected to record a significant increase in net loss, current liabilities and non-current liabilities of the Group respectively as compared to the corresponding prior year.

Report of the Directors

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 2011 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.

AUDITORS

The consolidated financial statements for the year ended 31 March 2011 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.

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkex.com.hk and on the website of the Company at www.mingkeiholdings.com.

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

Hong Kong, 23 June 2011

Independent Auditors' Report

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TO THE SHAREHOLDERS OF MING KEI 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 (together the "Group") set out on pages 61 to 137, which comprise the consolidated and company statements of financial position as at 31 March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditors’ Report

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 2011, 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

Lam Siu Fung
Practising Certificate number P05308

Hong Kong, 23 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Turnover	6	**76,981**	15,096
Cost of sales		**(71,759)**	(13,727)
Direct operating expenses		**(261)**	(189)
Gross profit		**4,961**	1,180
Other gains and losses, net	6	**(33,763)**	(3,285)
Selling and distribution costs		**(325)**	—
Administrative and other expenses		**(57,281)**	(36,950)
Finance costs	8	**(150)**	(4,465)
Loss before income tax from continuing operations		**(86,558)**	(43,520)
Income tax	10	**1,040**	(103)
Loss for the year from continuing operations		**(85,518)**	(43,623)
Discontinued operation			
Loss for the year from discontinued operation	11	**(21,072)**	(27,456)
Loss for the year	7	**(106,590)**	(71,079)
Attributable to:			
Owners of the Company	12	**(106,038)**	(71,079)
Non-controlling interest		**(552)**	—
		(106,590)	(71,079)
Dividend	13	**—**	—
Loss per share attributable to owners of the Company	14		
			(Restated)
From continuing and discontinued operations			
— Basic (Hong Kong dollar)		**(0.65)**	(0.67)
— Diluted (Hong Kong dollar)		**(0.65)**	(0.67)
From continuing operations			
— Basic (Hong Kong dollar)		**(0.52)**	(0.41)
— Diluted (Hong Kong dollar)		**(0.52)**	(0.41)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(106,590)**	(71,079)
Other comprehensive income for the year, net of tax:		
— Change in fair value of available-for-sale financial assets	**448**	1,429
— Reclassification adjustment of fair value gain included in profit or loss on redemption/disposal of available-for-sale financial assets	**(780)**	(25)
— Exchange differences on translation of financial statements of overseas subsidiaries	**1,811**	333
— Reclassification adjustment of exchange reserve on disposal of interests in overseas subsidiaries	**—**	(8,524)
— Exchange differences on translation of financial statements of overseas associates	**471**	(1,443)
— Reclassification adjustment of exchange reserves on disposal of interests in overseas associates	**(7,218)**	—
Total comprehensive income for the year	**(111,858)**	(79,309)
Attributable to:		
Owners of the Company	**(111,306)**	(79,309)
Non-controlling interest	**(552)**	—
	(111,858)	(79,309)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**17,282**	19,178
Investment properties	16	**22,004**	23,136
Intangible assets	18	**51,085**	—
Interests in associates	20	**—**	71,437
Deposit and direct cost paid for possible acquisition of subsidiaries	21	**4,009**	—
Available-for-sale financial asset	22	**—**	10,560
		94,380	124,311
Current assets			
Trade receivables	24	**33,724**	4,880
Refundable deposit	23	**19,448**	—
Prepayments, deposits and other receivables		**6,269**	6,184
Escrow money receivable	25	**—**	10,000
Loan to an associate	20	**—**	28,500
Cash and cash equivalents	26	**18,032**	33,277
		77,473	82,841
Current liabilities			
Trade payables	27	**30,106**	—
Accrued expenses and other payables		**2,251**	3,683
Amount due to an associate	20	**—**	81
Promissory note	30	**3,650**	—
Tax payables		**432**	—
		36,439	3,764
Net current assets		**41,034**	79,077
Total assets less current liabilities		**135,414**	203,388
Non-current liabilities			
Convertible bonds	29	**—**	2,834
Deferred tax liabilities	28(ii)	**8,429**	—
		8,429	2,834
Net assets		**126,985**	200,554

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Issued capital	31	**1,688**	664
Reserves	32(a)	**120,739**	199,890
Equity attributable to owners of the Company		**122,427**	200,554
Non-controlling interest		**4,558**	—
Total equity		**126,985**	200,554

These financial statements were approved and authorised for issue by the board of directors on 23 June 2011 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.

Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	19	**—**	—
Amounts due from subsidiaries	19	**69,513**	—
Deposit and direct cost paid for possible acquisition of subsidiaries	21	**4,009**	—
		73,522	—
Current assets			
Prepayments, deposits and other receivables		**1,937**	190
Amounts due from subsidiaries	19	**31,707**	175,336
Cash and cash equivalents	26	**8,409**	30,516
		42,053	206,042
Current liabilities			
Accrued expenses and other payables		**961**	2,977
Promissory note	30	**3,650**	—
		4,611	2,977
Net current assets		**37,442**	203,065
Total assets less current liabilities		**110,964**	203,065
Non-current liabilities			
Convertible bonds	29	**—**	2,834
Net assets		**110,964**	200,231
CAPITAL AND RESERVES			
Issued capital	31	**1,688**	664
Reserves	32(b)	**109,276**	199,567
Total equity		**110,964**	200,231

These financial statements were approved and authorised for issue by the board of directors on 23 June 2011 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.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Issued capital HK$'000 (Note 31)	Share premium HK$'000 (Note 32 (a)(i))	Contributed surplus HK$'000 (Note 32 (a)(ii))	Capital reserve HK$'000 (Note 32 (a)(ii))	Statutory reserve fund HK$'000 (Note 32 (a)(iii))	Warrant reserve HK$'000 (Note 32 (a)(iv))	Share option reserve HK$'000 (Note 32 (a)(iv))	Convertible bonds reserve HK$'000 (Note 32 (a)(v))	Asset revaluation reserve HK$'000 (Note 32 (a)(vi))	Exchange reserve HK$'000 (Note 32 (a)(vii))	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total HK$'000
Balance at 1 April 2009	26,400	841,530	—	53,659	4,856	—	15,360	—	(1,072)	16,439	(772,920)	184,252	—	184,252
Loss for the year	—	—	—	—	—	—	—	—	—	—	(71,079)	(71,079)	—	(71,079)
Other comprehensive income for the year	—	—	—	—	—	—	—	—	1,404	(9,634)	—	(8,230)	—	(8,230)
Total comprehensive income for the year	—	—	—	—	—	—	—	—	1,404	(9,634)	(71,079)	(79,309)	—	(79,309)
Capital reorganisation	(25,872)	(841,530)	131,109	—	—	—	(15,360)	—	—	—	751,653	—	—	—
Issue of convertible bonds	—	—	—	—	—	—	—	5,859	—	—	—	5,859	—	5,859
Issue of new shares on conversion of convertible bonds	96	15,904	—	—	—	—	—	(4,687)	—	—	—	11,313	—	11,313
Recognition of share-based payments, net of issuing expenses	—	—	—	—	—	—	2,294	—	—	—	—	2,294	—	2,294
Exercise of share options	40	9,530	—	—	—	—	(2,294)	—	—	—	—	7,276	—	7,276
Appropriations	—	—	—	—	6,170	—	—	—	—	—	(6,170)	—	—	—
Issue of warrants	—	—	—	—	—	1,734	—	—	—	—	—	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	—	—	—	(2,810)	—	—	—	—	—	—	—	(2,810)	—	(2,810)
Gain on partial waiver of promissory note by an equity participant	—	—	—	69,945	—	—	—	—	—	—	—	69,945	—	69,945
Balance at 31 March 2010 and 1 April 2010	664	25,434	131,109	120,794	6,356	1,734	—	1,172	332	6,805	(93,846)	200,554	—	200,554
Loss for the year	—	—	—	—	—	—	—	—	—	—	(106,038)	(106,038)	(552)	(106,590)
Other comprehensive income for the year	—	—	—	—	—	—	—	—	(332)	(4,936)	—	(5,268)	—	(5,268)
Total comprehensive income for the year	—	—	—	—	—	—	—	—	(332)	(4,936)	(106,038)	(111,306)	(552)	(111,858)
Issue of new shares on conversion of convertible bonds	24	3,997	—	—	—	—	—	(1,172)	—	—	—	2,849	—	2,849
Recognition of share-based payments, net of issuing expenses	—	—	—	—	—	—	8,969	—	—	—	—	8,969	—	8,969
Issue of warrants	—	—	—	—	—	3,246	—	—	—	—	—	3,246	—	3,246
Issue of new shares on exercise of warrants	156	21,095	—	—	—	(2,816)	—	—	—	—	—	18,435	—	18,435
Bonus issue	844	(1,164)	—	—	—	—	—	—	—	—	—	(320)	—	(320)
Transfer upon disposal of associates	—	—	—	—	(6,356)	—	—	—	—	—	6,356	—	—	—
Non-controlling interest arising on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	5,110	5,110
Balance at 31 March 2011	**1,688**	**49,362**	**131,109**	**120,794**	**—**	**2,164**	**8,969**	**—**	**—**	**1,869**	**(193,528)**	**122,427**	**4,558**	**126,985**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Loss before income tax from continuing and discontinued operations	**(107,630)**	(69,227)
Adjustments for:		
Impairment loss on goodwill	**24,425**	—
Impairment loss on intangible assets	**8,915**	—
Impairment loss on property, plant and equipment	**—**	1,127
Loss on disposal of property, plant and equipment	**72**	—
Gain on redemption/disposal of available-for-sale financial assets	**(780)**	(25)
Depreciation	**3,974**	3,363
Amortisation of intangible assets	**—**	2,243
Fair value loss on investment properties	**1,703**	3,356
Loss on disposal of subsidiaries	**—**	6,883
Loss on disposal of associates	**20,211**	—
Share-based payments	**9,162**	2,294
Share of results of associates	**861**	23,364
Interest income	**(281)**	(289)
Finance costs	**150**	4,516
	(39,218)	(22,395)
Increase in inventories	**—**	(20,803)
Increase in trade receivables	**(28,844)**	(16,555)
Increase in refundable deposit	**(7,022)**	—
(Increase)/decrease in prepayments, deposits and other receivables	**(85)**	12,626
Increase in trade payables	**30,106**	13,945
Decrease in accrued expenses and other payables	**(1,432)**	(871)
(Decrease)/increase in amount due to an associate	**(81)**	81
Decrease in amount due to a non-controlling equity holder of a subsidiary	**(13,106)**	—
Cash used in operations	**(59,682)**	(33,972)
Interest received	**281**	289
Tax paid	**—**	(1,712)
Interest paid	**—**	(51)
Net cash used in operating activities	**(59,401)**	(35,446)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Cash flows from investing activities		
Acquisition of subsidiaries	**(65,220)**	(18,583)
Escrow money received	**10,000**	—
Repayment of loan from an associate	**28,500**	—
Disposal of subsidiaries	**—**	42,304
Disposal of associates	**43,618**	—
Purchase of an investment property	**—**	(9,104)
Purchases of property, plant and equipment	**(1,960)**	(2,483)
Proceeds from disposal of property, plant and equipment	**563**	—
Proceeds from disposal of available-for-sale financial assets	**11,008**	2,557
Investment in available-for-sale financial assets	**—**	(10,228)
Deposit and direct cost (paid for)/refunded from possible acquisition of subsidiaries	**(4,009)**	21,500
Net cash generated from investing activities	**22,500**	25,963
Cash flows from financing activities		
Proceeds from issue of shares on exercise of shares options	**—**	7,276
Proceeds from issue of shares on exercise of warrants	**18,435**	—
Proceeds from issue of warrants	**3,246**	1,734
Direct cost on modification and early redemption of promissory note	**—**	(517)
Direct costs on bonus issue	**(320)**	—
Direct costs on issue of share options	**(193)**	—
Repayment of principal of promissory notes	**—**	(20,000)
Net cash generated from/(used in) financing activities	**21,168**	(11,507)
Net decrease in cash and cash equivalents	**(15,733)**	(20,990)
Cash and cash equivalents at beginning of year	**33,277**	54,176
Effect of foreign exchange rate, net	**488**	91
Cash and cash equivalents at end of year	**18,032**	33,277
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	**18,032**	33,277

The accompanying notes form part of these financial statements.

(Expressed in Hong Kong dollars)

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 Company principally engaged in investment holding and its subsidiaries (collectively referred to as the "Group") are principally engaged in property investment in Hong Kong and the People's Republic of China (the "PRC"), business of general trading in the PRC and business of coal trading between the PRC and Indonesia respectively, further details of which are set out in Note 19. Its associates are principally engaged in mining, exploration and sale of coal, further details of which are set out in Note 20.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 3 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The Group has accounted for the acquisition of equity interests in China Indonesia Friendship Coal Trading Company Limited ("CIFC", together with its 90%-owned subsidiary are collectively referred to as the "CIFC Group") according to the revised standard, details of which are set out in Note 34.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, and accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

(Expressed in Hong Kong dollars)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but not yet effective *(Continued)*

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "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 asset which were stated at fair value as explained in the accounting policies set out below.

(c) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

Business combination from 1 April 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Business combination and basis of consolidation *(Continued)*

Business combination from 1 April 2010 *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 April 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Business combination and basis of consolidation *(Continued)*

Business combination prior to 1 April 2010 *(Continued)*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(d) Subsidiaries

Subsidiaries are entities over 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 are presently exercisable are taken into account.

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

(e) 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.

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.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

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

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

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

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

(g) Property, plant and equipment

Property, plant and equipment 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 present 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)*

(g) 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, fixtures and office equipment	5 years
Motor vehicles	5 – 10 years

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 sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) 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 properties is the fair value of the owner-occupied property at the date of transfer.

(i) Deferred overburden removal costs

Stripping ratios are determined by comparing the quantity of coal mined to the quantity of overburden, or waste removed to access the coal. Costs are deferred to the 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.

(j) Intangible assets (other than goodwill)

(i) Master framework purchase agreements (the "LOIs")

The LOIs are accounted for as intangible assets with indefinite useful lives and are not amortised. They are stated at cost less any impairment losses.

(ii) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill) *(Continued)*

(iii) 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 indicate that the carrying amount may not be recoverable (the list is not exhaustive):

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

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

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

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

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets excluding goodwill

At 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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 interim 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) 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 asset, which are subsequently accounted for as follows:

(i) Loans and receivables

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

(ii) Available-for-sale financial asset

Available-for-sale financial asset is a non-derivative financial asset in listed and unlisted equity securities that is designated as available for sale and is stated at fair value. Available-for-sale financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is 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 equity in the asset revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the asset revaluation reserve is included in profit or loss.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

(iii) Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at 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.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(I) Financial assets *(Continued)*

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

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

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

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

(iv) Effective interest method

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

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities and equity instrument 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.

(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 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial liabilities and equity instrument issued by the Group *(Continued)*

(vi) Derecognition of financial liabilities

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

(n) 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.

(o) 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.

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.

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.

(p) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Provision for close down, restoration and environmental costs

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

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the 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 end of each reporting period to reflect changes in conditions.

(q) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

(ii) Deferred tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at 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.

(r) Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At 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, on consolidation, they are recognised in the exchange reserve and recognised in profit or loss on disposal of the net investment.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Foreign currencies *(Continued)*

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 classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is 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.

(s) Employees' benefits

(i) Short term benefits

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

(ii) Pension obligations

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

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

(t) 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 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.

(u) Borrowing costs

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) 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 are 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) Interest income

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

(iii) Rental income

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

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 next financial year are discussed below.

(a) Carrying value of assets excluding intangible assets and goodwill, and impairment of assets

Assets, excluding intangible assets and goodwill are carried at cost less accumulated depreciation, 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 18. In addition, the Company also assessed the impairment on its amounts due from subsidiaries, details of which are set out in Note 19.

(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) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(d) Trade and other receivables

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

(f) Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

5. 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 coal trading segment comprised the business of coal trading;

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

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

(d) The mining segment comprised the mining, exploration and sale of coal in the PRC and the operation was disposed of by the Group in the current year. Accordingly, the mining segment was classified as a discontinued operation and the comparative figures of this segment were re-classified from a continuing operation to a discontinued operation during the current year, details of which are set out 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 determining the Group's geographical segments, revenues and results are based on the location in which the customer is located.

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments

2011

	Continuing operations				Discontinued operation	
	Coal trading HK$'000	General trading HK$'000	Property investment HK$'000	Subtotal HK$'000	Mining HK$'000	Consolidated HK$'000
SEGMENT REVENUE						
External sales and services	53,555	22,177	888	76,620	—	76,620
Inter-segment revenue	—	—	369	369	—	369
Reportable segment revenue	53,555	22,177	1,257	76,989	—	76,989
Reportable segment (loss)/profit	(31,033)	249	(4,152)	(34,936)	(21,072)	(56,008)
Interest income	—	8	4	12	—	12
Depreciation and amortisation charges	—	(3)	(247)	(250)	—	(250)
Share of results of associates	—	—	—	—	(861)	(861)
Loss on disposal of associates	—	—	—	—	(20,211)	(20,211)
Impairment loss on goodwill	(24,425)	—	—	(24,425)	—	(24,425)
Impairment loss on intangible assets	(8,915)	—	—	(8,915)	—	(8,915)
Fair value loss on investment properties	—	—	(1,703)	(1,703)	—	(1,703)
Income tax	1,090	—	(35)	1,055	—	1,055
Reportable segment assets	103,320	9,505	25,561	138,386	—	138,386
Additions to non-current assets	51,085	1	42	51,128	—	51,128
Reportable segment liabilities	42,899	2	440	43,341	—	43,341

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

2010

	Continuing operations			Discontinued operation	
	General trading HK$'000	Property investment HK$'000	Subtotal HK$'000	Mining HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External sales and services	14,205	192	14,397	63,461	77,858
Inter-segment revenue	—	710	710	—	710
Reportable segment revenue	14,205	902	15,107	63,461	78,568
Reportable segment loss	(3,045)	(3,734)	(6,779)	(25,707)	(32,486)
Interest income	2	—	2	244	246
Depreciation and amortisation charges	1	—	1	2,910	2,911
Finance costs	—	—	—	(51)	(51)
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)	—	(3,356)
Income tax	—	—	—	(1,749)	(1,749)
Reportable segment assets	8,952	25,611	34,563	109,937	144,500
Additions to non-current assets	13	9,104	9,117	2,403	11,520
Reportable segment liabilities	6	184	190	81	271

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2011 HK$'000	2010 HK$'000
Revenue		
Reportable segment revenue	**76,989**	78,568
Elimination of inter-segment revenue	**(8)**	(11)
Consolidated revenue from continuing and discontinued operations	**76,981**	78,557

	2011 HK$'000	2010 HK$'000
Loss before income tax from continuing operations		
Reportable segment loss	**(34,936)**	(6,779)
Interest income	**269**	43
Gain on redemption/disposal of available-for-sale financial assets	**780**	25
Unallocated corporate expenses	**(52,521)**	(32,344)
Finance costs	**(150)**	(4,465)
Consolidated loss before income tax from continuing operations	**(86,558)**	(43,520)

	2011 HK$'000	2010 HK$'000
Total assets		
Reportable segment assets	**138,386**	144,500
Non-current financial assets	**—**	10,560
Unallocated corporate assets	**33,467**	52,092
Consolidated total assets	**171,853**	207,152

	2011 HK$'000	2010 HK$'000
Total liabilities		
Reportable segment liabilities	**(43,341)**	(271)
Unallocated corporate liabilities	**(1,527)**	(6,327)
Consolidated total liabilities	**(44,868)**	(6,598)

5. SEGMENT INFORMATION *(Continued)*

(ii) Geographical 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**53,855**	192	**67,569**	9,126
PRC	**23,126**	78,365	**26,811**	104,625
	76,981	78,557	**94,380**	113,751

(iii) Information about major customers

Revenue from two (2010: one) customers each contributed to more than 10% of the Group's revenue with amounts of HK$53,555,000 and HK$21,280,000, respectively, (2010: HK$16,116,000) for the year ended 31 March 2011, as included in the above disclosures for coal trading and general trading (2010: mining) segment revenue.

6. TURNOVER, OTHER GAINS AND LOSSES, NET

Turnover is the Group's revenue, which represents the invoiced value of goods sold and 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 gains and losses is as follows:

	Notes	**2011 HK$'000**	2010 HK$'000
Continuing operations			
Turnover:			
Sale of goods		**75,732**	14,205
Rental income		**1,249**	891
		76,981	15,096
Other gains and (losses), net:			
Interest income		**281**	45
Gain on redemption/disposal of available-for-sale financial assets	22	**780**	25
Loss on disposal of property, plant and equipment		**(72)**	—
Sundry income		**291**	1
Impairment loss on goodwill	17	**(24,425)**	—
Impairment loss on intangible assets	18	**(8,915)**	—
Fair value loss on investment properties	16	**(1,703)**	(3,356)
		(33,763)	(3,285)
Discontinued operation			
Turnover:			
Sale of goods	11	**—**	63,461
Other gains and (losses), net:			
Interest income		**—**	244
Sundry income		**—**	54
Loss on disposal of subsidiaries	35	**—**	(6,883)
Loss on disposal of associates	20	**(20,211)**	—
Impairment loss on property, plant and equipment	15	**—**	(1,127)
	11	**(20,211)**	(7,712)

7. LOSS FOR THE YEAR

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	**71,759**	65,880
Auditors' remuneration	**630**	550
Direct operating expenses arising on rental-earning investment properties	**261**	189
Depreciation (Note 15)	**3,974**	3,363
Amortisation of intangible assets (Note 18)*	**—**	2,243
Staff costs (excluding directors' remuneration (Note 9(a)):		
Salaries and wages	**5,464**	6,878
Pension scheme contributions	**180**	268
Share-based payments**	**—**	1,710
	5,644	8,856
Total share-based payments (Note 36)	**9,162**	2,294
Minimum lease payments under operating leases for land and buildings***	**2,340**	3,148

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

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

*** Included in the balance as at 31 March 2011 is approximately HK$402,000 (2010: HK$412,000) in respect of rental expenses for a director's quarter. This balance has been included in the amount of directors' remuneration disclosed in Note 9(a).

8. FINANCE COSTS

Interest expense on the following borrowings, which are all wholly repayable within five years:

	2011 HK$'000	2010 HK$'000
Continuing operations		
Promissory notes (Note 30)	**135**	4,459
Convertible bonds (Note 29)	**15**	6
Total	**150**	4,465
Discontinued operation		
Trade financing (Note 11)	**—**	51

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:

2011

Name of Directors	Fees HK$'000	Basis salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive Directors					
Mr. Tsang Ho Ka, Eugene	197	2,314	12	4,581	7,104
Ms. Yick Mi Ching Dawnibilliy	197	576	21	4,581	5,375
Non-executive Director					
Mr. Wong Wai Sing ("Mr. Wong")	5,260	1,336	12	—	6,608
Independent Non-executive Directors					
Mr. Sung Wai Tak, Herman	150	—	—	—	150
Mr. Kinley Lincoln James Lloyd	89	—	—	—	89
Mr. Kwok Kam Tim	150	—	—	—	150
	6,043	4,226	45	9,162	19,476

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

(a) Directors' remuneration *(Continued)*

2010

Name of Directors	Fees HK$'000	Basis salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Wong (re-designated 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 Dawnibilliy	135	524	19	678
Mr. Luk Yue Kan (resigned on 2 March 2010)	120	1,140	11	1,271
Non-executive Directors				
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. Fung Ho Yin (resigned on 5 October 2009)	31	—	—	31
Mr. Chung Ho Tung (resigned on 3 November 2009)	36	—	—	36
Mr. Kinley Lincoln James Lloyd (appointed on 3 November 2009)	—	—	—	—
Mr. Kwok Kam Tim (appointed on 5 October 2009)	44	—	—	44
	5,486	3,603	54	9,143

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: HK$Nil). In addition, no emolument was paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2010: HK$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 (2010: three) are directors of the Company whose emoluments are set out in Note 9(a) above. The emoluments of the remaining two (2010: two) non-director individuals are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries and other allowances	**1,671**	1,482
Share-based payments	**—**	576
Pension scheme contributions	**24**	24
	1,695	2,082

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

	Number of employees **2011**	2010
HK$1,000,001 to HK$1,500,000	**—**	1
HK$Nil to HK$1,000,000	**2**	1
	2	2

During the current and prior years, share options were granted to two directors and a non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 36. The fair value of such options, which has been recognised to the profit or loss over the vesting period, was determined as at the respective date of grant and the amount included in the profit or loss for the current and prior years were included in the above directors', non-director, highest paid employees' remuneration disclosures where appropriate.

10. INCOME TAX

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

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Current tax — Hong Kong		
Charge for the year	**416**	—
Deferred tax (credit)/charge (Note 28(i) and (ii))	**(1,471)**	103
Current tax — PRC		
Charge for the year	**15**	—
	(1,040)	103
Discontinued operation (Note 11):		
Current tax — PRC		
Charge for the year	**—**	2,263
Deferred tax credit (Note 28(ii))	**—**	(514)
	—	1,749
	(1,040)	1,852

Provision for Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 March 2011. In the prior year, no provision for Hong Kong profits tax was made as the Group had no assessable profits for Hong Kong profits tax purposes in the prior year. 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.

The share of income tax attributable to the associates for the year ended 31 March 2011 amounting to HK$Nil (2010: HK$5,702,000) is included in "Share of results of associates" on the consolidated income statement, which were re-classified to discontinued operation as a result of the completion of the disposal of interests in associates during the current year, details of which are set out in Note 11.

10. INCOME TAX *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Loss before income tax		
— from continuing operations	**(86,558)**	(43,520)
— from discontinued operation (Note 11)	**(21,072)**	(25,707)
	(107,630)	(69,227)
Tax calculated at the rate of 16.5% (2010: 16.5%)	**(17,759)**	(11,422)
Tax effect of tax rates of other jurisdictions	**(272)**	1,364
Profits exempted from income tax	**—**	(2,263)
Tax effect of income non-taxable for taxation purpose	**(46)**	(52)
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	**17,037**	10,370
Income tax (credit)/charge for the year	**(1,040)**	1,852

11. DISCONTINUED OPERATION

During the current and prior years, the Group was engaged in the operation of mining, sale and distribution of coals in the PRC through Star Fortune International Investment Company Limited ("SFII") and its subsidiaries (collectively referred to as the "SFII Group").

During the prior year, the Group disposed of its 51% equity interests in the SFII Group, the then wholly-owned subsidiaries of the Group (the "Former Disposal"), for a total consideration of HK$100,000,000, details of which are set out in Note 35. Upon the completion of the Former Disposal on 3 July 2009, the Group's equity interests 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.

During the current year, the Group further disposed of its remaining 49% equity interests in the SFII Group for a total cash consideration of HK$50,000,000 (the "Aggregate Disposal"), details of which are set out in the Company's announcement and circular dated 16 August 2010 and 23 July 2010 respectively.

Upon the completion of the Aggregate Disposal on 16 August 2010, the Group's interests in the SFII Group have been derecognised from the financial statements of the Group and the operation of mining, sale and distribution of coals in the PRC was classified as a discontinued operation immediately.

11. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation for the current and prior years, which have been included in the profit or loss, were as follows:

	Notes	**2011 HK$'000**	2010 HK$'000
Turnover	6	—	63,461
Cost of inventories sold		—	(52,153)
Gross profit		—	11,308
Other gains and losses, net	6	**(20,211)**	(7,712)
Selling and distribution costs		—	(510)
Administrative and other expenses		—	(5,378)
Finance costs	8	—	(51)
Share of results of associates	20	**(861)**	(23,364)
Loss before income tax		**(21,072)**	(25,707)
Income tax	10	—	(1,749)
Loss for the year from discontinued operation		**(21,072)**	(27,456)

The cash flows of the discontinued operation were as follows:

	2011 HK$'000	2010 HK$'000
Net cash used in operating activities	—	(29,446)
Net cash generated from investing activities	**43,618**	19,049
Effect of foreign exchange rate changes, net	—	116
Total net cash inflows/(outflows)	**43,618**	(10,281)

Basic loss per share for the discontinued operation for the current year is approximately HK$0.13 (2010: HK$0.26 (restated)) based on the loss for the current year from the discontinued operation of approximately HK$21,072,000 (2010: HK$27,456,000).

The denominators used are the same as those detailed in Note 14 for the basic loss per share for continuing operations attributable to owners of the Company.

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

11. DISCONTINUED OPERATION *(Continued)*

Upon the completion of the Aggregate Disposal on 16 August 2010, the Group recognised a loss on disposal of associates amounting to approximately HK$20,211,000 (Note 20) included in the "Loss for the year from discontinued operation" on the consolidated income statement, which is calculated at the date of the Aggregate Disposal as follows:

	HK$'000
Interests in associates before the Aggregate Disposal	71,047
Reclassification adjustment of exchange reserve upon the Aggregate Disposal	(7,218)
Costs incurred directly attributable to the Aggregate Disposal	6,382
Loss on disposal of associates	(20,211)
Total consideration	50,000

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

Loss attributable to owners of the Company for the year ended 31 March 2011 dealt with in the financial statements of the Company was approximately HK$35,709,000 (2010: HK$80,676,000).

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2010: 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 bonus issue that took place during the year ended 31 March 2011 (Note 31(iii)). Basic and diluted loss per share amounts for the year ended 31 March 2010 are restated to take into effect the bonus issue 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 (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:

	2011 HK$'000	2010 HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculations	**(106,038)**	(71,079)

	Number of shares	
	2011 '000	2010 '000 (Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculations	**163,786**	106,551

(ii) From continuing operations

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

	2011 HK$'000	2010 HK$'000
Loss		
Loss attributable to the owners of the Company from continuing operations, used in the basic and diluted loss per share calculations	**(84,966)**	(43,623)

	Number of shares	
	2011 '000	2010 '000 (Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculations	**163,786**	106,551

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 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 33)	—	11,664	—	541	6,392	—	18,597
Disposal of subsidiaries (Note 35)	(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
Additions	—	—	—	—	54	1,906	1,960
Disposal	—	—	—	—	(52)	(830)	(882)
Exchange realignments	—	526	—	24	291	100	941
At 31 March 2011	**—**	**12,218**	**—**	**834**	**7,523**	**3,804**	**24,379**
Accumulated depreciation and impairment losses:							
At 1 April 2009	—	2,318	1,465	526	288	644	5,241
Disposal of subsidiaries (Note 35)	—	(1,805)	(1,675)	—	(127)	(444)	(4,051)
Transfer to investment properties (Note 16)	—	(1,993)	—	(516)	—	—	(2,509)
Impairment loss (Note 6)	—	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
Disposal	—	—	—	—	(31)	(216)	(247)
Charge for the year (Note 7)	—	658	—	142	2,597	577	3,974
Exchange realignments	—	31	—	7	129	21	188
At 31 March 2011	**—**	**1,064**	**—**	**497**	**4,665**	**871**	**7,097**
Net carrying amount:							
At 31 March 2011	**—**	**11,154**	**—**	**337**	**2,858**	**2,933**	**17,282**
At 31 March 2010	—	11,317	—	462	5,260	2,139	19,178

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

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

	2011 **HK$'000**	2010 HK$'000
Located in the PRC held under medium lease terms	**11,154**	11,317

In the prior year, certain properties of the Group with the related leasehold improvement previously held for own use were leased out (as further detailed in Note 40(b)) and were reclassified from property, plant and equipment to investment properties, which were 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 which was charged to profit or loss for the year ended 31 March 2010.

16. INVESTMENT PROPERTIES

	2011 **HK$'000**	2010 HK$'000
Fair value:		
At beginning of year	**23,136**	—
Additions	**—**	9,104
Transferred from property, plant and equipment (Note 15)	**—**	17,373
Decrease in fair value recognised	**(1,703)**	(3,356)
Exchange realignments	**571**	15
At the end of the year	**22,004**	23,136

The Group's entire properties interest 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.

An analysis of the carrying amount of investment properties which includes land and buildings situated in Hong Kong and the PRC is as follows:

	2011 **HK$'000**	2010 HK$'000
Located in Hong Kong, held under medium term lease	**10,600**	8,700
Located in the PRC, held under medium term lease	**11,404**	14,436
	22,004	23,136

The investment properties of the Group were revalued at 31 March 2011 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$1,703,000 (2010: HK$3,356,000) was charged to the profit or loss for the year ended 31 March 2011.

17. GOODWILL

	2011 **HK$'000**	2010 HK$'000
At beginning of year:		
Cost	**—**	—
Acquisition of subsidiaries (Note 34)	**24,425**	—
Impairment loss	**(24,425)**	—
At end of year	**—**	—
At end of year:		
Cost	**24,425**	—
Accumulated impairment	**(24,425)**	—
Net carrying amount	**—**	—

Goodwill arising during the current year relates to the acquisition of equity interests in the CIFC Group.

Impairment testing of the coal trading cash generating units (the "Coal Trading CGU")
Goodwill acquired during the current year through business combination has been allocated to the Coal Trading CGU, which is a reportable segment, for impairment testing.

The recoverable amount of the Coal Trading CGU as at 31 March 2011 was assessed by the directors by reference to a professional valuation performed by Greater China Appraisal.

The recoverable amount of the Coal Trading CGU is determined based on a value-in-use calculation using a cash flow projection according to the financial budgets approved by management for the next 5 years and extrapolates cash flows beyond the 5 years with the key assumptions stated below:

Key assumptions used in the value-in-use calculation:

— Growth in revenue year-on-year — No growth

— Pre-tax discount rate — 15.88% per annum

— Budgeted gross margin — 4.7%

The basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the Coal Trading CGU. The discount rate used reflects specific risks relating to the coal trading industry.

The Group is of the opinion, based on value-in-use calculation, that goodwill associated with the Coal Trading GCU is fully impaired as at 31 March 2011. In addition, the Group is of the opinion, based on value-in-use calculation, that the intangible assets representing LOIs of the Coal Trading CGU are partially impaired by HK$8,915,000 (Note 18) as compared with their recoverable amounts as at 31 March 2011. The above impairment losses are mainly attributable to the decrease in the estimated future profitability of the Coal Trading CGU and hence the recoverable amount of the Coal Trading CGU arising from the value-in-use calculation.

18. INTANGIBLE ASSETS

	The LOIs (Note (a)) HK$'000	Exploration and evaluation assets (Note (b)) HK$'000	Mining right (Note (b)) HK$'000	Total HK$'000
The Group				
Cost:				
At 1 April 2009	—	1,183,457	289,231	1,472,688
Disposal of subsidiaries (Note 35)	—	(1,184,867)	(289,576)	(1,474,443)
Exchange realignments	—	1,410	345	1,755
At 31 March 2010	—	—	—	—
Acquisition of subsidiaries (Note 34)	60,000	—	—	60,000
At 31 March 2011	**60,000**	**—**	**—**	**60,000**
Accumulated amortisation and impairment losses:				
At 1 April 2009	—	1,058,918	226,385	1,285,303
Amortisation for the year (Note 7)	—	—	2,243	2,243
Disposal of subsidiaries (Note 35)	—	(1,060,179)	(228,941)	(1,289,120)
Exchange realignments	—	1,261	313	1,574
At 31 March 2010	—	—	—	—
Impairment loss (Notes 6 and 17)	8,915	—	—	8,915
At 31 March 2011	**8,915**	**—**	**—**	**8,915**
Carrying amount:				
At 31 March 2011	**51,085**	**—**	**—**	**51,085**
At 31 March 2010	—	—	—	—

Notes:

(a) **The LOIs**

The LOIs relates to the Coal Trading CGU and represented separate legally binding master framework purchase agreements entered into between the CIFC Group and a customer and a supplier, which were acquired as part of the Group's acquisition of the CIFC Group as set out in Note 34. The useful lives of the LOIs were estimated by the Group to be indefinite as the LOIs are renewed automatically and unconditionally at no additional cost.

The LOIs were tested for impairment as part of the impairment test on the Coal Trading CGU as at 31 March 2011 and an impairment loss on LOIs in the amount of approximately HK$8,915,000 was recognised in profit or loss for the current year, details of which are set out in Note 17.

18. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(b) Exploration and evaluation assets and mining right

The mining right and the exploration right together with other exploration and evaluation assets purchased as part of a business combination in prior years were initially recognised at their fair values on acquisition with reference to professional valuations performed by Greater China Appraisal. Prior to the Former 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.

On 3 July 2009, the SFII Group (carrying on the mining business of the Group), the then subsidiaries of the Company, became associates of the Company as a result of the Former 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 which are set out in Note 35.

The amortisation charge for the mining right during the prior year was included in the Group's "cost of sales" in the consolidated income statement and re-classified to discontinued operation as a result of the Aggregate Disposal during the current year, details of which are set out in Note 11.

Details of the mining right and exploration right held by the associates of the Group (i.e. the SFII Group) as at 31 March 2010 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

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	The Company 2011 HK$'000	The Company 2010 HK$'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**1,005,305**	992,684
	1,005,305	992,684
Less: Allowance for amounts due from subsidiaries	**(904,085)**	(817,348)
	101,220	175,336
Less: non-current portion	**(69,513)**	—
Current portion	**31,707**	175,336

Except for an amount of HK$69,513,000 as at 31 March 2011 (2010: HK$Nil) which in substance forms part of the Company's interests in the subsidiaries in the form of quasi-equity loan, amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. An accumulated allowance for amounts due from subsidiaries of HK$904,085,000 (2010: HK$817,348,000) was recognised as at 31 March 2011 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 2011 and 2010.

Particulars of the Company's subsidiaries as at 31 March 2011 are as follows:

Name of Company	Country/places of incorporation/ establishment and operation	Nominal value of issued ordinary share capital/paid-in capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company 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 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

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

Name of Company	Country/places of incorporation/ establishment and operation	Nominal value of issued ordinary share capital/paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activity
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	Provision of 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	Provision of 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) Limited Company *	PRC/PRC	HK$8,000,000	—	100	Property holding
HongKong Talent Holdings Limited	Hong Kong/ Hong Kong	HK$100	—	100	Investment holding
Star Fortune Group (Holdings) 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 Coal International Group Company Limited	BVI/Hong Kong	US$1	100	—	Investment holding
Star Coal International Development Company Limited	BVI/Hong Kong	US$1	—	100	Investment holding
Star Coal International Investment Company Limited	BVI/Hong Kong	US$1	—	100	Investment holding
China Indonesia Friendship Coal Trading Company Limited	BVI/Hong Kong	US$1	—	100	Investment holding
China Energy Trading Company Limited (“China Energy”)	Hong Kong/ Hong Kong	HK$1,000,000	—	90	Trading of coal
Starry Gold Resources Group Limited	BVI/Hong Kong	US$1	100	—	Investment holding
Starry Gold Resources Development Company Limited	BVI/Hong Kong	US$1	—	100	Investment holding
Starry Gold Resources Investment Limited	BVI/Hong Kong	US$1	—	100	Investment holding

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

20. INTERESTS IN ASSOCIATES

	The Group	
	2011	2010
	HK$'000	HK$'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 an associate has been extended to 3 July 2010. The entire amount of loan to the associate was fully repaid during the year.

Amount due to an associate was 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 Company	Principal activities
SFII	BVI	49	Investment holding
Mulei County Kai Yuan Coal Company Limited*	PRC	49	Coal mining and selling
Qitai County Zexu Trading Company Limited	PRC	49	Coal mining and selling
Ming Kei Kai Yuan Investment Company Limited	Hong Kong	49	Investment holding

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

The Group's entire interests in associates for the current and prior years were attributable to the SFII Group. On 3 July 2009, the SFII Group, the then subsidiaries of the Group, became associates of the Group as a result of the Former Disposal. On 16 August 2010, the Group has further disposed of its remaining 49% equity interests in the SFII Group and as a result, the Group ceased to have interests in the SFII Group which have been derecognised from the consolidated statement of financial position of the Group on the same date, resulting in a loss on disposal of associates of HK$20,211,000 during the year (Notes 6 and 11).

20. INTERESTS IN ASSOCIATES *(Continued)*

The financial statements of the above companies are not audited by BDO Limited or any of its member firms.

Summarised financial information of the Group's associates between the respective dates at which they became and ceased to be associates of the Group is set out below:

	2011 **HK$'000**	2010 HK$'000
Turnover	**21,086**	86,579
Loss for the year	**(1,757)**	(47,681)
Loss attributable to the Group	**(861)**	(23,364)
Total assets	—	238,140
Total liabilities	—	(92,350)
Net assets	—	145,790
Net assets attributable to the Group	—	71,437

21. DEPOSIT AND DIRECT COST PAID FOR POSSIBLE ACQUISITION OF SUBSIDIARIES

The Group and the Company

As at 31 March 2011, the amount comprised a refundable deposit of HK$4,000,000 paid to the nominee and the ultimate beneficial owner of one of vendors, which are independent third parties, under a non-legally binding memorandum of understanding dated 25 February 2011 in relation to a possible acquisition of entire equity interest in a target company which would indirectly hold 100% interest in a talc mine located in Hubei Province, the PRC, after reorganisation. The deposit is unsecured 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 1 May 2011 (the "Exclusivity Period") or such later date as mutually agreed between the Group and the vendors in relation to the above possible acquisition. On 29 April 2011, the Exclusivity Period was extended to 30 June 2011. Further details are set out in the Company's announcements dated 25 February and 29 April 2011.

As at 31 March 2011, the Group paid direct cost of HK$9,000 for the above possible acquisition of subsidiaries.

22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2011	2010
	HK$'000	HK$'000
Unlisted investment fund in Hong Kong, at fair value (Note (i))	—	10,560

Notes:

(i) 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 to 12,913) Class A shares of the Fund for a 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 2011 and 2010, a surplus was resulted in the change in fair value of HK$448,000 and HK$332,000 respectively on the Fund which was recognised in the comprehensive income and the asset valuation reserve of the Group. During the year ended 31 March 2011, the Fund was entirely redeemed by the Group, and a gain on redemption of available-for-sale financial assets of HK$780,000 (Note 6) was recognised in the profit or loss for the year accordingly.

(ii) During the year ended 31 March 2010, a surplus arising from the change in fair value of HK$1,097,000 on the listed equity securities was resulted, which was recognised in 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 profit or loss for that year accordingly.

23. REFUNDABLE DEPOSIT

The Group

As at 31 March 2011, the amount represents a refundable security deposit in the amount of United States Dollar ("USD") 2,500,000 (equivalent to HK$19,448,000) paid to a supplier of coal, an independent third party, in accordance to the legally binding master framework purchase agreement acquired by the Group through the acquisition of the CIFC Group in the current year. The deposit is unsecured and is refundable to the Group within three working days upon China Energy's request in writing to the supplier.

A customer has also given the customer guarantee in favour of the Group that (i) in the event that the above supplier deposit was not refunded by the supplier, the customer shall be responsible to pay the Group an amount equivalent to the supplier deposit within three working days upon written request by China Energy; and (ii) the net profit of China Energy for each contract year shall not be less than 10% of the amount of the above supplier deposit.

Further details are set out in the Company's circular dated 14 October 2010.

24. TRADE RECEIVABLES

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**32,324**	4,880
91 to 180 days	**1,400**	—
	33,724	4,880

(ii) The Group normally allows an average credit term of 60 to 90 days (2010: 30 to 60 days) to its trade customers. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period beyond 90 days.

(iii) The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Not yet past	**32,324**	4,880
Past due	**1,400**	—
	33,724	4,880

Receivables that were neither past due nor impaired relate to a customer for which there is no recent history of default.

Receivables that were past due but not impaired related to an independent customer that has a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of the balance as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over the balance.

The carrying amounts of the trade receivables approximate their fair values.

25. ESCROW MONEY RECEIVABLE

In the prior year, it represented the remaining consideration in the amount of HK$10,000,000 receivable from the purchaser of equity interests of the SFII Group in the Group's Former Disposal, which has been entirely released to the Group upon fulfilment of certain conditions in the current year according to the disposal agreement of the Former Disposal.

26. 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

	2011 **HK$'000**	2010 HK$'000
Cash and cash equivalents were denominated in:		
Hong Kong dollars	**8,908**	30,958
Renminbi ("RMB")	**8,054**	2,319
USD	**1,070**	—
Total	**18,032**	33,277

The Company

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

27. TRADE PAYABLES

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

	The Group	
	2011 **HK$'000**	2010 HK$'000
Within 90 days	**28,706**	—
91 to 180 days	**1,400**	—
	30,106	—

The trade payables were non-interest-bearing and were normally settled on an average credit term of 60 to 90 days.

28. 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

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of year	**—**	103
Charged to profit or loss (Note 10(a))	**—**	(103)
Balance at the end of year	**—**	—

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	
		Intangible assets	
		2011	2010
	Notes	**HK$'000**	HK$'000
Balance at beginning of year		**—**	45,083
Arising through acquisition of subsidiaries	34	**9,900**	—
Credited to profit or loss	10(a)	**(1,471)**	(514)
Disposal of subsidiaries	35	**—**	(44,613)
Exchange realignments		**—**	44
Balance at the end of year		**8,429**	—

28. DEFERRED TAX *(Continued)*

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets	**—**	—	**—**	—
Deferred tax liabilities	**(8,429)**	—	**—**	—
Balance at 31 March	**(8,429)**	—	**—**	—

As at 31 March 2011, the Group and the Company have unused tax losses of HK$5,497,000 (2010: HK$1,965,000) and HK$592,000 (2010: HK$592,000) respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the above tax losses amount 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 2011 (2010: HK$Nil).

29. 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 were payable in one lump sum on maturity of three years. The convertible bonds were 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.

29. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

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 were converted into 9,581,000 ordinary shares of the Company (Note 31(i)). During the year ended 31 March 2011, the remaining outstanding convertible bonds with the principal amount of HK$4,000,000 have been fully converted into 2,395,000 ordinary shares of the Company (Note 31(i)).

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 for the years ended 31 March 2011 and 2010 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
Imputed interest expenses (Note 8)	15	—	15
Conversion into ordinary shares of the Company	(2,849)	(1,172)	(4,021)
At 31 March 2011	—	—	—

30. PROMISSORY NOTE

The Company and the Group

	Notes	**2011 HK$'000**	2010 HK$'000
Carrying value at beginning of the year		**—**	103,193
Issued during the year	(i), 34	**3,515**	—
Repayment of promissory notes	(ii)	**—**	(20,000)
Charge on early redemption of promissory note held by an equity participant to capital reserve	(ii)	**—**	1,224
Partial waiver of promissory notes held by an equity participant credited to capital reserve	(ii)	**—**	(69,945)
Accrued effective interest expense	8	**135**	4,459
Charge on early redemption of promissory note by way of issuing convertible bonds held by an equity participant to capital reserve	(iii)	**—**	1,069
Derecognition of the promissory note upon issuance of the convertible bonds	29 & (iii)	**—**	(20,000)
Carrying value at end of the year		**3,650**	—

Notes:

(i) Pursuant to the conditional sale and purchase agreement dated 26 August 2010 entered into between the Group and Woo Man Wai, David (the "CIFC Vendor"), an independent third party, a promissory note (the "CIFC Promissory Note") in the aggregate principal amount of HK$4,000,000 was issued by the Company as contingent consideration upon the completion of the Group's acquisition of the CIFC Group with a fair value of HK$3,515,000 as at the issue date, based on the professional valuation performed by Greater China Appraisal, which is part of the acquisition consideration. The CIFC Promissory Note was non-interest-bearing and repayable in one lump sum on maturity on 31 March 2012. The effective interest rate of the CIFC Promissory Note was determined to be 9.55% per annum. The CIFC Promissory Note was classified under current liabilities and carried on the amortised cost until extinguished on redemption. The principal amount of the CIFC Promissory Note was adjusted in accordance with the Profit Guarantee (as defined in Note 34), details of which are set out in Note 34.

(ii) During the prior year, pursuant to the supplemental agreement dated 30 April 2009 entered into between SFII and Ming Kei International Holding Co. Limited ("MK International"), a 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) was 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 was 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 during the prior year.

30. PROMISSORY NOTES *(Continued)*

The Company and the Group *(Continued)*

Notes: *(Continued)*

(iii) As further detailed in Note 29, 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 contribution from 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.

31. SHARE CAPITAL

	Notes	2011 Number of shares '000	2011 Amount HK$'000	2010 Number of shares '000	2010 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01 each					
At beginning and end of year		**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At beginning of year		**66,446**	**664**	2,640,000	26,400
Issue of new shares on conversion of convertible bonds	(i)	**2,395**	**24**	9,581	96
Exercise of warrants	(ii)	**15,560**	**156**	—	—
Bonus issue	(iii)	**84,401**	**844**	—	—
Capital reorganisation	(iv)	**—**	**—**	(2,587,200)	(25,872)
Exercise of share options	(v)	**—**	**—**	4,065	40
At end of year		**168,802**	**1,688**	66,446	664

31. SHARE CAPITAL *(Continued)*

Notes:

(i) As set out in Note 29, the convertible bonds with the principal amount of HK$4,000,000 (2010: HK$16,000,000) and carrying value of HK$2,849,000 (2010: HK$11,313,000) have been converted into 2,395,000 (2010: 9,581,000) ordinary shares of HK$0.01 each of the Company at the conversion price, of which HK$24,000 (2010: HK$96,000) was credited to share capital the remaining balance of HK$2,825,000 (2010: HK$11,217,000) was credited to the share premium account. In addition, an amount of HK$1,172,000 (2010: HK$4,687,000) has been transferred from convertible bonds reserve to the share premium account.

(ii) During the year ended 31 March 2011 and before the bonus issue (Note (iii) below), 15,560,000 new ordinary shares of par value HK$0.01 each were issued on exercise of 15,560,000 warrants (Note 37) at an aggregate consideration of HK$18,435,000 of which HK$156,000 was credited to share capital and the remaining balance of HK$18,279,000 was credited to the share premium account. In addition, the related net premium of HK$2,816,000 received on issue of warrants was transferred from warrant reserve to the share premium account.

(iii) During the year ended 31 March 2011, the directors of the Company proposed a bonus issue to qualifying shareholders of the Company on the basis of one bonus share for every one existing share held by qualifying shareholders whose names appear on the register of members of the Company on 24 January 2011 (the above collectively referred to as the "Bonus Issue").

Pursuant to a ordinary resolution duly passed by shareholders at the special general meeting of the Company held on 24 January 2011, the Bonus Issue was approved.

Upon the completion of the Bonus Issue during the year, an aggregate of 84,401,047 bonus shares of par value HK$0.01 each were issued of which HK$844,000 was credited to share capital and the same amount was debited to the share premium account. In addition, the issuing expenses attributable to the Bonus Issue in the amount of HK$320,000 debited to the share premium account.

(iv) 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 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 as 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.

(v) 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 share option reserve to the share premium account.

32. 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 and capital reserve

The balance represents the remaining credit balance pursuant to the Group's Capital Reorganisation that took place during the year ended 31 March 2010. The capital reserve of the Group represents the contributions from equity participants of the Company for modification of terms, partial waiver and early redemption of the promissory notes held thereby.

(iii) 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.

(iv) Warrant reserve and share option reserve

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

(v) 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(m)(iv).

(vi) 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(l)(ii).

(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(r).

32. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Assets revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at 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	—	—	—	—	—	5,859	—	—	5,859
Issue of new shares on conversion of convertible bonds	15,904	—	—	—	—	(4,687)	—	—	11,217
Recognition of share-based payments, net of issuing expenses	—	—	—	—	2,294	—	—	—	2,294
Exercise of share options	9,530	—	—	—	(2,294)	—	—	—	7,236
Issue of warrants	—	—	—	1,734	—	—	—	—	1,734
Charge and direct costs on early redemption of a promissory note held by an equity participant	—	—	(2,810)	—	—	—	—	—	(2,810)
Gain on partial waiver of promissory note by an equity participant	—	—	69,945	—	—	—	—	—	69,945
Balance as at 31 March 2010 and 1 April 2010	25,434	131,109	120,794	1,734	—	1,172	—	(80,676)	199,567
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(122,446)**	**(122,446)**
Issue of new shares on conversion of convertible bonds	**3,997**	**—**	**—**	**—**	**—**	**(1,172)**	**—**	**—**	**2,825**
Recognition of share-based payments, net of issuing expenses	**—**	**—**	**—**	**—**	**8,969**	**—**	**—**	**—**	**8,969**
Issue of warrants	**—**	**—**	**—**	**3,246**	**—**	**—**	**—**	**—**	**3,246**
Issue of new shares on exercise of warrants	**21,095**	**—**	**—**	**(2,816)**	**—**	**—**	**—**	**—**	**18,279**
Bonus issue	**(1,164)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,164)**
Balance as at 31 March 2011	**49,362**	**131,109**	**120,794**	**2,164**	**8,969**	**—**	**—**	**(203,122)**	**109,276**

33. 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, 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 had 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	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)

34. BUSINESS COMBINATION

On 29 October 2010, the Group acquired from the CIFC Vendor (i) the entire equity interest in CIFC, an investment holding company, which owns 90% equity interests in China Energy, a company incorporated in Hong Kong with limited liability which engaged in the business of coal trading between the PRC and Indonesia; and (ii) the attributable amount due by CIFC to the CIFC Vendor (the "CIFC Shareholder's Loan") (collectively referred to as the "Acquisition"), at a total consideration of HK$70,000,000 (subject to adjustment), of which HK$66,000,000 was satisfied in cash and a contingent consideration of HK$4,000,000 (the "Contingent Consideration") was satisfied by way of issuing the CIFC Promissory Note by the Company. As at the date of Acquisition, fair value of total consideration was HK$69,515,000, net of discounting effect on the fair value of the CIFC Promissory Note of HK$485,000.

The payment of the Contingent Consideration by the Company is subject to fulfillment of the profit guarantee (the "Profit Guarantee") provided by the CIFC Vendor to the Group that the actual audited net profit after tax and before any extraordinary items or exceptional items and before all non-cash items of China Energy for the period from 1 January 2011 to 31 December 2011 (the "Actual Profit") will not be less than HK$4,000,000. In the event that the Profit Guarantee is not achieved, the Contingent Consideration will be adjusted downwards by setting off against the payment obligations of the Company under the CIFC Promissory Note on a dollar to dollar basis for an amount equivalent to the difference between the Profit Guarantee (i.e. HK$4,000,000) and the Actual Profit. In the event that China Energy records a loss in its Actual Profit, the Actual Profit shall be deemed zero. As such, the maximum amount to be set off in case of loss-making shall be the total principal value of the CIFC Promissory Note, i.e. HK$4,000,000 and the adjusted total consideration will be HK$66,000,000 in total, which has been paid in full in cash as at 31 March 2011. As at the date of the Acquisition and as at 31 March 2011, the Group is confident that the Profit Guarantee will be achieved and the entire principal amount of the CIFC Promissory Note will be paid to the CIFC Vendor.

The Group has elected to measure the non-controlling interest in the CIFC Group at the non-controlling interest's proportionate share of fair value of the CIFC Group's identifiable net assets.

The Group incurred costs directly attributable to the Acquisition of HK$7,631,000. These costs have been expensed and are included in the administrative and other expenses in the profit or loss.

The goodwill of HK$24,425,000 was mainly attributable to the anticipated profitability as expected by management of the Group for the business of coal trading business and the staff experience of the CIFC Group. The goodwill recognised is not expected to be deductible for income tax purposes.

Since the completion of the Acquisition, the CIFC Group contributed to the Group's revenue and loss amounting to HK$53,555,000 and HK$31,033,000, respectively for the current year.

Had the above business combination taken place at the beginning of the current year, the loss of the Group for the year would have been approximately HK$106,599,000 and there would have no impact on the Group's revenue for the current year as the CIFC Group had yet to commence its business prior to the completion of the Acquisition.

34. BUSINESS COMBINATION *(Continued)*

Details of the net assets acquired and the goodwill arising from the Acquisition are as follows:

	Notes	Acquiree's carrying amount before business combination HK$ '000	Fair value adjustment HK$ '000	Fair value adjustment as at the acquisition HK$ '000
Net assets acquired:				
The LOIs	18	—	60,000	60,000
Refundable deposit		12,426	—	12,426
Cash and cash equivalents		780	—	780
Amount due to a non-controlling equity holder of a subsidiary		(13,106)	—	(13,106)
The CIFC Shareholder's Loan		(7)	—	(7)
Deferred tax liabilities	28(ii)	—	(9,900)	(9,900)
Non-controlling interest		(100)	(5,010)	(5,110)
		(7)	45,090	45,083
Goodwill arising from the Acquisition	17			24,425
Add: The Assignment of CIFC Shareholder's Loan				7
				69,515
Consideration satisfied by:				
Cash				66,000
Promissory note at fair value	30			3,515
Total consideration				69,515
Net cash outflow arising on the Acquisition:				
Cash and cash equivalents acquired				(780)
Consideration paid in cash				66,000
				65,220

35. DISPOSAL OF SUBSIDIARIES

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 25) 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 Former 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 Former 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 the Former Disposal were as follows:

	Notes	HK$'000
Net assets disposed of:		
Property, plant and equipment	15	18,790
Intangible assets	18	185,323
Inventories		70,297
Trade receivables		23,584
Prepayments, deposits and other receivables		5,203
Cash and cash equivalents		32,461
Trade payables		(32,360)
Accrued expenses and other payables		(24,900)
Tax payables		(2,263)
Deferred tax liabilities	28(ii)	(44,613)
Provision for close down, restoration and environmental costs	39	(6,606)
		224,916
Exchange reserve realised		(8,524)
Interests in associates		(96,244)
Loan to an associate	20	(28,500)
Costs directly attributable to the Former Disposal		15,235
Loss on disposal of subsidiaries	6	(6,883)
Total consideration		100,000
Consideration satisfied by:		
Cash consideration received during the year		90,000
Escrow money receivables		10,000
		100,000
Net cash inflow arising from the Former Disposal:		
Cash consideration received during the year		90,000
Cash and cash equivalents disposed of		(32,461)
Costs directly attributable to the Former Disposal		(15,235)
		42,304

36. SHARE OPTION SCHEME

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

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

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

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

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

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.

36. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme for the years ended 31 March 2011 and 2010 and the movements for the years are as follows:

	2011		2010	
	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
Cancelled during the year	—	—	0.86	(125,000)
Granted during the year	**0.755***	**15,880***	1.79	4,065
Exercised during the year	—	—	1.79	(4,065)
At end of year	**0.755**	**15,880**	—	—

* The number of share options and exercise prices have been adjusted to reflect the Bonus Issue during the year.

There is no outstanding share option as at 31 March 2010. The exercise periods of the share options outstanding as at 31 March 2011 is from 3 September 2010 to 2 September 2020.

The gross fair value of the share options granted to employees and others providing similar services during the current year was HK$9,162,000 (2010: HK$2,294,000), net of issuing cost of HK$193,000 (2010: HK$Nil) which was recognised as share-based payments (Note 7) in profit or loss during the year. The fair value was determined using the Binomial Option Pricing Model with the following major inputs.

	2011	2010
Share prices on the respective dates of grant	**HK$2.06**	HK$1.74
Exercise price at the dates of grant	**HK$1.51**	HK$1.79
Expected volatility (%)	**50%**	53%
Expected life of options (year)	**9.83**	10
Risk-free interest rate (%)	**2.61%**	2.57%

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.

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

37. UNLISTED WARRANTS

During the year, the Company entered into three conditional warrant placing agreements with independent third parties in relation to a private placing of an aggregate of 15,000,000 unlisted warrants, at the premium of HK$0.24 each and the aggregate premium, after issuing expenses, of HK$3,246,000 was received and credited to warrant reserve. Each warrant entitles the holder to subscribe for fully-paid new ordinary shares at the initial subscription price of HK$0.92 per share, subject to anti-dilutive adjustments. 5,000,000 warrants issued during the year have been exercised before the Bonus Issue (Note 31(ii)). After the completion of the Bonus Issue, the subscription price of the un-exercise warrants were adjusted to HK$0.46 per share and the number of un-exercise warrants outstanding were adjusted from 10,000,000 to 20,000,000.

In the prior 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. The 10,560,000 warrants issued during the prior year and outstanding as at 31 March 2010 have been fully exercised as of 31 March 2011 (Note 31(ii)).

38. OPERATING LEASE COMMITMENTS

The Group

(a) As lessor

During the current year, the Group leases its investment properties under operating lease arrangements, with the leases negotiated for terms ranging from 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	
	2011	2010
	HK$'000	HK$'000
Within one year	**351**	351

38. OPERATING LEASE COMMITMENTS *(Continued)*

The Group *(Continued)*

(b) As lessee

The Group leases its office premises and a director's quarter under operating lease arrangements, with leases negotiated for terms ranging from two to three years. None of the leases includes contingent rentals.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**4,342**	2,145
In the second to fifth years, inclusive	**7,494**	3,900
	11,836	6,045

The Company

As lessee

The Company leases its office premises and a director's quarter under operating lease arrangements, with leases negotiated for terms ranging from two to three years. None of the leases includes contingent rentals.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Company	
	2011	2010
	HK$'000	HK$'000
Within one year	**3,952**	—
In the second to fifth years, inclusive	**7,494**	—
	11,446	—

During the year, the Group entered into a novation and variation agreement, pursuant to which the Group ceased to be a tenant of a premise and a shareholder of the Company became a new tenant of it.

39. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2011 HK$'000	2010 HK$'000
At beginning of year	—	6,600
Exchange realignments	—	6
Disposal of subsidiaries (Note 35)	—	(6,606)
At the end of year	—	—

The provision for close down, restoration and environmental costs, in relation to all of the two mines of the Group had been determined by the management and charged to cost of sales in prior years.

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 Former 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.

40. 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 an associate in respect of the loan to an associate amounted to HK$264,000 (2010: HK$217,000) and the details of the loan to an associate are set out in Note 20.

(b) During the year, the Group has leased out one of its investment properties to a subsidiary of the SFII Group, which became an associate of the Group immediately after the Former Disposal, for an annual rental of HK$980,000 for a 12-month period (subject to renewal) from 3 July 2010 to 2 July 2011 (2010: from 3 July 2009 to 2 July 2010). During the year, the Group received rental income of HK$369,000 from the entity as an associate of the Group, which has been included in the Group's turnover for the year (2010: HK$699,000).

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

	2011 **HK$'000**	2010 HK$'000
Salaries and other short-term employee benefits	**12,546**	10,571
Retirement benefit costs	**69**	78
Share-based payments expense	**9,162**	576
	21,777	11,225

(d) During the current year, the Group paid management fee of HK$249,000 to a related company which is partially owned by a director of a subsidiary (2010: HK$Nil).

(e) During the prior year, the Group purchased a property from a vendor which was 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.

41. CAPITAL RISK MANAGEMENT

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, comprising promissory note 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 2011 and 2010 were as follows:

	2011	2010
	HK$'000	HK$'000
Total borrowings	**3,650**	2,834
Equity	**122,427**	200,554
Total capital	**126,077**	203,388
Gearing ratio	**2.9%**	1.4%

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.

42. 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 purpose other than trading.

(a) Market risk

(i) Price risk — commodity price risk

Coal price

The Group is engaged in trading of coal. The coal markets were influenced by global as well as regional supply and demand conditions. A change in prices of coal could significantly affect the Group's financial performance. The Group historically did not use any commodity derivative instrument to hedge the potential price fluctuations of coal, however, the Group will closely monitor its exposure to the price of coal and will consider using commodity derivative instrument to hedge against its exposure as and when appropriate.

42. 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 RMB and the equity investments denominated in the USD. As at 31 March 2011, 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 Hong Kong dollars ("HKD") functional currencies of the respective 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 2011, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely 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 note and convertible bonds. The Group's promissory note 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 did not use any financial instrument to hedge potential fluctuation in interest rates.

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables 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 asset 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 trade 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 these financial statements.

(c) Liquidity risk

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

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000
2011					
Trade payables	**30,106**	**30,106**	**30,106**	**—**	**—**
Accrued expenses and other payables	**2,251**	**2,251**	**2,251**	**—**	**—**
Promissory note	**3,650**	**4,000**	**—**	**4,000**	**—**
	36,007	**36,357**	**32,357**	**4,000**	**—**
2010					
Accrued expenses and other payables	3,683	3,683	3,683	—	—
Amount due to an associate	81	81	81	—	—
Convertible bonds	2,834	4,000	—	—	4,000
	6,598	7,764	3,764	—	4,000

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000
2011					
Accrued expenses and other payables	**961**	**961**	**961**	**—**	**—**
Promissory note	**3,650**	**4,000**	**—**	**4,000**	**—**
	4,611	**4,961**	**961**	**4,000**	**—**
2010					
Accrued expenses and other payables	2,977	2,977	2,977	—	—
Convertible bonds	2,834	4,000	—	—	4,000
	5,811	6,977	2,977	—	4,000

42. 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 considers 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 from respective fund administrator.

The Group's available-for-sale financial asset was measured at fair value in the prior year and were entirely redeemed during the year ended 31 March 2011. At 31 March 2010, there was 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
Asset				
Available-for-sale financial asset	—	—	10,560	10,560

43. 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 2011 and 2010 may be categorised as follows:

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Available-for-sale financial asset measured at fair value	—	10,560
Loans and receivables (including cash and cash equivalent) measured at amortised cost	**55,011**	78,573
	55,011	89,133
Financial liabilities		
Financial liabilities measured at amortised cost	**34,116**	5,406

Particulars of Properties

At 31 March 2011

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%

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Ming Kei Holdings Limited
明基控股有限公司 *

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
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