THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ming Kei Energy Holdings Limited (the "**Company**"), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Ming Kei Energy Holdings Limited

明基能源控股有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8239)

(1) VERY SUBSTANTIAL DISPOSAL INVOLVING DISPOSAL OF 51% EQUITY INTERESTS IN STAR FORTUNE INTERNATIONAL INVESTMENT COMPANY LIMITED; (2) CONNECTED TRANSACTION REGARDING THE SUPPLEMENTAL AGREEMENT IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN MING KEI KAI YUAN INVESTMENT COMPANY LIMITED; AND (3) AMENDMENT OF THE PROMISSORY NOTE

Financial adviser to the Company

INCU

INCU Corporate Finance Limited

Independent financial adviser to the independent board committee and the independent shareholders of the Company

Nuada Limited

Corporate Finance Advisory

A letter of advice from the independent board committee (the "**Independent Board Committee**") of the board of directors of the Company is set out on pages 28 and 29 of this circular. A letter from Nuada Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 30 to 34 of this circular.

A notice convening an extraordinary general meeting (the "**EGM**") of the Company to be held on Room 3308–3309, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 29 June 2009 at 11:30 a.m. is set out on pages 139 to 140 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

* *for identification purpose only*

12 June 2009

CONTENTS

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Actual Sales Volume"	the volume of coal sold as stated on the value-added tax invoices
"Amendment of the Promissory Note"	the proposed amendment to the Promissory Note issued by the Company in favour of Ming Kei International with a revised principal amount of HK$40,000,000
"Artfield"	Artfield Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1229)
"associates"	has the meaning associated thereto in the GEM Listing Rules
"Board"	the board of Directors from time to time
"Business Day"	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturdays and Sundays)
"BVI"	the British Virgin Islands
"Coal Mines"	Kaiyuan Open Pit Coal Mine (凱源露天煤礦) and Zexu Open Pit Coal Mine (澤旭露天煤礦) respectively
"Company"	Ming Kei Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8239)
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Disposal Agreement
"Completion Date"	within five (5) Business Days after all the conditions precedent have been fulfilled or waived by the Purchaser or the Vendor (or such later date as the parties to the Disposal Agreement may agree in writing)

"connected persons"	has the meaning ascribed thereto in the GEM Listing Rules
"Consideration Balance"	HK$28,000,000 being balance of the Disposal Consideration to be deposited to the escrow account with the Purchaser's solicitor
"Deposit"	the sum of HK$12,000,000 (of which the Earnest Money in the sum of HK$2,000,000 has been deposited in an escrow account with the Purchaser's solicitors upon the signing of the memorandum of understanding dated 13 March 2009) and paid by the Purchaser to the Vendor upon signing of the Disposal Agreement, being refundable deposit and partial payment of the Disposal Consideration
"Director(s)"	the director(s) of the Company (including the independent non-executive Directors) from time to time
"Disposal"	the disposal of 51% equity interests in the Target under the Disposal Agreement
"Disposal Agreement"	the conditional agreement dated 30 April 2009 and entered into among Star Fortune, the Company, Artfield and the Purchaser in relation to the sale and purchase of the Sale Shares
"Disposal Consideration"	the aggregate consideration of HK$100,000,000 for the sale and purchase of 51% equity interests in the Target pursuant to the Disposal Agreement
"Earnest Money"	a sum of HK$2,000,000, being earnest money deposited by the Purchaser to its solicitors upon signing of the memorandum of understanding date 13 March 2009 and paid by the Purchaser to the Vendor upon signing of the Disposal Agreement, being refundable deposit and partial payment of the Disposal Consideration
"EGM"	the extraordinary general meeting of the Company to be convened by the Company to consider and if thought fit, to approve the Disposal Agreement and the transaction contemplated thereunder, the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note)

"Encumbrances"	shall mean any mortgage, charge, pledge, lien, equities, hypothecation or other encumbrance, priority of security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease back arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Escrow Agreement"	the escrow agreement to be entered into on Completion, between the Purchaser, the Purchaser's solicitors and Star Fortune in respect of the escrow of the Consideration Balance in the escrow account of the Purchaser's solicitors
"Event of Force Majeure"	there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances on and/or after Completion including an event or change in relation to or a development of an existing state of affairs concerning or relating to (i) new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which have material adverse effect on the operation of the Coal Mines; or (ii) any event of force majeure including, without limiting the generality thereof, act of God, war, riot, social or public disorder, civil commotion, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lockout (whether or not covered by insurance) in Xinjiang Uygur Autonomous Region, the PRC, which may materially affect the operation of the Group
"Final Net Profit"	the audited net profit after tax of PRC Subsidiary A for the year from 1 January 2009 to 31 December 2009 in accordance with HKGAAP
"First Annual Period"	for the first twelve (12) months ending immediately after the Completion Date
"Former Acquisition"	the acquisition of the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited by Star Fortune, which was completed on 19 November 2007

"Former Agreement"	the sale and purchase agreement dated 3 July 2007 entered into among the Former Vendors and the Target in relation to the sale and purchase of the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited
"Former Profit Guarantee"	the profit guarantee provided by the Former Vendors under the Former Agreement in respect of the audited net profit after tax and any extraordinary items or exceptional items of the Target Subsidiaries for the financial years ending 31 December 2008 and 31 December 2009 to be not less than an average of HK$60,000,000 for each of the two financial years ending 31 December 2008 and 31 December 2009 (i.e. HK$120,000,000 in aggregate)
"Former Vendors"	together, Ming Kei International, Mr. Benny Wong and Mr. Nelson Wong respectively
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities of GEM
"Group"	the Company and its subsidiaries (which shall exclude, where the context requires, the Target Group immediately after Completion) from time to time
"Group Reorganisation"	the reorganisation to be conducted by the Target Group prior to Completion
"HKGAAP"	accounting principles, standards, and practices generally accepted in Hong Kong, including but not limited to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Supplemental Agreement and the Amendment of the Promissory Note and the transaction contemplated thereunder

"Independent Financial Adviser"	Nuada Limited, a licensed corporation under the SFO to conduct type 6 regulated activity appointed to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Supplemental Agreement and the Amendment of the Promissory Note and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole
"Independent Shareholders"	the Shareholders other than Mr. Nelson Wong, Ming Kei International and their respective associates or others who are interested in the Supplemental Agreement
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
"Kaiyuan Open Pit Coal Mine"	Kaiyuan Open Pit Coal Mine (凱源露天煤礦) located at Bei Ta Mountain, Qi Tai County, Xinjiang Uygur Autonomous Region, the PRC (中國新疆維吾爾自治區奇台縣北塔山)
"Latest Practicable Date"	10 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the main board in the Stock Exchange
"Ming Kei International"	Ming Kei International Holding Co. Limited (明基國際集團有限公司), a company incorporated in Hong Kong, a substantial Shareholder, which is wholly and beneficially owned by Mr. Nelson Wong
"Mr. Benny Wong"	Mr. Wong Wai Ngok, the elder brother of Mr. Nelson Wong
"Mr. Nelson Wong"	Mr. Wong Wai Sing, an executive Director, a substantial Shareholder and director of the Target and each of the Target Subsidiaries respectively, the younger brother of Mr. Benny Wong

"Output Accounts"	two separate statements issued by auditor certifying the Actual Sales Volume of coal by PRC Subsidiary A for the First Annual Period and the Second Annual Period
"Performance Guarantee"	the guarantee given by Star Fortune that the Actual Sales Volume of coal by PRC Subsidiary A for each of the First Annual Period and the Second Annual Period which shall not be less than 900,000 tonnes (based on the coal sold as stated in the value-added tax invoices)
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Subsidiary A"	木壘縣凱源煤炭有限責任公司 (transliterated as Mulei County Kai Yuan Company Limited), a wholly-owned foreign enterprise established in the PRC and is beneficially owned as to 100% by the Target
"PRC Subsidiary B"	奇台縣澤旭商貿有限責任公司 (transliterated as Qitai County Zexu Trading Company Limited), a company established in the PRC and is beneficially owned as to 100% by PRC Subsidiary A
"Profit Guarantee"	the profit guarantee provided by Star Fortune and the Company under the Disposal Agreement in respect of the Final Net Profit not less than HK$40,000,000
"Profit Shortfall"	the amount equivalent to the difference between the Profit Guarantee and the Final Net Profit times a price to earnings ratio of 4.90 and 51% (being 51% equity interests in the Target held by the Purchaser)
"Promissory Note"	the promissory note issued by the Company in favour of Ming Kei International in the principal sum of HK$120,000,000 with zero coupon
"Purchaser" or "Lasting Power"	Lasting Power Investments Limited (力恒投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Artfield

"Revised Former Profit Guarantee"	the Former profit Guarantee provided by the Former Vendors will be revised to not less than an average of HK$20,000,000 for the two years ended 31 December 2008 and 31 December 2009 (i.e. HK$40,000,000 in aggregate)
"Sale Shares"	representing 51 shares of US$1.00 each in the capital of the Target, representing 51% of the entire issued share capital of the Company
"Second Annual Period"	for the first twelve (12) months ending immediately after the First Annual Period
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Star Fortune"	Star Fortune International Development Company Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the Former Agreement, entered into between Ming Kei International, Mr. Benny Wong, Mr. Nelson Wong and the Target on 30 April 2009, regarding the amendment of terms and conditions of the Former Agreement
"Target"	Star Fortune International Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Target Group"	the Target, together with the Target Subsidiaries
"Target Subsidiaries"	together, Ming Kei Kai Yuan Investment Company Limited, PRC Subsidiary A and PRC Subsidiary B
"Zexu Open Pit Coal Mine"	Zexu Open Pit Coal Mine (澤旭露天煤礦), located at Bei Ta Mountain, Qi Tai County, Xinjiang Uygur Autonomous Region, the PRC (中國新疆維吾爾自治區奇台縣北塔山)

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8239)

Executive Directors:
Mr. Wong Wai Sing *(Chairman)*
Mr. Tsang Ho Ka, Eugene *(Chief Executive Officer)*
Ms. Yick Mi Ching Dawnibilly
Mr. Luk Yue Kan

Independent non-executive Directors:
Mr. Fung Ho Yin
Mr. Sung Wai Tak, Herman
Mr. Chung Ho Tung

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

Head office and principal place of business in Hong Kong:
Room 3308-09
The Center
99 Queen's Road Central
Central
Hong Kong

12 June 2009

To the Shareholders

Dear Sir or Madam

(1) VERY SUBSTANTIAL DISPOSAL INVOLVING DISPOSAL OF 51% EQUITY INTERESTS IN STAR FORTUNE INTERNATIONAL INVESTMENT COMPANY LIMITED; (2) CONNECTED TRANSACTION REGARDING THE SUPPLEMENTAL AGREEMENT IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN MING KEI KAI YUAN INVESTMENT COMPANY LIMITED; AND (3) AMENDMENT OF THE PROMISSORY NOTE

INTRODUCTION

Reference is made to the announcement of the Company dated 7 May 2009 in which the Board announced that (i) on 30 April 2009, Star Fortune entered into the Disposal Agreement with the Purchaser pursuant to the which the Purchaser has agreed to acquire

* *for identification purpose only*

and Star Fortune has agreed to sell the Sale Shares for a total consideration of HK$100 million; and (ii) on 30 April 2009, the Former Vendors entered into the Supplemental Agreement with the Target, pursuant to which amendments have been made to the Former Agreement to reflect the changes in the Former Profit Guarantee under the Former Agreement and the Amendment of the Promissory Note.

The entering into the Disposal Agreement constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. As Mr. Nelson Wong is an executive Director, a substantial Shareholder and director of the Target and each of the Target Subsidiaries respectively, the younger brother of Mr. Benny Wong, the Supplemental Agreement constitutes a connected transaction on part of the Company under the GEM Listing Rules. The Disposal Agreement and the transactions contemplated thereunder will be subject to Shareholders' approval and the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) will be subject to Independent Shareholders' approval by way of poll at the EGM to be convened and held by the Company respectively.

The purpose of this circular is to provide you with, among other matters, (i) further details regarding the Disposal Agreement and the transactions contemplated thereunder; (ii) the Supplemental Agreement and the Amendment of the Promissory Note; (iii) a letter from the Independent Board Committee containing its advice and recommendation in respect of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note); and (iv) a letter from Nuada Limited containing its advice to the Independent Board Committee and Independent Shareholders in respect of the Supplemental Agreement and the transaction contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) and; (v) a notice convening the EGM.

THE DISPOSAL AGREEMENT

Date: 30 April 2009

Parties:	(1)	Vendor:	Star Fortune
	(2)	Vendor's guarantor:	The Company
	(3)	Purchaser:	Lasting Power
	(4)	Purchaser's guarantor:	Artfield

The Purchaser is a wholly-owned subsidiary of Artfield, a company the shares of which is listed on the main board of the Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, Artfield and their ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

51 Sale Shares, representing 51% of the issued share capital of the Target.

Consideration

The Disposal Consideration is HK$100 million (subject to adjustment as mentioned below) and shall be paid by the Purchaser in cash in the following manner:

(a) a sum of HK$12 million, being the Deposit and partial payment of the Disposal Consideration which has been paid by the Purchaser to Star Fortune upon signing of the Disposal Agreement (of which HK$2 million being applied and paid from the Earnest Money);

(b) a sum of HK$60 million being partial payment of the Disposal Consideration which shall be paid by the Purchaser to Star Fortune on Completion; and

(c) the balance of the Disposal Consideration of HK$28 million (subject to adjustment as stated hereunder in the subsection headed "**Profit Guarantee**") which shall be deposited by the Purchaser to the escrow account with Purchaser's solicitors as the escrow agent on Completion and shall release subject to the terms and conditions as stated in the Escrow Agreement. According to the Escrow Agreement, the Consideration Balance will be released in the following manner:

 (i) HK$18 million to be released by the Purchaser's solicitors within five (5) Business Days upon the Purchaser in receipt of the profit guarantee certificate certifying that the Profit Guarantee has been achieved and receipt of irrevocable instruction letter jointly signed by Star Fortune and the Purchaser confirming fulfillment of the Profit Guarantee; and

 (ii) HK$10 million to be released by the Purchaser's solicitors within five (5) Business Days upon the Purchaser in receipt of the Output Accounts and receipt of irrevocable instruction letter jointly signed by Star Fortune and the Purchaser confirming fulfillment of the Performance Guarantee for the First Annual Period.

In respect of the above (c)(i), in the event that the Profit Guarantee has not been achieved, the Purchaser's solicitors shall release pursuant to the terms of the Escrow Agreement a sum equivalent to HK$28 million minus the Profit Shortfall to Star Fortune and shall return the amount of Profit Shortfall to the Purchaser. For details please refer to subsection headed "Profit Guarantee" below.

Conditions

The Disposal is conditional upon the following conditions being satisfied or waived on or before 31 July 2009 or such later date as Star Fortune and the Purchaser may agree in writing:

1. Star Fortune has a good title to the Sale Shares free from Encumbrances and that Star Fortune is the sole registered and beneficial owner of the Sale Shares;

2. all necessary consents and approvals required to be contained on the part of Star Fortune, the Purchaser, the Company and Artfield as required under the Main Board Listing Rules and GEM Listing Rules (where applicable) having been obtained;

3. all approvals, consents, authorisations and licenses including but not limited to the exploration and exploitation permits necessary for the business and operation of the Target Group not having been revoked or withdrawn and are still valid and effective;

4. the Purchaser being satisfied with the results of the due diligence investigations including but not limited to the financial, accounting, legal, contractual, taxation and trading position of the Target Group and the title of the Target Group to all its assets;

5. the Purchaser receiving a PRC legal opinion (in form and substance reasonably satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the PRC legal aspects of the Disposal Agreement and the transaction contemplated thereunder;

6. the Purchaser receiving a BVI legal opinion (in form and substance reasonably satisfactory to the Purchaser) from a BVI legal adviser appointed by the Purchaser in relation to the BVI legal aspects of the Disposal Agreement and the transaction contemplated thereunder;

7. the Purchaser receiving a Hong Kong legal opinion (in form and substance reasonably satisfactory to the Purchaser) from a Hong Kong legal adviser appointed by the Purchaser in relation to the Hong Kong legal aspects of the Disposal Agreement and the transaction contemplated thereunder;

8. the Purchaser having satisfied with the independent technical report prepared by John T. Boyd Company (in form and substance reasonably satisfactory to the Purchaser) and that the recoverable reserves of coal in the Coal Mines are not substantially deviate from the quantity as provided by Star Fortune;

9. the representations and warranties given by Star Fortune, the Company, the Purchaser and Artfield, remaining true and correct in all material respect;

10. the passing by the Shareholders at the EGM to be convened and held of any ordinary resolutions approving the Disposal Agreement and the transaction contemplated thereunder, the Supplemental Agreement and the Amendment of the Promissory Note;

11. the passing by the shareholders of Artfield at its special general meeting to be convened and held of any ordinary resolutions approving the Disposal Agreement and the transaction contemplated thereunder;

12. the completion of the Group Reorganisation;

13. Star Fortune having complied fully with the obligations specified in the pre-completion obligations as stated in the Disposal Agreement and having performed in all material respects all of the covenants and agreements required to be performed by it under the Disposal Agreement; and

14. all necessary consents being granted by third parties (including governmental or official authorities) for the sale and purchase of the Sale Shares and other transaction contemplated thereunder, and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares or the operation of any Target Group member after Completion having been proposed, enacted or taken by any governmental or official authority.

The Purchaser may waive condition 2 (in respect of the consents and approvals required to be obtained on the part of Star Fortune and the Company as required under the GEM Listing Rules only), conditions 3 to 8, condition 9 (in respect of the representations and warranties given by Star Fortune and the Company only), conditions 13 and 14 at any time by notice in writing to Star Fortune.

Star Fortune may at any time by notice in writing to the Purchaser waive condition 2 (in respect of the consents and approvals required to be obtained on the part of the Purchaser and Artfield as required under the Main Board Listing Rules only) and condition 9 (in respect of the representations and warranties given by the Purchaser and Artfield only).

If the above conditions have not been satisfied or waived (as the case may be) on or before 31 July 2009 or such later date as the parties to the Disposal Agreement may agree in writing ("Long Stop Date"), neither parties shall be bound to proceed with the sale and purchase of the Sale Shares and the outstanding obligation under the Disposal Agreement shall cease to be of any effect. Star Fortune shall return the Deposit paid by the Purchaser with interest to the Purchaser within three (3) Business Days after the Long Stop Date.

As at the Latest Practicable Date, conditions 1 and 3 have been fulfilled.

Completion

Completion of the Disposal Agreement will take place on the Completion Date.

After completion of the Disposal Agreement, the Company will be interested in only 49% equity interests in the Target, and therefore the Target Group will become associates of the Company and will cease to be subsidiaries of the Company.

Shareholders' Agreement

At Completion, the Company, Star Fortune, the Target, the Purchaser and Artfield shall enter into a shareholders' agreement to regulate their respective responsibilities towards the financial contributions to, management of, the business of the Target Group, of which (i) for management aspect, the board of director of each of the companies under the Target Group, will comprise three directors, two of which are to be nominated by the Purchaser and one director will be nominated by Star Fortune; (ii) for financial contribution aspect, a loan facility agreement will be entered into, of which Star Fortune and the Company will provide an unsecured loan facilities to the Target in the maximum principal amount of RMB25,000,000 to the Target Group for the daily operation of the Target Group in the event that cash level of the Group ("Internal Cash Flow") is below the level required for the daily operation of the Business of the Group, such facility is unsecured, interest bearing at RMB benchmark 6 months lending rate as prescribed by the PRC from time to time minus 4.45% and for a period of six (6) months and renewable every six (6) months subject to further negotiation of parties to the loan facility agreement and the Internal Cash Flow; and (iii) for business aspect, the Target Group will continue to engage in coal mining business.

The terms and conditions in the loan facility agreement has been negotiated by the parties thereto in good faith and those are the commercial terms to be agreed between the parties which are part and parcel to the Disposal, the Board considers the terms are fair and reasonable. In the event that the entering into of such loan facility agreement might constitute a transaction to the Company under Chapter 19 of the GEM Listing Rules, separate announcement will be made accordingly.

Basis of the Disposal Consideration

The Disposal Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement with reference to:

(i) the Profit Guarantee and the Performance Guarantee;

(ii) the entire Disposal Consideration are all in cash;

(iii) the price to earning ratio of approximately 4.90 times, being the Disposal Consideration of HK$100 million divided by the Final Net Profit attributable to the 51% interests (the Purchaser will be interested in 51% x HK$40 million = HK$20.4 million upon Completion), which was agreed with reference to the price to earning ratios of a number of Hong Kong listed companies engaging in similar business in the coal mining industry ranging from about 2.30 to 22.5 times; and

(iv) the economic benefits to be accrued to the Company for the disposal of the mining business as elaborated in the section headed "Reasons for and benefits of the Disposal and intended use of proceeds" below.

Though the price to earning ratio of approximately 4.90 times is at the low end of the range, given that (i) the price to earning ratio is not the sole factor to be considered, other factors as mentioned above are also relevant for pricing decision; and (ii) potential buyer is generally more conservative in making investment decision in such market condition where the timing of economic recovery from the global financial tsunami is uncertain, the Directors (including the independent non-executive Directors), consider that the terms and conditions of the Disposal Agreement and the transactions contemplated thereunder are entered into upon normal commercial terms following arm's length negotiations among the parties and the terms are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Profit Guarantee

Star Fortune has guaranteed to the Purchaser that the Final Net Profit shall not be less than HK$40 million.

The basis for determination of the Profit Guarantee is as follows:

(1) the well established business and personal networks of the Target Group in Xinjiang Uygur Autonomous Region of the PRC, which would assist the future business development of the Target Group;

(2) the experience and caliber of the management of the Target Group which would ensure that the Target Group will be properly managed; and

(3) the estimated total reserve and estimated recoverable reserve of the Coal Mines estimated by the Purchaser (after consulting its own independent technical advisers).

In the event that the Profit Guarantee is not achieved, the Profit Shortfall calculated as follows shall be set off against the Consideration Balance:

Profit Shortfall = (Profit Guarantee – Final Net Profit) x 4.90 x 51% (being 51% Purchaser's equity interests in the Target)

For the avoidance of doubt, the maximum amount of the Profit Shortfall shall be HK$28 million and should PRC Subsidiary A record a loss, the Final Net Profit shall be deemed as zero. The Purchaser is entitled to reduce the Consideration Balance by the amount of the Profit Shortfall.

Performance Guarantee

Star Fortune and the Company have guaranteed to the Purchaser that the Actual Sales Volume of coal by PRC Subsidiary A for each of the First Annual Period and the Second Annual Period respectively shall not be less than 900,000 tonnes (based on the coal sold as stated in the value-added tax invoices).

In the event that the Performance Guarantee is not achieved, no adjustment to the Disposal Consideration will be made. Star Fortune and the Company shall, within one month from the date of notice from the Purchaser to Star Fortune, deliver to the Purchaser a quantity of middle size coal (80-150mm) (中塊煤), with quality not substantially different from that of the existing production of the Coal Mines, equivalent to the difference between 900,000 tonnes of coal and the Actual Sales Volume by PRC Subsidiary A for each of the First Annual Period and the Second Annual Period respectively at the same location of the Coal Mines.

Further announcement will be made by the Company regarding the fulfillment of Profit Guarantee and Performance Guarantee respectively.

Event of Force Majeure

If there occurs, in the reasonable opinion of Star Fortune, an Event of Force Majeure, which may materially and adversely affect the achievement of the Profit Guarantee and the Performance Guarantee, Star Fortune may by written notice to the Purchaser extend the Profit Guarantee period and Performance Guarantee period.

Non-Competition and Non-Solicitation

For a period of two (2) years following the date of the Disposal Agreement, except for Star Fortune's interest in the Target Group and as otherwise authorised by the Disposal Agreement or agreed to in writing by the Purchaser, none of Star Fortune or the Company will on behalf of itself or any other person, either as principal, agent, partner, member, shareholder, employee, consultant, representative, director or officer or in any other capacity (i) directly own, manage, operate or control, or be employed by, engaged in or assist anyone to engage in, or have a financial interest in, any business in Bei Ta Mountain, Qi Tai County, Xinjiang Uygur Autonomous Region, PRC (中國新疆維吾爾自治區奇台縣北塔山) (the "**Region**") which competes with the business of the Target or the Target Group in the Region; or (ii) solicit or entice away any person who is or has been a customer of the Target or the Target Group within one year before the Completion Date.

INFORMATION ON THE TARGET GROUP, THE PURCHASER AND ARTFIELD

The Target Group is principally engaged in mining, sale and distribution of coals in the PRC. The Target is an investment holding company and the Target Subsidiaries are responsible for the main operation of the Target Group. As at the Latest Practicable Date, the Target, through the Target Subsidiaries, owns the entire interest in the mining rights (採礦許可證) granted by the relevant PRC authorities to conduct mining activities 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) granted by the relevant PRC authorities to conduct exploration activities in the Zexu Open Pit Coal Mine (澤旭露天煤礦).

Artfield is an investment holding company and its subsidiaries are principally engaged in marketing and trading of clocks and other office related products, lighting products and trading of metals. The Purchaser is an investment holding company and is a wholly-owned subsidiary of Artfield.

The financial information of the Target Group for the year ended 31 March 2009 and for the period from 12 April 2007 (date of incorporation) to 31 March 2008 are as follows:

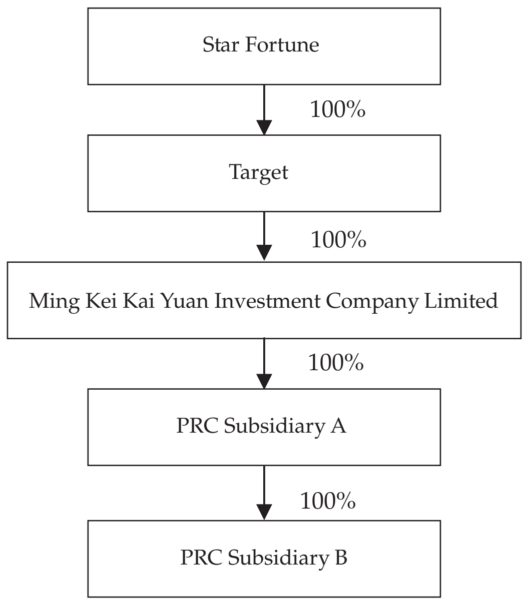
	For the year end 31 March 2009 (audited) *HK$'000*	**For the period from 12 April 2007 (date of incorporation) to 31 March 2008** (audited) *HK$'000*
Results		
Revenue	127,705	35,071
(Loss)/profit before tax *(Note)*	(1,128,483)	51,259
(Loss)/profit after tax	(836,342)	53,233

	As at 31 March 2009 (audited) *HK$'000*	**As at 31 March 2008** (audited) *HK$'000*
Net (liabilities)/assets value	(766,670)	116,465

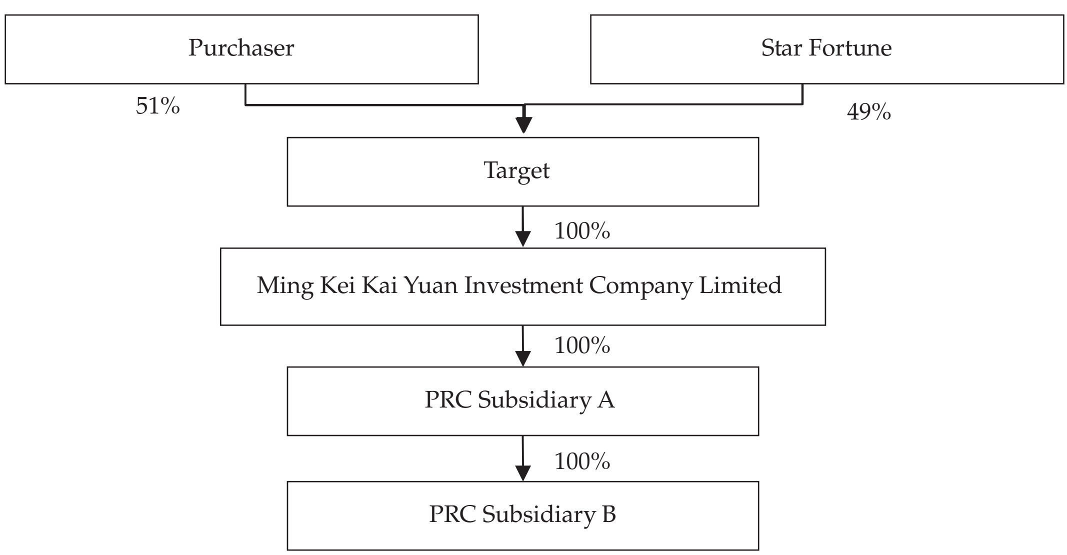
Note: The profit for the period from 12 April 2007 (date of incorporation) to 31 March 2008 was arisen from the excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition of HK$50.8 million attributed to the Former Acquisition. Reference is also made to the Company's annual report 2007/2008 dated 30 June 2008 and the Company's announcement dated 4 February 2009 respectively.

Set out below is the shareholding structure of the Target Group immediately before and after Completion:

Immediately before Completion:



Immediately after Completion:



REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Group is principally engaged in mining, sale and distribution of coals in the PRC.

The Company acquired the Target Group in July 2007 with a view that coal mining business is in a fast growing trend with immense potential and such acquisition would diversify the Group into a new business with significant growth potential. However, there are a number of unforeseeable and uncontrollable factors happened subsequent to such investment decision in the global economy in 2008 and has been continuing which resulted in the prospect of the coal mining industry has not been growing as fast as expected.

After the completion of the acquisition of the Target Group in November 2007, PRC's economy was badly hit by the global financial tsunami. In the latest published economic data published by National Bureau of Statistics, the PRC, Chinese has recorded the lowest economic growth of 6.1% in the first quarter of 2009 in the past decade. The prospect of coal mining business grows in line with the economy. The global recession and slower economic growth of the PRC are negatively hindering the manufacturing activities in the PRC which in turn affects the demand of, and put pressure on the market price of coal, the core natural resources used for generating electricity to support those manufacturing activities. According to the data provided by Bloomberg, after the financial tsunami, the price of coal has dropped by approximately 40% from its peak.

In view of the slower economic growth of the PRC and uncertainty in the economic recovery during this period of global recession, the prospect of the coal market will continue to be affected and the business in coal mining will continue to be difficult and challenging. The Board believes that the profitability potential of the Target Subsidiaries will be reduced in the short and medium terms. On the other hand, since the Disposal Consideration is entirely in cash, the Disposal provides a good opportunity for the Company to realize part of the investment and enhance the cash resources of the Group for possible future investments within the coal mining sector or other sectors(s) with growth potential including those sectors which the Directors believe are less affected by the global recession.

FINANCIAL EFFECT OF THE DISPOSAL AND THE GROUP REORGANISATION

It is expected that the Group will, subject to the review and confirmation by independent accountants, recognise an estimated unaudited loss on Disposal of approximately HK$2.5 million which is calculated based on the net proceed from the Disposal Consideration and the audited consolidated net assets value of the Target Group as at 31 March 2009, and taking into account the Group Reorganisation and the realisation of exchange reserve. Based on the audited consolidated financial statements of the Group as at 31 March 2009, taking into account the effect of the Group Reorganisation and upon completion of the Disposal and the Amendment of the Promissory Note, subject to the review and confirmation by independent accountants, the Group's total assets shall be decreased from approximately HK$388,693,000 to approximately HK$277,871,000, and the

Group's total liabilities shall be decreased from approximately HK$204,441,000 to approximately HK$39,456,000. Reference is also made to the unaudited pro forma financial information of the Remaining Group as set out in Appendix II of this circular. The final amount of the actual gain/loss as a result of the Disposal will be determined as at the Completion and will be reviewed and confirmed by independent accountants.

In view of the fact that (i) the uncertainty in maintaining the strong economic growth of the PRC in the near future and the uncertainty in the time for the recovery of the global economy due to the financial tsunami; (ii) the opportunity for the Company to realise part of the investment in such time of uncertainty; and (iii) the Disposal Consideration will enhance the cash resources of the Group for possible future investment with better profitability when opportunities arise, the Board is of the opinion that it is justifiable for the Group to dispose of the Target Group at the aforesaid Disposal Consideration.

The gross proceeds from the Disposal will amount to approximately HK$100 million (assuming receiving the Consideration Balance in full due to fulfillment of the Profit Guarantee and Performance Guarantee respectively). The net proceeds receivable by the Company, after deducting all costs, fees and expenses to be borne by the Company, are estimated to be approximately of HK$88 million. It is presently expected that the Board intends to apply approximately HK$60 million for future development and investment of the Group and the remaining balance of approximately HK$28 million as the working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular.

(i) Financial and business performance

For the year ended 31 March 2009, the Remaining Group recorded unaudited pro forma turnover of approximately HK$0.98 million and unaudited pro forma net loss of approximately HK$634.05 million. The net loss for the Remaining Group for the year ended 31 March 2009 was mainly due to the share of losses of associates and allowance for amounts due from associates of approximately HK$776.95 million, in aggregate.

(ii) Capital structure

The Remaining Group's capital structure as at 31 March 2009 consisted of issued capital of approximately HK$26.40 million and reserves of approximately HK$212.02 million.

(iii) Liquidity and financial resources

The Remaining Group had pro forma cash balances of approximately HK$71.37 million. As at 31 March 2009, save for the Promissory Note of approximately HK$35.65 million, the Remaining Group had no long-term liabilities and bank borrowing.

At 31 March 2009, the current ratio of the Remaining Group was approximately 28.75 times based on current assets of approximately HK$109.52 million and current liabilities of approximately HK$3.81 million.

As at 31 March 2009, the Remaining Group's gearing ratio (being the total non-current liabilities of approximately HK$35.65 million over the total shareholders' equity of approximately HK$238.42 million) was approximately 14.95%.

(iv) Significant investments

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

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

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

The Subscription was completed on 14 August 2008.

Save as disclosed above and the remaining 49% interests in the Target, the Remaining Group did not have any significant investment.

(v) Material acquisitions or disposals of subsidiaries and affiliated companies

On 8 July 2008, the Company entered into a disposal agreement to dispose the entire equity interests in Precious Logistics Limited. Precious Logistics Limited and its subsidiaries were principally engaged in coordinating various logistics services for its customers. The disposal was completed on 3 September 2008.

Save for the above, the Remaining Group had no material acquisition/disposal of subsidiaries and associated corporation during the financial year ended 31 March 2009.

(vi) Segment information

For the year ended 31 March 2009, the Remaining Group's turnover and operating assets were attributable from an expected rental income after the Group Reorganisation. For details, please refer to section headed "RULE 17.26 GEM LISTING RULE IMPLICATION". Accordingly, no analysis by either business or geographical segment was presented.

(vii) Number of employees and remuneration policies

As at 31 March 2009, the Remaining Group had around 19 employees in Hong Kong and the PRC. Employee benefits expenses (excluding directors' remuneration) amounted to approximately HK$3.47 million for the year 31 March 2009. Individual's emolument which are reviewed periodically, are based on his/her performance, qualifications and experience, and with reference to the prevailing salary trends in the respective regions.

In addition, the Remaining Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions to the Group.

Other benefits include contributions to retirement scheme.

(viii) Charges on the Remaining Group's assets

There was no charge on the Remaining Group's assets as at 31 March 2009.

(ix) Future plans for material investments

As at the Latest Practicable Date, there are no proposed material investments of the Remaining Group.

The Remaining Group will continue to seek for possible future investments within the coal mining sector or other sectors(s) with growth potential including those sectors which the Directors believe are less affected by the global recession with an aim to generate the best return for its shareholders.

(x) Exposure to exchange rates

All of the transactions of the Remaining Group are denominated in Hong Kong dollars or Renminbi. The Board considers that the exchange rate risk of the Remaining Group is minimal.

(xi) Contingent liabilities

There were no material legal and environmental contingent liabilities of the Remaining Group as at 31 March 2009.

(xii) Gearing

The Remaining Group had no bank borrowing as at 31 March 2009.

SUPPLEMENTAL AGREEMENT AND AMENDMENT OF THE PROMISSORY NOTE

Having considered the uncertain future prospects of the coal mining business as discussed in the above section "Reasons for and benefits of the disposal and intended use of proceeds", the Directors (including the independent non-executive Directors) are conservative over the future profitability of the coal mining business in the PRC and the fulfillment of the Former Profit Guarantee. In view of the Former Profit Guarantee covering the two years ending 31 December 2009 may not be fulfilled, the Target entered into the Supplemental Agreement with the Former Vendors to amend the Former Profit Guarantee under the Former Agreement and the Promissory Note (as part of the consideration for the Former Acquisition) in order to provide a better reflection of the financial position of the Group.

Date:	30 April 2009		
Parties:	(1)	Vendor:	Ming Kei International
			Mr. Benny Wong
			Mr. Nelson Wong
	(2)	Purchaser:	Target
	(3)	Guarantor:	Mr. Nelson Wong

On 30 April 2009, the Former Vendors entered into the Supplemental Agreement with the Target, pursuant to which amendments are to be made to the Former Agreement to reflect the changes in the related Former Profit Guarantee under the Former Agreement, the details of which are as follows:

1. the Former Profit Guarantee under the Former Agreement shall be revised from not less than HK$60,000,000 (i.e. HK$120,000,000 in aggregate) for the two years ending 31 December 2008 and 31 December 2009 to not less than HK$20,000,000 (i.e. HK$40,000,000 in aggregate) for the two years ending 31 December 2008 and 31 December 2009 and all remaining references to "HK$60,000,000" and "HK$120,000,000" in the Former Agreement shall also be deleted and substituted by "HK$20,000,000" and "HK$40,000,000" respectively (the "**Revised Former Profit Guarantee**"); and

2. the Promissory Note in the principal amount of HK$120,000,000 with zero coupon issued by the Company in favour of Ming Kei International shall be revised and substituted by a new promissory note in the principal amount of HK$40,000,000 with zero coupon.

The Revised Former Profit Guarantee covers the same period as provided under the Former Agreement and is not amended under the Supplemental Agreement.

Since the Group is responsible for the operation of the Coal Mines after the completion of the Former Acquisition, the Former Vendors and the Directors (including the independent non executive Directors), having taken into account the uncertain macro economic environment and the coal mining prospect as elaborated under "Reasons for and benefits of the disposal and intended use of proceeds" and the unforeseeable circumstances, adopt a more conservative estimation of the future performance of the Coal Mines and therefore the Profit Guarantee is revised to a more conservative figure.

Having considered (i) the Promissory Note of HK$120,000,000 has been recognised as liability of the Company since the completion the Former Agreement and the reduction in the Former Profit Guarantee will immediately relieve such liability, instead of bearing it (or part of it) over the remaining period until 31 December 2009, the Amendment of the Promissory Note will improve the overall liability outlook of the Group; and (ii) the reduction of the Former Profit Guarantee by HK$80,000,000 in aggregate for the period of two years is compensated by the Amendment of the Promissory Note on a dollar-to- dollar basis, which is also the same basis as provided in the Former Agreement when such Former Profit Guarantee is not fulfilled.

The Directors (excluding the independent non-executive Directors) consider that the revision of the Former Profit Guarantee and the Amendment of the Promissory Note is fair and reasonable and that such amendment to the Former Profit Guarantee and the Amendment to the Promissory Note will better reflect the business status of the coal mining business and financial position of the Group.

The Disposal Agreement is conditional upon passing of ordinary resolution regarding the Supplemental Agreement, but the Supplemental Agreement is not conditional upon the Disposal Agreement being passed.

Differences of the Profit Guarantee and the Revised Former Profit Guarantee

There is a difference of HK$20 million between the Profit Guarantee and the Revised Former Profit Guarantee, the Directors (including the independent non-executive Director) consider that the comparative lower figure for the Revised Former Profit Guarantee is justified as:

(i) the definitions of profit under the two profit guarantees are different. The Former Profit Guarantee is the profit after tax and extraordinary items or exceptional items of the Target Subsidiaries while the Profit Guarantee to the Vendor only covers the net profit after tax of PRC Subsidiary A only. The Former Vendors face more uncertainties in the future arising from certain unforeseeable circumstances such as the Event of Force Majeure;

(ii) the period to be covered under the Revised Former Profit Guarantee is not extendable, which is different to the Profit Guarantee under the Disposal Agreement where in case of Event of Force Majeure, the Profit Guarantee is extendable to further period. The Former Vendors are less flexible in terms of uncertain situation, therefore, it is reasonable to adopt a more conservative approach; and

(iii) the reduction in the Former Profit Guarantee is compensated on a dollar-to-dollar basis which is also the same basis as provided in the Former Agreement.

RULE 17.26 GEM LISTING RULE IMPLICATION

According to Rule 17.26 of the GEM Listing Rules, a listed company in the Stock Exchange shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of the listing company's shares. The Company may or may not satisfy the requirements under Rule 17.26 of the GEM Listing Rules immediately upon completion of the Disposal. In such event, the Company shall take steps to ensure compliance with the relevant provisions under the GEM Listing Rules. After preliminary computation, the Board confirms that after completion of the Group Reorganisation and completion of the Disposal Agreement, the Group will receive a turnover from an expected rental income of approximately HK$980,000 per annum of Yema Building, a property located in Xinjiang, the PRC which is owned by Shenzhen Star Investment Consultancy Limited, an indirect wholly-owned subsidiary of the Company after the Group Reorganisation pursuant to a tenancy agreement to be signed between Shenzhen Star Investment Consultancy Limited (or its nominee) and the Target (or its nominee) for a period of one year (subject to renewal) on the Completion Date. Further announcement will be made upon signing of the tenancy agreement and completion of the Disposal.

The Board also considers that the Group has sufficient assets to satisfy the requirements under Rule 17.26 of the GEM Listing Rules. As set out in the unaudited pro forma financial statement in appendix II, the Remaining Group will have total assets of approximately HK$277.8 million and a net asset value of approximately HK$238.4 million.

Save for the 49% interests in the Target Group and the receipt of the rental income as stated above, the Remaining Group will not have other business upon Completion.

In order to comply with Rule 17.26 of the GEM Listing Rules and for the future positive development of the Group, the Company undertakes to take active steps to identify potential investments before completion of the Disposal.

GEM LISTING RULES IMPLICATION

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. The Disposal Agreement will be subject to Shareholders' approval at the GEM by way of poll. To the best of the Directors' knowledge and information, no Shareholder have a material interest in the Disposal and accordingly, no Shareholder is required to be abstained from voting for the relevant resolution at the EGM to approve the Disposal and the transactions contemplated thereunder.

The Supplemental Agreement was entered into between the Former Vendors and the Target. As Mr. Nelson Wong is an executive Director, a substantial Shareholder and a director of the Target and each of the Target Subsidiaries respectively and Ming Kei International is a substantial Shareholder, the Supplemental Agreement constitutes a connected transaction on the part of the Company under the GEM Listing Rules. Mr. Nelson Wong, Ming Kei International and their respective associates together interest in 501,610,000 Shares, representing 19% of the total issued share capital of the Company (of which 339,000,000 Shares are owned by Ming Kei International which Mr. Nelson Wong is the sole shareholder), will abstain from voting in favour of the ordinary resolution approving the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note). The Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) will be subject to Independent Shareholders' approval by way of poll at the EGM to be convened and held by the Company.

EGM

A notice convening the EGM to be held at Room 3308-3309, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 29 June 2009 at 11:30 a.m. is set out on pages 139 to 140 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 28 and 29 of this circular which contains its views in relation to the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note); and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 30 to 34 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) was entered into on normal commercial terms and that the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned.

The Board considers that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM.

The Board (including the independent non-executive Directors), after taken into account the advice from the Independent Board Committee whom adopted the recommendation from the Independent Financial Adviser, considers that the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) are fair and reasonable and are in the interest of the Company and Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Ming Kei Energy Holdings Limited
Mr. Tsang Ho Ka, Eugene
Chief Executive Officer and Executive Director

Ming Kei Energy Holdings Limited
明基能源控股有限公司 *
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8239)

12 June 2009

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION REGARDING THE SUPPLEMENTAL AGREEMENT IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN MING KEI KAI YUAN INVESTMENT COMPANY LIMITED; AND (2) AMENDMENT OF THE PROMISSORY NOTE

We refer to the circular of the Company dated 12 June 2009 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolution regarding the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note).

Nuada Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 30 to 34 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 9 to 27 of the Circular and the additional information set out in the appendices of the Circular.

* *for identification purpose only*

Having considered the terms of the Supplemental Agreement and the transaction contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) and the advice of Nuada Limited, we are of the opinion that the Supplemental Agreement and the transaction contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) are on normal commercial terms and the terms of the Supplemental Agreement and the transaction contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreement and the transaction contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note).

Yours faithfully,
Independent Board Committee of
Ming Kei Energy Holdings Limited

Mr. Fung Ho Yin
Independent non-executive Director

Mr. Sung Wai Tak, Herman
Independent non-executive Director

Mr. Chung To Tung
Independent non-executive Director

The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) prepared for incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

7th Floor, New York House
60 Connaught Road Central
Hong Kong

12 June 2009

To the Independent Board Committee and the Independent Shareholders of Ming Kei Energy Holdings Limited

Dear Sirs,

(1) CONNECTED TRANSACTION REGARDING THE SUPPLEMENTAL AGREEMENT IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN MING KEI KAI YUAN INVESTMENT COMPANY LIMITED AND (2) AMENDMENT OF THE PROMISSORY NOTE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note), details of which are set out in the letter from the Board (the "**Board's Letter**") in the circular to the Shareholders dated 12 June 2009 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

As stated in the Board's Letter, as Mr. Nelson Wong is an executive Director, a substantial Shareholder and director of the Target and each of the Target Subsidiaries respectively and Ming Kei International is a substantial Shareholder, the Supplemental Agreement constitutes a connected transaction on the part of the Company under the GEM Listing Rules. Mr. Nelson Wong, Ming Kei International and their respective associates will abstain from voting in favour of the ordinary resolution approving the Supplemental Agreement. The Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) will be subject to Independent Shareholders' approval by way of poll at the EGM to be convened and held by the Company. The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so as at the date hereof.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to satisfy ourselves that we have reasonable basis to assess the fairness and reasonableness of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) in order to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, affairs and prospects of the Group or the markets in which it operate.

We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Former Agreement and the Supplemental Agreement (the "Agreements"). We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Agreements have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Agreements.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background

The Group is principally engaged in mining, sale and distribution of coals in the PRC. On 3 July 2007, the Target (an indirect wholly-owned subsidiary of the Company) entered into the Former Agreement in respect of the Former Acquisition to acquire from the Former Vendors the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited by the Target. Upon completion of the Former Acquisition on 19 November 2007, Ming Kei Kai Yuen Investment Company Limited became a wholly-owned subsidiary of the Target. The Target Group is principally engaged in mining, sale and distribution of coals in the PRC. For details regarding the Former Acquisition, please refer to the announcement dated 9 July 2007 and the circular dated 15 October 2007 issued by the Company.

Pursuant to the Former Agreement, the Former Vendors have guaranteed to the Target the Former Profit Guarantee that the audited net profit after tax and any extraordinary items or exceptional items of the Target Subsidiaries (the "**Audited Net Profit**") for the financial years ending 31 December 2008 and 31 December 2009 will be not less than an average of HK$60,000,000 for each of the two financial years ending 31 December 2008 and 31 December 2009 (i.e. HK$120,000,000 in aggregate). In the event that the Former Profit Guarantee is not achieved, the amount of total consideration for the Former Acquisition will be adjusted downward by setting off against the payment obligations of the Company under the Promissory Note on a dollar-to-dollar basis in an amount equivalent to the difference between the Audited Net Profit and the Former Profit Guarantee.

Having considered the uncertain future prospects of the coal mining business as discussed in the section headed "Reasons for and benefits of the Disposal and intended use of proceeds" in the Board's Letter, the Directors are conservative over the future profitability of the coal mining business in the PRC and the fulfillment of the Former Profit Guarantee. In view of the Former Profit Guarantee may not be fulfilled, on 30 April 2009, the Target entered into the Supplemental Agreement with the Former Vendors to amend the Former Profit Guarantee under the Former Agreement and the Promissory Note.

For reference purpose, on 30 April 2009, the Group also entered into the Disposal Agreement with the Purchaser for the disposal of 51% equity interest in the Target. For details of the Disposal, please refer to the Announcement and the Board's Letter. As stated in the Board's Letter, the Disposal Agreement is conditional upon passing of ordinary resolution regarding the Supplemental Agreement, but the Supplemental Agreement is not conditional upon the Disposal Agreement being passed. We, however, would like to state clearly that we envisage our role as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) and our opinion does not in any manner express our view or advice in relation to the Disposal Agreement.

Principal terms of the Supplemental Agreement

Pursuant to the Supplemental Agreement, amendments are to be made to the Former Agreement to reflect the changes in the related Former Profit Guarantee under the Former Agreement, the details of which are as follows:

1. the Former Profit Guarantee under the Former Agreement shall be revised from not less than HK$60,000,000 (i.e. HK$120,000,000 in aggregate) for the two years ending 31 December 2008 and 31 December 2009 to not less than HK$20,000,000 (i.e. HK$40,000,000 in aggregate) for the two years ending 31 December 2008 and 31 December 2009 and all remaining references to "HK$60,000,000" and "HK$120,000,000" in the Former Agreement shall also be deleted and substituted by "HK$20,000,000" and "HK$40,000,000" respectively (the "**Revised Former Profit Guarantee**"); and

2. the Promissory Note in the principal amount of HK$120,000,000 with zero coupon issued by the Company in favour of Ming Kei International shall be revised and substituted by a new promissory note in the principal amount of HK$40,000,000 with zero coupon.

In effect of the above, the reduction in the Former Profit Guarantee by HK$40,000,000 for the year ending 31 December 2008 and HK$40,000,000 for the year ending 31 December 2009 (the "**Reduced Guarantee Amount**") is compensated by the reduction in the principal amount of the Promissory Note by HK$80,000,000 on a dollar-on-dollar basis. Given the Reduced Guarantee Amount is equivalent to amount to be reduced against the Promissory Note, we consider that the Supplemental Agreement is on normal commercial terms. The effect would be the same as if the Former Profit Guarantee is not achieved with shortfall in the Reduced Guarantee Amount, and there would be an immediate reduction in the Company's liability in respect of the Promissory Note. In addition, any amount of the Audited Net Profit achieved in excess of the Revised Former Profit Guarantee would be for the benefits of the Target, and the Former Vendors shall continue be obliged to settle any shortfall under the Revised Former Profit Guarantee as stipulated in the Former Agreement (as supplemented by the Supplemental Agreement).

Taking into account the Reduced Guaranteed Amount is compensated by the immediate reduction of the liability of the Company in respect of the Promissory Note on a dollar-on-dollar basis, we consider that the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into account the principal factors and reasons mentioned above, we are of the view that the terms of the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note) are fair and reasonable and on normal commercial terms, and entering into the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole. We, therefore, advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the Revised Former Profit Guarantee and the Amendment of the Promissory Note).

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

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Hong Kong CPA Limited. As described in the paragraph headed "Documents for Inspection" in Appendix V, a copy of the following accountants' report is available for inspection.

A. ACCOUNTANTS' REPORT

Shu Lun Pan Hong Kong CPA Limited
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12 June 2009

The Board of Directors
Ming Kei Energy Holdings Limited
Room 3308-09, 33/F
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the consolidated financial information of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the three years ended 31 March 2007, 2008 and 2009 (the "Relevant Periods"), prepared on the basis set out in Note 1 of Section C below, for inclusion in the circular of the Company dated 12 June 2009 (the "Circular") in connection with, among other thing, the proposed disposal of the 51% equity interest of Star Fortune International Investment Company Limited and its subsidiaries.

The Company was incorporated in the Cayman Islands on 12 June 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands and its principal place of business is Room 3308–3309, The Center, 99 Queen's Road Central, Hong Kong. The Company's name was changed from MP Logistics International Holdings Limited to Ming Kei Energy Holdings Limited with effect from 29 November 2007.

During the year ended 31 March 2007, the principal activity of the Group is provision of various logistics services in Hong Kong and the People's Republic of China (the "PRC"). During the years ended 31 March 2008 and 2009, the principal activities of the Group are provision of various logistics services in Hong Kong and the PRC and mining, sale and distribution of coals in the PRC. During the year ended 31 March 2009, the Group entered into a disposal agreement for the disposal of its logistics business at a consideration of HK$1,500,000, details of which are set out in Note 12 of Section C. After the completion of the disposal on 3 September 2008, the Group's principal activity is mining, sale and distribution of coals in the PRC.

The Group has adopted 31 March as its financial year end for statutory reporting purposes.

The consolidated financial statements of the Group for the year ended 31 March 2007 was audited by Grant Thornton and those for the years ended 31 March 2008 and 2009 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2009.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") have been prepared based on the audited consolidated financial statements of the Group for each of the Relevant Periods (the "Underlying Financial Statements"), which are prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. No adjustment was considered necessary to restate the Underlying Financial Statements to conform with Hong Kong Financial Reporting Standards and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

For the purpose of this report, we have carried out additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The preparation and the true and fair presentation of the Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 31 March 2007, 2008 and 2009 and of the consolidated results and cash flows of the Group for the Relevant Periods.

B. FINANCIAL INFORMATION

The Financial Information of the Group has been prepared on the basis set out in Note 1 of Section C.

Consolidated Income Statements

		Continuing operation			Discontinued operation			Year ended 31 March Total		
		2007	2008	2009	2007	2008	2009	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	6	–	35,071	127,705	33,444	16,068	6,054	33,444	51,139	133,759
Cost of sales		–	(31,669)	(83,774)	(31,126)	(11,677)	(4,250)	(31,126)	(43,346)	(88,024)
Gross profit		–	3,402	43,931	2,318	4,391	1,804	2,318	7,793	45,735
Impairment loss on intangible assets	16	–	–	(1,160,219)	–	–	–	–	–	(1,160,219)
Excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition	30(i)	–	50,777	–	–	–	–	–	50,777	–
Gain on partial waiver of promissory notes by a non-equity participant	27(i)	–	–	101,677	–	–	–	–	–	101,677
Other income and gains	6	–	2,066	1,226	1,266	170	524	1,266	2,236	1,750
Selling and distribution costs		–	(421)	(1,192)	(1,233)	(253)	(20)	(1,233)	(674)	(1,212)
Administrative expenses		–	(29,166)	(28,146)	(9,589)	(7,595)	(2,857)	(9,589)	(36,761)	(31,003)
Finance costs	8	–	(9,878)	(14,795)	(114)	(79)	(5)	(114)	(9,957)	(14,800)
Profit/(loss) before tax	7	–	16,780	(1,057,518)	(7,352)	(3,366)	(554)	(7,352)	13,414	(1,058,072)
Income tax	11	–	1,974	292,141	(3,149)	–	–	(3,149)	1,974	292,141
Profit/(loss) for the year attributable to equity holders of the Company		–	18,754	(765,377)	(10,501)	(3,366)	(554)	(10,501)	15,388	(765,931)
Dividend	13							–	–	–
(Loss)/earnings per share attributable to equity holders of the Company	14									
From continuing and discontinued operations										
– Basic (HK cents)								(1.44)	0.76	(29.01)
– Diluted (HK cents)								N/A	0.76	N/A
From continuing operation										
– Basic (HK cents)								–	0.93	(28.99)
– Diluted (HK cents)								N/A	0.93	N/A

The notes in Section C form part of the Financial Information.

Consolidated Balance Sheets

		31 March		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*15*	1,568	18,113	38,655
Intangible assets	*16*	–	1,430,193	187,385
Available-for-sale financial assets	*18*	–	–	1,460
Deposits paid for possible acquisition of subsidiaries	*19*	–	–	21,500
Deferred tax assets	*25(i)*	180	180	103
		1,748	1,448,486	249,103
Current assets				
Inventories	*20*	–	2,877	49,494
Accounts and bills receivable	*21*	5,847	78,754	11,909
Prepayments, deposits and other receivables		4,565	36,637	24,011
Cash and cash equivalents	*22*	8,414	69,400	54,176
		18,826	187,668	139,590
Current liabilities				
Accounts and bills payable	*23*	1,024	45,184	18,415
Accrued expenses and other payables		5,872	42,067	29,438
Obligations under finance leases	*24*	374	145	–
Current tax payable		–	–	1,712
		7,270	87,396	49,565
Net current assets		11,556	100,272	90,025
Total assets less current liabilities		13,304	1,548,758	339,128

		31 March		
		2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Obligations under finance leases	*24*	615	–	–
Deferred tax liabilities	*25(ii)*	264	355,374	45,083
Promissory notes	*27*	–	248,994	103,193
Provision for close down, restoration and environmental costs	*33*	–	–	6,600
		879	604,368	154,876
Net assets		12,425	944,390	184,252
CAPITAL AND RESERVES				
Issued capital	*28*	15,000	26,400	26,400
Reserves	*29*	(2,575)	917,990	157,852
Total equity		12,425	944,390	184,252

The notes in Section C form part of the Financial Information.

Consolidated Statements of Changes in Equity

	Issued capital HK$'000 (Note 28)	Share premium HK$'000 (Note 29)	Capital reserve HK$'000 (Note 29)	Statutory reserve fund HK$'000 (Note 29)	Share option reserve HK$'000 (Note 29)	Convertible bond reserve HK$'000 (Note 29)	Asset revaluation reserve HK$'000 (Note 29)	Exchange reserve HK$'000 (Note 29)	Accumu-lated losses HK$'000	Total HK$'000
Balance at 1 April 2006	3,000	14,946	3,867	–	–	–	–	–	(10,887)	10,926
Loss for the year and total expenses for the year	–	–	–	–	–	–	–	–	(10,501)	(10,501)
Issue of new shares *(Note 28)*	12,000	–	–	–	–	–	–	–	–	12,000
Balance at 31 March 2007 and 1 April 2007	15,000	14,946	3,867	–	–	–	–	–	(21,388)	12,425
Exchange difference arising on translation of foreign operation and total income for the year recognised directly in equity	–	–	–	–	–	–	–	63,233	–	63,233
Profit for the year	–	–	–	–	–	–	–	–	15,388	15,388
Total income for the year	–	–	–	–	–	–	–	63,233	15,388	78,621
Appropriation	–	–	–	862	–	–	–	–	(862)	–
Issue of new shares *(Note 28)*	3,000	90,300	–	–	–	–	–	–	–	93,300
Issue of new shares on acquisition of subsidiaries *(Note 30(i))*	4,000	404,000	–	–	–	–	–	–	–	408,000
Issue of convertible bonds *(Note 26)*	–	–	–	–	–	38,054	–	–	–	38,054
Issue of new shares on conversion of convertible bonds *(Note 26)*	3,200	287,836	–	–	–	(38,054)	–	–	–	252,982
Share options exercised *(Note 31)*	1,200	54,679	–	–	(1,879)	–	–	–	–	54,000
Share issue expenses	–	(10,231)	–	–	–	–	–	–	–	(10,231)
Recognition of share-based payments *(Note 31)*	–	–	–	–	17,239	–	–	–	–	17,239
Balance at 31 March 2008 and 1 April 2008	26,400	841,530	3,867	862	15,360	–	–	63,233	(6,862)	944,390
Exchange difference arising on translation of foreign operation	–	–	–	–	–	–	–	(46,794)	–	(46,794)
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(1,072)	–	–	(1,072)
Total expense recognised directly in equity	–	–	–	–	–	–	(1,072)	(46,794)	–	(47,866)
Loss for the year	–	–	–	–	–	–	–	–	(765,931)	(765,931)
Total expense for the year	–	–	–	–	–	–	(1,072)	(46,794)	(765,931)	(813,797)
Appropriation	–	–	–	3,994	–	–	–	–	(3,994)	–
Transfer upon disposal of subsidiaries	–	–	(3,867)	–	–	–	–	–	3,867	–
Gain on partial waiver of promissory notes by an equity participant *(Note 27 (ii))*	–	–	53,659	–	–	–	–	–	–	53,659
Balance at 31 March 2009	26,400	841,530	53,659	4,856	15,360	–	(1,072)	16,439	(772,920)	184,252

The notes in Section C form part of the Financial Information.

Consolidated Cash Flow Statements

		Year ended 31 March		
		2007	**2008**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
(Loss)/profit before tax from continuing and discontinued operations		(7,352)	13,414	(1,058,072)
Adjustments for:				
Impairment loss on intangible assets		–	–	1,160,219
Gain on partial waiver of promissory notes by a non-equity participant		–	–	(101,677)
Excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition		–	(50,777)	–
Depreciation	*7*	952	1,146	3,112
Amortisation of intangible assets	*7*	–	9,599	17,939
(Gain)/loss on disposal of property, plant and equipment	*7*	(140)	–	765
Provision for close down, restoration and environmental costs	*7*	–	–	6,600
Share-based payments	*7*	–	17,239	–
Interest income	*6*	(94)	(1,947)	(455)
Gain on disposal of subsidiaries	*6*	–	–	(444)
Interest expenses	*8*	114	9,957	14,800
		(6,520)	(1,369)	42,787
Increase in inventories		–	(2,582)	(46,617)
Decrease/(increase) in accounts and bills receivable		995	(41,604)	62,252
Decrease/(increase) in prepayments, deposits and other receivables		804	(3,930)	11,698
(Decrease)/increase in accounts and bills payable		(1,074)	34,743	(26,000)
Increase/(decrease) in accrued expenses and other payables		1,463	7,374	(6,292)
Cash (used in)/generated from operations		(4,332)	(7,368)	37,828
Interest received		94	1,947	455
Interest paid		(114)	(2,666)	(3,265)
Net cash (outflow)/inflow from operating activities		(4,352)	(8,087)	35,018

	Notes	Year ended 31 March 2007 HK$'000	2008 HK$'000	2009 HK$'000
Cash flows from investing activities				
Acquisition of subsidiaries	*30(i)*	–	(67,593)	–
Purchase of items of property, plant and equipment	*15*	(198)	(1,599)	(27,366)
Disposal of subsidiaries	*30(ii)*	–	–	(646)
Proceeds from disposal of property, plant and equipment		251	–	2,558
Additions to intangible assets	*16*	–	(38)	–
Purchase of available-for-sale financial assets		–	–	(2,532)
Deposits paid for possible acquisition of subsidiaries	*19*	–	–	(21,500)
Net cash inflow/(outflow) from investing activities		53	(69,230)	(49,486)
Cash flows from financing activities				
Proceeds from issue of new shares	*28*	12,000	147,300	–
Share issue expenses		–	(10,231)	–
Repayment of promissory notes	*27*	–	–	(2,000)
Repayment of finance lease obligations		(742)	(844)	(145)
Net cash inflow/(outflow) from financing activities		11,258	136,225	(2,145)
Net increase/(decrease) in cash and cash equivalents		6,959	58,908	(16,613)
Cash and cash equivalents at beginning of year		1,455	8,414	69,400
Effect of foreign exchange rate changes, net		–	2,078	1,389
Cash and cash equivalents at end of year		8,414	69,400	54,176
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents		8,414	69,400	54,176

The notes in Section C form part of the Financial Information.

C. NOTES TO THE FINANCIAL INFORMATION

1. ORGANISATION AND OPERATIONS AND BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of the Stock Exchange.

The Company is an investment holding company. The particulars of the Company's subsidiaries are set out in Note 17.

The Financial Information is presented in Hong Kong dollars which is the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

2. ADOPTION OF NEW AND REVISED STANDARDS

Throughout the Relevant Periods, the Group has applied all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods. The adoption of the new and revised HKFRSs had no material effect on the preparation and presentation of the results and financial position of the Group for the Relevant Periods. Accordingly, no prior year adjustment has been required. The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

		Effective dates
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	– HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	– HKFRS 5	(ii)

Effective dates:

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

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared under the historical cost convention, except for available-for-sale financial assets which were stated at fair value.

(b) Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries.

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

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

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

(c) Business combinations

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

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

(d) Subsidiaries

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

(e) 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.

(f) Property, plant and equipment

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

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

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

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

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

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

(g) Construction in progress

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

(h) Deferred overburden removal costs

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

(i) Intangible assets (other than goodwill)

(i) Mining rights

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

(ii) Exploration and evaluation assets

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

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

Impairment of exploration and evaluation assets

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

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

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

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

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

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

(j) Impairment of other assets excluding goodwill

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

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

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

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

(k) Inventories

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

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

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

(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 fair value through profit or loss, which are initially measured at fair value. As at the balance sheet date, the Group's financial assets are loans and receivables and available-for-sale financial assets, which are subsequently accounted for as follows:

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

(iii) *Impairment of financial assets*

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

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

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

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

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

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

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

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

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

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

(iv) *Effective interest method*

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

(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.

(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) *Convertible bonds*

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

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

(iv) Financial liabilities

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

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

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

(v) Derecognition of financial liabilities

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits at banks, and, for the purpose of consolidated cash flow statements, 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 ownership to the lessee. All other leases are classified as operating leases.

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

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

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

(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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provision for close down, restoration and environmental costs

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

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

(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 income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

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

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

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

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

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

(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 Financial Information, 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 Financial Information.

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

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

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is 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 the income statement 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 other eligible participants providing services to the Group are measured at the fair value of the equity instruments at the grant date.

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

(u) Borrowing costs

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

(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. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

(i) *Sale of coals*

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

(ii) *Fees for logistics services*

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

(iii) *Interest income*

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

(x) Segment reporting

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(b) Useful lives of property, plant and equipment

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

(c) Reserve estimates

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

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

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

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

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

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

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

(d) Accounts and bills receivable and other receivables

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

(e) Income tax

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

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

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

5. SEGMENT INFORMATION

(i) Business segments

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

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

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

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

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.

2009

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

2008

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

2007

	Continuing operation	Discontinued operation	
	Mining	**Logistics**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE			
External services	–	33,444	33,444
SEGMENT RESULTS	–	(6,322)	(6,322)
Interest income			94
Unallocated costs and corporate expenses			(1,010)
Finance costs			(114)
Loss before tax			(7,352)
Income tax			(3,149)
Loss for the year			(10,501)
Segment assets	–	11,980	11,980
Unallocated and corporate assets			8,594
Total assets			20,574
Segment liabilities	–	7,885	7,885
Unallocated and corporate liabilities			264
Total liabilities			8,149
OTHER INFORMATION			
Capital expenditure	–	198	198
Depreciation charges	–	952	952

(ii) Geographical segments

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

	Hong Kong			PRC (excluding Hong Kong)			Consolidated		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	33,444	16,068	6,054	–	35,071	127,705	33,444	51,139	133,759
Segment assets	11,579	73,222	44,698	8,995	1,562,932	343,995	20,574	1,636,154	388,693
Capital expenditure	198	366	588	–	1,271	26,778	198	1,637	27,366

6. TURNOVER AND OTHER INCOME AND GAINS

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

	Note	**2007** *HK$'000*	**2008** *HK$'000*	**2009** *HK$'000*
From continuing operation				
Turnover:–				
Sale of coals		–	35,071	127,705
Other income and gains:–				
Interest income		–	1,947	455
Sundry income		–	119	771
		–	2,066	1,226
From discontinued operation				
Turnover:–				
Fees for logistic services provided		33,444	16,068	6,054
Other income and gains:–				
Gain on disposal of subsidiaries	*30(ii)*	–	–	444
Gain on disposal of property, plant and equipment		140	–	–
Interest income		94	–	–
Net exchange gains		388	170	80
Sundry income		644	–	–
		1,266	170	524

7. PROFIT/(LOSS) BEFORE TAX

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Costs of inventories sold	–	31,669	83,774
Cost of services provided	31,126	11,677	4,250
Auditors' remuneration	330	680	650
Depreciation *(Note 15)*			
Owned assets	236	1,038	3,112
Assets held under finance leases	716	108	–
Amortisation of intangible assets *(Note 16)**	–	9,599	17,939
(Gain)/loss on disposal of property, plant and equipment	(140)	–	765
Provision for close down, restoration and environmental costs *(Note 33)**	–	–	6,600
Staff costs (excluding directors' remuneration):			
Salaries and wages	2,251	5,254	7,193
Pension scheme contributions	88	497	467
Share-based payments**	–	7,338	–
	2,339	13,089	7,660
Share-based payments *(Note 31)*	–	17,239	–
Minimum lease payments under operating leases for land and buildings***	479	1,977	2,788

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

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

*** *Included in the balance for the year ended 31 March 2009 is HK$254,000 (2008: HK$26,000; 2007:HK$147,000) 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.*

8. FINANCE COSTS

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on borrowings wholly repayable within five years:			
From continuing operation:			
Trade financing	–	829	701
Promissory notes *(Note 27)*	–	5,288	14,094
Convertible bonds *(Note 26)*	–	3,761	–
Total interest expense	–	9,878	14,795
From discontinued operation:			
– Finance leases	114	79	5

9. DIRECTORS' REMUNERATION

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

2009

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

2008

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

2007

Name of Directors	Fees	Basic salaries, allowance and bonus	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Mr. Yeung Leung Kong	–	260	5	265
Mr. Guo Xu	43	–	–	43
Mr. Darrell Bryce Sham	35	–	–	35
Non-executive Director				
Mr. Ong Chor Wei	–	–	–	–
Independent Non-executive Directors				
Mr. Wong Ah Chik	–	–	–	–
Ms. Leung Wai Ling, Wylie	–	–	–	–
Mr. Liu Feng	–	–	–	–
Mr. Wong Ming, Kerry	34	–	–	34
Mr. Hsu Shiu Foo, William	33	–	–	33
Mr. Pang Hong Tao, Peter	21	–	–	21
	166	260	5	431

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods. 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 during the Relevant Periods.

10. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid individuals in the Group, three (2008 and 2007: Nil) individuals are directors of the Company during the year ended 31 March 2009 whose emoluments are set out above. The emoluments of the remaining two (2008 and 2007: five) individuals are as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and other allowances	1,250	1,675	1,223
Pension scheme contributions	46	35	21
Share-based payments	–	6,743	–
	1,296	8,453	1,244

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

		Number of employees	
	2007	**2008**	**2009**
HK$2,500,001 to HK$3,000,000	–	1	–
HK$2,000,001 to HK$2,500,000	–	1	–
HK$1,500,001 to HK$2,000,000	–	1	–
HK$Nil to HK$1,000,000	5	2	2
	5	5	2

During the year ended 31 March 2008, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 31. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the respective date of grant and the amount included in the income statement for the year ended 31 March 2008 is included in the above non-director, highest paid employees' remuneration disclosures.

No share option was granted to non-director, highest paid employees in respect of their services to the Group during the years ended 31 March 2007 and 2009, respectively.

11. INCOME TAX

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

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
From continuing operation:			
Current tax charge – PRC	–	–	1,694
Deferred tax credit – PRC *(Note 25(ii))*	–	(1,974)	(293,835)
	–	(1,974)	(292,141)
From discontinued operation:			
Deferred tax charge – HK *(Note 25(i))*	3,149	–	–

No provision for Hong Kong profits tax has been made as the Group has no assessable profits for Hong Kong profits tax purpose for the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or place in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

In accordance with the approval from the relevant tax authorities, Mulei County Kai Yuan Coal Company Limited ("Kai Yuan Coal"), a subsidiary of the Group operating in the PRC, is entitled to two years' exemption from the PRC corporate income tax (the "CIT") followed by three years' 50% relief from the CIT. The year ended 31 December 2007 is the first profit-making year of Kai Yuan Coal for the purpose of CIT exemption. Accordingly, no CIT was provided for the years ended 31 March 2007 and 2008. From 1 January 2008, the standard CIT rate for enterprises in the PRC is 25%. Accordingly, CIT was provided at the applicable rate of 12.5% on the assessable profit of Kai Yuan Coal for the period beginning from 1 January 2009 to 31 March 2009 in the year ended 31 March 2009.

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax			
– from continuing operation	–	16,780	(1,057,518)
– from discontinued operation	(7,352)	(3,366)	(554)
	(7,352)	13,414	(1,058,072)
Tax calculated at the rate of 16.5% for 2009 (2008 and 2007: 17.5%)	(1,287)	2,347	(174,582)
Tax effect of tax rates of other jurisdictions	–	3,896	(95,917)
Profits exempted from income tax	–	(2,154)	(12,318)
Tax effect of income non-taxable for taxation purpose	(189)	(12,694)	(16,777)
Tax effect on accelerated depreciation allowance	149	–	–
Tax effect on unused tax losses not recognised and expenses not deductible for taxation purpose	1,327	6,631	7,453
Derecognition of deferred tax assets on prior years' tax losses	3,149	–	–
Income tax charge/(credit) for the year	3,149	(1,974)	(292,141)
Income tax for the year attributable to:			
Continuing operation	–	(1,974)	(292,141)
Discontinued operation	3,149	–	–
	3,149	(1,974)	(292,141)

12. DISCONTINUED OPERATION

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

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

The results of the discontinued operation for the Relevant Periods have been presented on the face of the consolidated income statements.

The cash flows of the discontinued operation were as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Net cash (used in)/generated from operating activities	(4,352)	1,812	(779)
Net cash generated from investing activities	53	–	815
Net cash generated from/(used in) financing activities	11,258	(734)	(145)
	6,959	1,078	(109)

Basic loss per share from the discontinued operation is HK0.02 cents (2008: basic loss per share of HK0.17 cents; 2007: basic loss per share of HK1.44 cents) based on the loss for the year ended 31 March 2009 from the discontinued operation of HK$554,000 (2008: loss of HK$3,366,000 and 2007: loss of HK$10,501,000).

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

Diluted loss per share amounts for the years ended 31 March 2008 and 2009 were not disclosed as the convertible instruments of the Group outstanding during the years ended 31 March 2008 and 2009 had an anti-dilutive effect on the basic loss per share from the discontinued operation for those years. Diluted loss per share for the year ended 31 March 2007 has not been disclosed as no diluting event existed during that year.

13. DIVIDEND

No dividend has been paid or declared by the Company during each of the Relevant Periods.

14. (LOSS)/EARNINGS PER SHARE

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

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

The Company's outstanding share options had an anti-dilutive effect on the loss per share calculation for the year ended 31 March 2009. Diluted loss per share for the year ended 31 March 2007 has not been disclosed as no diluting event existed during that year. Accordingly, diluted loss per share for the years ended 31 March 2007 and 2009 has not been disclosed for those years. The Company's convertible bonds and certain share options granted had an anti-dilutive effect to the earnings per share calculation for the year ended 31 March 2008 and the diluted earnings per share was disclosed for the year ended 31 March 2008.

(i) From continuing and discontinued operations

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit			
(Loss)/profit attributable to the equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation	(10,501)	15,388	(765,931)

	Number of shares		
	2007	2008	2009
Shares	*'000*	*'000*	*'000*
Weighted average number of ordinary shares for basic (loss)/earnings per share calculation	730,685	2,012,186	2,640,000
Effect of dilution on weighted average number of ordinary shares in respect of share options	–	12,109	–
Weighted average number of ordinary shares adjusted for the effect of dilution	730,685	2,024,295	2,640,000

(ii) From continuing operation

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss)			
Profit/(loss) attributable to the equity holders of the Company, used in the basic and diluted(loss)/ earnings per share calculation	–	18,754	(765,377)

	Number of shares		
	2007	2008	2009
Shares	*'000*	*'000*	*'000*
Weighted average number of ordinary shares for basic (loss)/earnings per share calculation	730,685	2,012,186	2,640,000
Effect of dilution on weighted average number of ordinary shares in respect of share options	–	12,109	–
Weighted average number of ordinary shares adjusted for the effect of dilution	730,685	2,024,295	2,640,000

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings located in the PRC *HK$'000*	Mining related machinery and equipment *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:							
At 1 April 2006	–	–	–	1,102	3,909	–	5,011
Additions	–	–	160	38	–	–	198
Disposals	–	–	–	(484)	(1,368)	–	(1,852)
At 31 March 2007	–	–	160	656	2,541	–	3,357
Additions	–	24	38	331	292	914	1,599
Acquisition of subsidiaries *(Note 30(i))*	8,276	6,832	–	132	3,146	1,303	19,689
Transfer	–	424	–	–	–	(424)	–
Exchange realignments	489	404	–	8	186	77	1,164
At 31 March 2008	8,765	7,684	198	1,127	6,165	1,870	25,809
Additions	17,495	576	2,806	840	2,188	3,461	27,366
Disposal of subsidiaries *(Note 30(ii))*	–	–	(160)	(656)	(2,541)	–	(3,357)
Disposals	(21)	(4,136)	–	(49)	(2,113)	–	(6,319)
Transfer	–	2,927	–	–	–	(2,927)	–
Exchange realignments	183	118	–	3	54	39	397
At 31 March 2009	26,422	7,169	2,844	1,265	3,753	2,443	43,896
Accumulated depreciation:							
At 1 April 2006	–	–	–	630	1,619	–	2,249
Charge for the year *(Note 7)*	–	–	80	126	746	–	952
Disposals	–	–	–	(248)	(1,164)	–	(1,412)
At 31 March 2007	–	–	80	508	1,201	–	1,789
Acquisition of subsidiaries *(Note 30(i))*	874	1,600	–	68	1,942	–	4,484
Charge for the year *(Note 7)*	96	236	90	123	601	–	1,146
Exchange realignments	54	101	–	5	117	–	277
At 31 March 2008	1,024	1,937	170	704	3,861	–	7,696
Disposal of subsidiaries *(Note 30(ii))*	–	–	(160)	(604)	(1,911)	–	(2,675)
Disposals	(19)	(1,197)	–	(43)	(1,737)	–	(2,996)
Charge for the year *(Note 7)*	1,279	690	512	229	402	–	3,112
Exchange realignments	34	35	4	2	29	–	104
At 31 March 2009	2,318	1,465	526	288	644	–	5,241
Carrying amount:							
At 31 March 2007	–	–	80	148	1,340	–	1,568
At 31 March 2008	7,741	5,747	28	423	2,304	1,870	18,113
At 31 March 2009	24,104	5,704	2,318	977	3,109	2,443	38,655

Included in carrying amount of property, plant and equipment as at 31 March 2008 are motor vehicles with a carrying amount of HK$287,000 (2007: HK$1,124,000) held under finance leases expiring within 1 year (2007: 3 years). There was no property, plant and equipment of the Group as at 31 March 2009 held under finance lease.

16. INTANGIBLE ASSETS

	Exploration and evaluation assets	**Mining right**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 April 2006 and 31 March 2007	–	–	–
Acquisition of subsidiaries *(Note 30(i))**	1,094,430	267,425	1,361,855
Additions	–	38	38
Exchange realignments	64,747	15,821	80,568
At 31 March 2008	1,159,177	283,284	1,442,461
Exchange realignments	24,280	5,947	30,227
At 31 March 2009	1,183,457	289,231	1,472,688
Accumulated amortisation and impairment:			
At 1 April 2006 and 31 March 2007	–	–	–
Acquisition of subsidiaries *(Note 30(i))**	–	2,259	2,259
Amortisation for the year *(Note 7)* **	–	9,599	9,599
Exchange realignments	–	410	410
At 31 March 2008	–	12,268	12,268
Amortisation for the year *(Note 7)* **	–	17,939	17,939
Impairment loss ***	979,217	181,002	1,160,219
Exchange realignments	79,701	15,176	94,877
At 31 March 2009	1,058,918	226,385	1,285,303
Carrying amount:			
At 31 March 2007	–	–	–
At 31 March 2008	1,159,177	271,016	1,430,193
At 31 March 2009	124,539	62,846	187,385

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

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

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

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

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

In view of the slower economic growth of the PRC and uncertainty in the economic recovery during this period of global recession, the prospect of the coal market will continue to be affected and the business in the coal mining will continue to be difficult and challenging. The Group believes that the profitability potential of the MKKY Group will be reduced in the short and medium terms. The Group consider such decline indicates that the carrying amount of the Group's intangible assets has been impaired and an impairment loss of HK$1,160,219,000 (2007 and 2008: HK$Nil) has been recognised in the consolidated income statement for the year ended 31 March 2009 to reduce the carrying value of the intangible assets to their estimated recoverable amounts. The estimated recoverable amounts of the intangible assets of the Group were determined based on a value-in-use calculation of the Group's professionally qualified valuers, in respect of the coal mining business of the Group.

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

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

Note:

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

During the year ended 31 March 2009, the exploration right was renewed to 4 September 2009. As at the date of approval of the Financial Information, the Group has intention to apply for an extension of the relevant licence for the exploration right in the event that the related mining right for Zexu Open Pit Coal Mine has not yet been approved up to the expiry date of the existing exploration right. The Group is confident that the licence will be renewed by the relevant authorities.

17. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:–

Name of Company	Country of incorporation and operation	Nominal value of issued ordinary share capital/paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Star Fortune International Group Company Limited	British Virgin Islands ("BVI")/ Hong Kong	US$1	100	–	Investment holding
Star Fortune Strategy Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Star Energy International Group Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Star Fortune International Development Company Limited ("SFID")	BVI/Hong Kong	US$1	–	100	Investment holding

Name of Company	Country of incorporation and operation	Nominal value of issued ordinary share capital/paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Star Fortune International Investment Company Limited ("SFII")	BVI/Hong Kong	US$100	–	100	Investment holding
Star Fortune Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Energy International Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Energy International Investment Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Ming Kei Coal's Trading Company Limited	Hong Kong/ Hong Kong	HK$1	–	100	Investment holding
Ming Kei Kai Yuan Investment Company Limited ("MKKY") ***	Hong Kong/ Hong Kong	HK$60,000,000	–	100	Investment holding
Star International Business Company Limited	Hong Kong/ Hong Kong	HK$1	–	100	Provision of administrative service
Shenzhen Star Investment Consultancy Limited *	PRC/PRC	RMB100,000	–	100	Provision of administrative service
Mulei County Kai Yuan Coal Company Limited */***	PRC/PRC	RMB30,000,000	–	100	Coal mining and selling
Qitai County Zexu Trading Company Limited ***	PRC/PRC	RMB2,000,000	–	100	Coal mining and selling
Precious Logistics Limited **	BVI/Hong Kong	US$10,000	–	100	Investment holding
Marine Power Company Limited **	Hong Kong/ Hong Kong	HK$100,000	–	100	Provision of logistics services
Marine Power Company Limited **	SAMOA/ Hong Kong	US$1,000	–	100	Provision of logistics services
June (China Hong Kong) Transportation Company Limited **	Hong Kong	HK$10,000	–	100	Provision of transportation services

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

** *During the year ended 31 March 2009, the Group disposed of 100% equity interest in Precious Logistics and its subsidiaries, further details of this disposal are included in Note 30(ii).*

*** *During the year ended 31 March 2008, the Group acquired 100% equity interest in MKKY and its subsidiaries from independent third parties. Further details of this acquisition are included in Note 30(i).*

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Listed shares in Hong Kong, at fair value *(Note)*	–	–	1,460

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

19. DEPOSITS PAID FOR POSSIBLE ACQUISITION OF SUBSIDIARIES

The amount represents refundable deposits totalling HK$21,500,000 paid to the vendors under a non-legally binding memorandum of understanding dated 18 July 2008 in relation to a possible acquisition of 100% equity interest in a target company which indirectly holds 99% interest in a coal mine located in Guizhou Province, the PRC. The deposits are secured by the pledge of 100% equity interest in the target company, interest-free and refundable by 13 July 2009 in the event that no formal sale and purchase agreement would be entered into between the Group and the vendors on or before 13 July 2009 in relation to the above possible acquisition. Further details are set out in the Company's announcements dated 18 July 2008 and 14 January 2009, respectively. Subsequent to 31 March 2009, the possible acquisition was terminated and the deposits were fully refunded to the Group, details of which are set out in Note 38(iv).

20. INVENTORIES

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Coals	–	2,507	49,315
Ancillary materials, spare parts and small tools	–	370	179
	–	2,877	49,494

21. ACCOUNTS AND BILLS RECEIVABLE

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	4,150	10,822	5,190
91 to 180 days	1,697	–	1,709
181 to 365 days	–	–	1,565
Accounts receivable	5,847	10,822	8,464
Bills receivable	–	67,932	3,445
	5,847	78,754	11,909

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

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

(iv) At 31 March 2009, 2008 and 2007, the Group's bills receivable of HK$3,445,000, HK$41,070,000 and HK$Nil (Note 23) were discounted to banks with recourse respectively. The Group continued to recognise the full carrying amount of the bills receivable and had recognised the cash received on the transfer as a secured borrowing which is included in bills payable.

22. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank 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.

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents were denominated in:			
Hong Kong Dollars	8,414	65,627	11,291
Renminbi ("RMB")	–	3,656	42,885
United States Dollars	–	117	–
Total	8,414	69,400	54,176

23. ACCOUNTS AND BILLS PAYABLE

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Within 90 days	958	3,917	11,615
91 to 180 days	66	197	2,150
181 to 365 days	–	–	1,205
Total accounts payable	1,024	4,114	14,970
Bills payable *(Note 21(iv))*	–	41,070	3,445
	1,024	45,184	18,415

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

24. OBLIGATIONS UNDER FINANCE LEASES

During the years ended 31 March 2008 and 2007, the Group leased motor vehicles for it business operations. These leases were classified as finance leases and had remaining lease terms of one year (2007: ranging from one to three years).

At each balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments			Present value of minimum lease payments		
	2007	2008	2009	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:						
Within one year	444	150	–	374	145	–
In the second year	374	–	–	335	–	–
In the third to fifth years	299	–	–	280	–	–
Total minimum finance lease payments	1,117	150	–	989	145	–
Less: Future finance charges	(128)	(5)	–			
Total net finance lease payables	989	145	–			
Portion classified as current liabilities	(374)	(145)	–			
Portion classified as non-current liabilities	615	–	–			

The effective interest rate as at 31 March 2008 is 6.58% (2007: ranges from 5.49% to 9.06%) per annum. All leases were on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. The Group's obligations under finance leases were secured by the lessors' title to the leased assets.

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

25. DEFERRED TAX

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

(i) Deferred tax assets

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 April	3,329	180	180
Debited to consolidated income statement *(Note 11(a))*	(3,149)	–	–
Disposal of subsidiaries *(Note 30(ii))*	–	–	(77)
Balance at 31 March	180	180	103

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

(ii) Deferred tax liabilities

		Accelerated tax depreciation			Intangible assets			Total		
		2007	2008	2009	2007	2008	2009	2007	2008	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April		264	264	264	–	–	355,110	264	264	355,374
Credited to consolidated income statement	*11(a)*	–	–	–	–	(1,974)	(293,835)	–	(1,974)	(293,835)
Disposal of subsidiaries	*30(ii)*	–	–	(264)	–	–	–	–	–	(264)
Acquisition of subsidiaries	*30(i)*	–	–	–	–	337,194	–	–	337,194	–
Exchange realignment		–	–	–	–	19,890	(16,192)	–	19,890	(16,192)
Balance at 31 March		264	264	–	–	355,110	45,083	264	355,374	45,083

(iii) Deferred tax balances are presented in the balance sheets as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	180	180	103
Deferred tax liabilities	(264)	(355,374)	(45,083)
Balance at 31 March	(84)	(355,194)	(44,980)

At 31 March 2009, 2008 and 2007, the Group have unused tax losses of HK$66,125,000, HK$60,210,000 and HK$25,762,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss amount of HK$65,536,000, HK$59,182,000 and HK$24,734,000 due to the uncertainty over the availability of future profit streams of the Group as at 31 March 2009, 2008 and 2007, respectively. Such losses may be carried forward indefinitely.

The Group has no other material unprovided deferred tax as at each balance sheet date of the Relevant Periods.

26. CONVERTIBLE BONDS

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

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

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

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

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

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

The movements of the liability component and equity component of the convertible bonds during the Relevant Periods are as follows:

	Liability component of convertible bonds	**Equity component of convertible bonds**	**Total**
	HK'000	*HK'000*	*HK'000*
Principal amount of convertible bonds issued on 19 November 2007	249,946	38,054	288,000
Imputed interest expenses *(Note 8)*	3,761	–	3,761
Interest paid	(725)	–	(725)
Conversion into ordinary shares of the Company *(Note 28)*	(252,982)	(38,054)	(291,036)
At 31 March 2008 and 2009	–	–	–

27. PROMISSORY NOTES

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

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

(i) During the year ended 31 March 2009, on 13 February 2009, Mr. Wong Wai Ngok, the elder brother of Mr. Wong Wai Sing, an executive director and a substantial shareholder of the Company, who is the holder of the promissory notes with carrying value of HK$103,677,000 (in the aggregate principal sum of HK$112,800,000 issued by the Company in favour of Mr. Wong Wai Ngok) and a non-equity participant of the Company on that date, has agreed with the Company of early redemption of the promissory notes at a discounted amount of HK$2,000,000 and that the outstanding amount HK$101,677,000 pursuant to the promissory notes shall be deemed to be fully paid and satisfied by the Company in full.

(ii) During the year ended 31 March 2009, on 13 February 2009, Ming Kei International Holding Company Limited (the "MK International"), a substantial shareholder of the Company, which is also the holder of the promissory notes (in the principal sum of HK$169,200,000 issued by the Company in favour of MK International), has agreed with the Company to amend the terms of the promissory notes that (a) a principal amount of HK$49,200,000 owing from the Company to MK International be waived; (b) the principal sum of the promissory notes be amended to HK$120,000,000; and (c) the coupon interest of 1% per annum payable monthly at the end of each calendar month be amended to zero coupon. The carrying amount of the promissory notes held by MK International was HK$155,666,000 as at 13 February 2009. The partial waiver and amendment on the terms of the promissory notes held by MK International in substance constituted an issue of a new promissory notes (the "New PN") to MK International by the Company. The fair value of the New PN as at the issue date (i.e. 13 February 2009) is HK$102,007,000 and the difference between the then carrying amount and the fair value of HK$53,659,000 was accounted for as a partial waiver of promissory notes by MK International as an equity participant (a contribution from equity participant) and was credited to the capital reserve of the Company and the Group during the year ended 31 March 2009.

Subsequent to 31 March 2009, a supplemental agreement dated 30 April 2009 was entered into between the Company and MK International to further reduce the new promissory note of principal sum of HK$120,000,000 to the principal sum of HK$40,000,000. Details are set out in Note 38(ii).

28. SHARE CAPITAL

	Number of Shares			Amount		
	2007	2008	2009	2007	2008	2009
	'000	*'000*	*'000*	*HK$'000*	*HK$'000*	*HK$'000*
Authorised :						
Ordinary shares of HK$0.01 each at beginning and end of year	10,000,000	10,000,000	10,000,000	100,000	100,000	100,000
Issued and fully paid:						
As at beginning of year	300,000	1,500,000	2,640,000	3,000	15,000	26,400
Issue of new shares on private placement *(Notes (i) and (ii))*	1,200,000	300,000	–	12,000	3,000	–
Issue of new shares on full conversion of convertible bonds *(Note 26)*	–	320,000	–	–	3,200	–
Issue of new shares on acquisition of subsidiaries *(Note 30(i))*	–	400,000	–	–	4,000	–
Exercise of share options *(Note 31)*	–	120,000	–	–	1,200	–
As at end of year	1,500,000	2,640,000	2,640,000	15,000	26,400	26,400

(i) Issue of new shares

During the year ended 31 March 2007, the Company allotted and issued 1,200,000,000 of new shares to Tolmen Star Limited at HK$0.01 per share. Details of the issue of the new shares are set out in the Company's circular dated 1 November 2006.

(ii) Issue of new shares on private placement

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

29. RESERVES OF THE GROUP

(i) Share premium

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

(ii) Capital reserve

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

(iii) Statutory reserve fund

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

(iv) Share option reserve

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

(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).

(vi) Exchange reserve

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

(vii) Asset revaluation reserve

The asset revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policy in Note 3(l)(ii).

30. BUSINESS COMBINATION

(i) Acquisition of subsidiaries (2008)

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

The consideration was satisfied (i) as to HK$70,000,000 in cash; (ii) as to HK$360,000,000 by allotment and issue of 400,000,000 shares of the Company (Note 28); (iii) as to HK$288,000,000 by the issue of convertible bonds by the Company (Note 26); and (iv) as to HK$282,000,000 by the issue of promissory notes by the Company (Note 27).

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

	Notes	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
		HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:				
Property, plant and equipment	*15*	15,205	–	15,205
Intangible assets	*16*	10,820	1,348,776	1,359,596
Inventories		295	–	295
Accounts and bills receivable		31,303	–	31,303
Other receivables		28,142	–	28,142
Bank and cash balances		2,407	–	2,407
Accounts and bills payable		(9,417)	–	(9,417)
Other payables		(28,821)	–	(28,821)
Deferred tax liabilities	*25(ii)*	–	(337,194)	(337,194)
		49,934	1,011,582	1,061,516
Excess of the Group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition				(50,777)
Total consideration				1,010,739

Consideration satisfied by:	*HK$'000*
Cash paid	70,000
Shares of the Company – at fair value*	408,000
Convertible bonds – at fair value *(Note 26)*	288,000
Promissory notes – at fair value *(Note 27)*	244,739
	1,010,739

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

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

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

Had these business combinations been effected as at 1 April 2007, the revenue of the Group for the year ended 31 March 2008 would have been approximately HK$78,814,000, and the profit for the year ended 31 March 2008 would have been approximately HK$17,414,000.

(ii) Disposal of subsidiaries (2009)

On 3 September 2008, the Group disposed of its entire 100% equity interests in Precious Logistics Limited and its subsidiaries to an independent third party, for a consideration of HK$1,500,000 (Note 12).

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

	Notes	2009 HK$'000
Net assets disposed of:		
Property, plant and equipment	*15*	682
Deferred tax assets	*25(i)*	77
Accounts and other receivables		5,521
Cash and cash equivalents		1,461
Accounts and other payables		(7,106)
Deferred tax liabilities	*25(ii)*	(264)
		371
Cost directly attributable to the disposal		685
Gain on disposal of subsidiaries	*6*	444
Total consideration		1,500
Net cash outflow arising on disposal:		
Total consideration received		1,500
Bank balances and cash disposed of		(1,461)
Cost directly attributable to the disposal		(685)
		(646)

The financial impact of disposed subsidiaries on the Group's results and cash flows in the Relevant Periods are disclosed in Note 12.

31. SHARE OPTION SCHEME

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

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

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

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

An option may be exercised in accordance with the terms of the Scheme at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board or the Committee, but may not 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.

No share option had been granted under the Scheme as at 31 March 2007.

The following share options were outstanding under the Scheme during the years ended 31 March 2008 and 2009 and the movements during the years are as follows:

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

The exercise prices and exercise periods of the share options outstanding as at 31 March 2008 and 2009 are as follows:

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

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

The fair value of the share options granted during the year ended 31 March 2008 was HK$17,239,000 (2009 and 2007: HK$Nil) which was recognised as share-based payments (Note 7) during the year. There was no share option granted nor share-based payments recognised during the year ended 31 March 2009.

The fair value of equity-settled share options granted during the year ended 31 March 2008 was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.33–4.58
Expected volatility (%)	23.37–28.84
Risk-free interest rate (%)	1.074–3.969
Expected life of options (year)	2

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.

No other feature of the options granted was incorporated into the measurement of fair value.

The 120,000,000 share options exercised during the year ended 31 March 2008 resulted in the issue of 120,000,000 ordinary shares of the company and the related new share capital of HK$1,200,000 and share premium of HK$52,800,000 (before issue expenses), as further detailed in Note 28. An amount of approximately HK$1,879,000 was transferred from share option reserve to share premium account.

At 31 March 2009 and the date of approval of the Financial information, the Company had 125,000,000 share options outstanding under the Scheme which represented approximately 4.7% of the Company's shares in issue. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 125,000,000 additional ordinary shares of the Company and additional share capital of HK$1,250,000 and share premium of HK$106,350,000 (before issue expenses), respectively.

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

32. OPERATING LEASE COMMITMENTS

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

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		The Group	
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	289	2,916	2,714
In the second to fifth years, inclusive	–	2,860	–
	289	5,776	2,714

33. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

The provision for close down, restoration and environmental costs, in relation to all of the two mines of the Group, amounted to HK$6,600,000 as at 31 March 2009 (2008: HK$Nil; 2007: HK$Nil). It has been determined by the management and charged to the consolidated income statement during the year ended 31 March 2009.

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

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

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

34. RELATED PARTY TRANSACTIONS

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

(a) During the year ended 31 March 2007 and in the ordinary course of business, the Group had received a waiver of payable balance due to a director of HK$564,000.

(b) Included in accrued expenses and other payables of the Group as at 31 March 2008 was an amount of approximately HK$11,430,000 (2009: HK$Nil and 2007: HK$Nil) due to a shareholder of the Company, which is unsecured, interest-free and repayable on demand. The amount due was repaid during the year ended 31 March 2009.

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

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Fee, salaries and other short-term employee benefits	986	1,550	3,336
Retirement benefit costs	22	22	49
Share-based payments	–	4,366	–
	1,008	5,938	3,385

35. CAPITAL RISK MANAGEMENT

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated balance sheet, comprising bills payable and promissory notes. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus borrowings. The gearing ratios of the Group at 31 March 2007, 2008 and 2009 were as follows:

	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Total borrowings	–	290,064	106,638
Equity	12,425	944,390	184,252
Total capital	12,425	1,234,454	290,890
Gearing ratio	N/A	23.5%	36.7%

The above change in the gearing ratio was mainly a result of the issue of the promissory notes, as part of the consideration for the acquisition of subsidiaries (Note 30(i)) for the year ended 31 March 2008.

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

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

36. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Price risk – commodity price risk

Coal price

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

Available-for-sale financial assets

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

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

If equity price had been 10% higher:–

The Group's reserves would increase by HK$146,000 for the year ended 31 March 2009 (2008 and 2007: HK$Nil) as a result of the changes in fair value of available-for-sale financial assets.

(ii) Foreign currency risk

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

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

(iii) Cash flow and fair value interest rate risks

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

(b) Credit risk

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

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

(c) Liquidity risk

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

(d) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at each balance sheet date of the Relevant Periods.

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

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at each balance sheet date of the Relevant Periods may be categorised as follows:

	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale financial assets measured at fair value	–	–	1,460
Loans and receivables (including cash and cash equivalent) measured at amortised cost	14,592	177,314	80,092
	14,592	177,314	81,552
Financial liabilities			
Financial liabilities measured at amortised cost	1,543	319,730	136,977

38. SIGNIFICANT NON-ADJUSTMENT POST BALANCE SHEET EVENTS

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

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

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

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

(iv) On 4 June 2009, Star Energy International Investment Company Limited ("Star Energy"), an indirectly wholly-owned subsidiary of the Company, and the independent third parties ("Vendors") were unable to agree on the major terms of the possible acquisition of subsidiaries during the negotiation process. Star Energy and the Vendors agreed to terminate the non-legally binding memorandum of understanding entered into on 18 July 2008 with immediate effect from 4 June 2009. The Vendors had returned the deposits amounting to HK$21,500,000 without any accrued interest to Star Energy immediately after such termination.

For further details referring to the above material post balance sheet events, reference is also made to the announcements of the Company dated 9 July 2007, 13 February 2009, 7 May 2009 and 4 June 2009 respectively and the circular of the Company dated 15 October 2007.

39. SUMMARY FINANCIAL INFORMATION OF SFII AND ITS SUBSIDIARIES (THE "SFII GROUP")

The revenue, expenses, assets, liabilities and cash flow statements of the SFII Group are set out as follows:

(i) Revenue and Expenses of the SFII Group

	Year ended 31 March 2009 *HK$'000*
Turnover	127,705
Cost of sales	(83,774)
Gross profit	43,931
Impairment loss on intangible assets	(1,160,219)
Other income	336
Selling and distribution costs	(1,192)
Administrative expenses	(10,646)
Finance costs	(693)
Loss before tax	(1,128,483)
Income tax	292,141
Loss for the year attributable to equity holders of SFII	(836,342)

(ii) Assets and Liabilities of the SFII Group

	As at 31 March 2009 HK$'000
ASSETS AND LIABILITIES	
NON-CURRENT ASSETS	
Property, plant and equipment	37,974
Intangible assets	187,385
	225,359
CURRENT ASSETS	
Inventories	49,494
Accounts and bills receivable	11,909
Prepayments, deposits and other receivables	13,870
Cash and cash equivalents	43,362
	118,635
CURRENT LIABILITIES	
Accounts and bills payable	18,415
Accrued expenses and other payables	28,127
Amount due to immediate holding company	987,727
Amount due to a fellow subsidiary	23,000
Current tax payable	1,712
	1,058,981
NET CURRENT LIABILITIES	(940,346)
TOTAL ASSETS LESS CURRENT LIABILITIES	(714,987)
NON-CURRENT LIABILITIES	
Deferred tax liabilities	45,083
Provision for close down, restoration and environmental costs	6,600
	51,683
NET LIABILITIES	(766,670)
CAPITAL AND RESERVES	
Issued capital	1
Reserves	(766,671)
TOTAL EQUITY	(766,670)

(iii) Cash Flow Statements of the SFII Group

	Year ended 31 March 2009 HK$'000
Cash flow from operating activities	
Loss before tax	(1,128,483)
Adjustments for:	
Impairment loss on intangible assets	1,160,219
Depreciation	2,640
Amortisation of intangible assets	17,939
Loss on disposal of property, plant and equipment	765
Provision for close down, restoration and environmental costs	6,600
Interest income	(117)
Interest expenses	693
	60,256
Increase in inventories	(46,617)
Decrease in accounts and bills receivable	63,893
Decrease in prepayments, deposits and other receivables	19,000
Decrease in accounts and bills payable	(26,427)
Increase in accrued expenses and other payables	3,767
Decrease in amount due to immediate holding company	(22,987)
Decrease in amount due to a director and a shareholder of ultimate holding company	(11,430)
Increase in amount due to a fellow subsidiary	23,000
Decrease in amount due to ultimate holding company	(8)
Cash generated from operations	62,447
Interest received	117
Interest paid	(693)
Net cash inflow from operating activities	61,871
Cash flow from investing activities	
Purchase of items of property, plant and equipment	(26,723)
Proceeds from disposal of property, plant and equipment	2,558
Net cash outflow from investing activities	(24,165)
Cash flow from financing activity	
Proceeds from issue of new shares and cash inflow from financing activity	1
Net increase in cash and cash equivalents	37,707
Cash and cash equivalents at beginning of year	4,266
Effect of foreign exchange rate changes, net	1,389
Cash and cash equivalents at end of year	43,362
Analysis of the balances of cash and cash equivalents	
Cash and cash equivalents	43,362

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 March 2009 and up to the date of this report. No dividend or other distributions has been declared, made or paid by Company in respect of any period subsequent to 31 March 2009.

Yours faithfully
For and on behalf of
Shu Lun Pan Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Shu Lun Pan Hong Kong CPA Limited. As described in the paragraph headed "Documents for Inspection" in Appendix V, a copy of the following accountants' report is available for inspection.

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12 June 2009

The Board of Directors
Ming Kei Energy Holdings Limited
Room 3308-09 33/F
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how (i) the Group's proposed disposal of 51% equity interest in Star Fortune International Investment Company Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (the "Target Group") (hereinafter referred to as the "Disposal"); and (ii) the amendment of the terms of the promissory note of the Group might have affected the relevant financial information of the Group, for inclusion in Appendix II of the circular of the Company dated 12 June 2009 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 98 to 106 to the Circular. The resulting group comprising the Group after the above transactions is referred to as the Remaining Group.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Chapter 7 of the Rules Governing the Listing of Securities on Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement does not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Remaining Group as at 31 March 2009 or any future dates; or

– the financial results and cash flows of the Remaining Group for the year ended 31 March 2009 or any future periods.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Chapter 7 of the GEM Listing Rules.

Yours faithfully,
For and on behalf of
Shu Lun Pan Hong Kong CPA Limited
Certified Public Accountants
Hong Kong

Chan Kam Wing, Clement
Director
Practising Certificate number P02038

(A) INTRODUCTION

The following is the Unaudited Pro Forma Financial Information of the Remaining Group which has been prepared on the basis of the notes set out below for the purposes of illustrating the effect of the Disposal and the amendment of the terms of the promissory note of the Group.

The unaudited pro forma consolidated income statement and cash flow statement of the Remaining Group for the year ended 31 March 2009 are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2009 as extracted from the Accountants' report on the Group as set out in Appendix I to the Circular, and the consolidated income statement and cash flow statement of the Target Group for the year ended 31 March 2009 as if the Disposal and the amendment of the promissory note of the Group had been completed on 1 April 2008.

The unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 March 2009 is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 as extracted from the Accountants' report on the Group as set out in Appendix I to the Circular, and the consolidated balance sheet of the Target Group as at 31 March 2009 as if the Disposal and the amendment of the terms of the promissory note of the Group had been completed on 31 March 2009.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation and cash flows of the Remaining Group that would have been attained had the Disposal and the amendment of the term of the promissory note of the Group actually occurred on the dates indicated therein. Furthermore, the Unaudited Pro Forma Financial Information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation and cash flows.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the Accountants' Report on the Group as set out in Appendix I, and other financial information included elsewhere in this Circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

For the year ended 31 March 2009

	The Group	Pro forma adjustments				The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (1)	*Note (2)*	*Note (3)*	*Note (9)*	
Continuing operation						
Turnover	127,705	(127,705)		980		980
Cost of sales	(83,774)	83,774				–
Gross profit	43,931					980
Impairment loss on intangible assets	(1,160,219)	1,160,219				–
Gain on partial waiver of promissory notes by a non-equity participant	101,677					101,677
Gain on disposal of subsidiaries	–			60,851		60,851
Other income and gains	1,226	(336)				890
Selling and distribution costs	(1,192)	1,192				–
Administrative expenses	(28,146)	10,646				(17,500)
Finance costs	(14,795)	693			10,651	(3,451)
Share of losses of associates	–		(57,068)			(57,068)
Allowance for amounts due from associates	–		(719,877)			(719,877)
Loss before tax	(1,057,518)					(633,498)
Income tax	292,141	(292,141)				–
Loss for the year from continuing operation	(765,377)					(633,498)
Discontinued operation						
Loss for the year from discontinued operation	(554)					(554)
Loss for the year attributable to equity holders of the Company	(765,931)	836,342	(776,945)	61,831	10,651	(634,052)

(C) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP

As at 31 March 2009

	The Group	Pro forma adjustments				The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (4)	*Note (5)*	*Note (6)*	*Note (7)*	
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	38,655	(37,974)	21,205			21,886
Intangible assets	187,385	(187,385)				–
Interests in associates	–			123,407		123,407
Amount due from the Target Group	–		28,400	(28,400)		–
Available-for-sale financial assets	1,460					1,460
Deposits paid for possible acquisition of subsidiaries	21,500					21,500
Deferred tax assets	103					103
	249,103					168,356
Current assets						
Inventories	49,494	(49,494)				–
Accounts and bills receivable	11,909	(11,909)				–
Prepayments, deposits and other receivables	24,011	(13,870)		28,000		38,141
Cash and cash equivalents	54,176	(43,362)	560	60,000		71,374
	139,590					109,515
Current liabilities						
Accounts and bills payable	18,415	(18,415)				–
Accrued expenses and other payables	29,438	(28,127)	2,500			3,811
Current tax payable	1,712	(1,712)				–
	49,565					3,811
Net current assets	90,025					105,704
Total assets less current liabilities	339,128					274,060

	The Group	Pro forma adjustments				The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (4)	*Note (5)*	*Note (6)*	*Note (7)*	
Non-current liabilities						
Deferred tax liabilities	45,083	(45,083)				–
Promissory notes	103,193				(67,548)	35,645
Provision for close down, restoration and environmental costs	6,600	(6,600)				–
	154,876					35,645
Net assets	184,252	(244,057)	47,665	183,007	67,548	238,415
CAPITAL AND RESERVES						
Issued capital	26,400	–	–	–	–	26,400
Reserves	157,852	(244,057)	47,665	183,007	67,548	212,015
Total equity	184,252	(244,057)	47,665	183,007	67,548	238,415

(D) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	The Group	Pro forma adjustments					The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (1)	*Note (2)*	*Note (3)*	*Note (8)*	*Note (9)*	
Cash flows from operating activities							
(Loss)/profit before tax from continuing and discontinued operations	(1,058,072)	1,128,483	(776,945)	61,831		10,651	(634,052)
Adjustments for:							
Impairment loss on intangible assets	1,160,219	(1,160,219)					–
Depreciation	3,112	(2,640)					472
Amortisation of intangible assets	17,939	(17,939)					–
Provision for closedown, restoration and environment costs	6,600	(6,600)					–
Loss on disposal of property, plant and equipment	765	(765)					–
Interest income	(455)	117					(338)
Gain on partial waiver of promissory notes by a non-equity participant	(101,677)						(101,677)
Gain on disposal of subsidiaries	(444)			(60,851)			(61,295)
Interest expenses	14,800	(693)				(10,651)	3,456
Share of losses of associates	–		57,068				57,068
Allowance for amounts due from associates	–		719,877				719,877
	42,787						(16,489)
Increase in inventories	(46,617)	46,617					–
Decrease/(increase) in accounts and bills receivable	62,252	(63,893)					(1,641)
Decrease/(increase) in prepayments, deposits and other receivables	11,698	(19,000)					(7,302)
(Decrease)/increase in accounts and bills payable	(26,000)	26,427					427
(Decrease)/increase in accrued expenses and other payables	(6,292)	7,663					1,371
Cash generated from/(used in) operations	37,828						(23,634)
Interest received	455	(117)					338
Interest paid	(3,265)	693					(2,572)
Net cash inflow/(outflow) from operating activities	35,018						(25,868)

	The Group	Pro forma adjustments					The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (1)	*Note (2)*	*Note (3)*	*Note (8)*	*Note (9)*	
Cash flows from investing activities							
Deposits paid for possible acquisition of subsidiaries	(21,500)						(21,500)
Purchase of items of property, plant and equipment	(27,366)	26,723					(643)
Disposal of subsidiaries	(646)				55,734		55,088
Proceeds from disposal of property, plant and equipment	2,558	(2,558)					–
Purchase of available-for-sale financial assets	(2,532)						(2,532)
Amounts due from associates	–	(6)		(980)			(986)
Net cash (outflow)/inflow from investing activities	(49,486)						29,427
Cash flows from financing activities							
Repayment of promissory notes	(2,000)						(2,000)
Repayment of finance lease obligations	(145)						(145)
Net cash outflow from financing activities	(2,145)						(2,145)
Net (decrease)/increase in cash and cash equivalents	(16,613)						1,414
Cash and cash equivalents at beginning of year	69,400						69,400
Effect of foreign exchange rate changes, net	1,389	(1,389)					–
Cash and cash equivalents at end of year	54,176	(39,096)	–	–	55,734	–	70,814
Analysis of the balances of cash and cash equivalents							
Cash and cash equivalents	54,176	(39,096)	–	–	55,734	–	70,814

Notes:

(1) The adjustment represents the exclusion of results and cash flows attributable to the Target Group for the year ended 31 March 2009 as if the Disposal had been completed on 1 April 2008.

(2) The Remaining Group will apply the equity method of accounting to account for the remaining 49% equity interest in the Target Group as its associates upon completion of the Disposal as the Remaining Group considers that it is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the Target Group after the completion of the Disposal. Losses of the Target Group in excess of the Remaining Group's equity interest in those associates are not recognised as share of losses by the Remaining Group. Assuming that the Group Reorganisation (as defined in Note (5) below) had no impact on the net assets value and the intercompany balances of the Target Group as at 1 April 2008, the Target Group shall have net assets value of approximately HK$116,465,000 and amounts due to the Remaining Group of approximately HK$1,010,722,000 at that date. As if the Disposal had been completed on 1 April 2008, the Remaining Group had accounted for its 49% share of the Target Group's net loss of approximately HK$57,068,000 for the year ended 31 March 2009, based on the Target Group's adjusted loss for the year of HK$837,322,000 (the Target Group's loss for the year of HK$836,342,000 and the rental expenses of HK$980,000 (Note 3(b) below) payable to the Remaining Group upon the Disposal), but limited to the Remaining Group's interest in associates of HK$57,068,000 as calculated by its 49% interest in the net assets value of the Target Group of HK$116,465,000 at 1 April 2008. In addition, an allowance for the amount due from the Target Group of approximately HK$719,877,000 had been recognised for the year ended 31 March 2009 as the recoverable amount of the Remaining Group's amount due from the Target Group at 1 April 2008 with reference to its net assets value had been estimated to be less than the carrying amount. No allowance had been made for the Remaining Group's rental income receivable from the Target Group of HK$980,000 upon the Disposal as the rental receivable is considered as recoverable.

(3) The adjustment reflects:

(a) the estimated gain resulting from the Disposal as if the Disposal had been completed on 1 April 2008. Taking into account (i) the carrying value of 51% equity interest of the Target Group of HK$59,397,000 with reference to net assets value of approximately HK$116,465,000 as at 1 April 2008 disposed of pursuant to the Disposal; (ii) the realisation of HK$32,248,000 being 51% of the Target Group's exchange reserve of approximately HK$63,232,000 as at 1 April 2008; and (iii) the estimated net cash consideration of HK$88,000,000, a gain on the Disposal of approximately HK$60,851,000 is arrived. For the purposes of calculation of the gain on the Disposal in the unaudited pro forma consolidated income statement, it is assumed that the Group Reorganisation (defined in Note (5) below) had no impact on the net assets value and the intercompany balances of the Target Group as at 1 April 2008.

(b) rental income of HK$980,000 would be charged by the Remaining Group to the Target Group for the year ended 31 March 2009 as if the Disposal had been completed and the lease had been commenced on 1 April 2008. Under the Group Reorganisation (as defined in Note (5) below), the office premises held by the Target Group would be transferred to the Remaining Group. The Remaining Group would then lease the office premises to the Target Group at rental of HK$980,000 per annum which will be one of the principal activities of the Remaining Group after the Disposal and therefore the rental income is included in the Remaining Group's turnover in the unaudited pro forma consolidated income statement.

(4) The adjustment represents the exclusion of the assets and liabilities attributable to the Target Group as at 31 March 2009 as if the Disposal had been completed on 31 March 2009.

(5) Pursuant to the conditional sale and purchase agreement in respect of the Disposal (the "Disposal Agreement"), one of the conditions that shall be satisfied in order for the Disposal to succeed is the completion of the Group Reorganisation by the Group (including the Target Group and the Remaining Group), which would involve (i) declaration, making or payment of pre-acquisition

dividends by the Target Group; (ii) waiver, settlement, set-off and elimination by the Target Group through inter-companies arrangement for the unaudited aggregate current account due by the Target Group to the Remaining Group; (iii) transfer of certain assets owned by the Target Group to the Remaining Group; and (iv) making of provision for liabilities in respect of subsequent crystallisation of any contingent liabilities (collectively the "Group Reorganisation"). This adjustment represents (i) the net effect of the Group Reorganisation, which give rise to the increase in net assets value of the Remaining Group by the amount of approximately HK$47,665,000 (net of the estimated costs of approximately HK$2,500,000 attributable to the Group Reorganisation which is included in the other payables of the Remaining Group) before the Disposal as if the Group Reorganisation had been completed on 31 March 2009; (ii) assuming the loan facility to be provided by the Remaining Group to the Target Group in the maximum amount of RMB25,000,000 (equivalent to approximately HK$28,400,000) had been utilised in full by the Target Group upon completion of the Disposal; and (iii) cash settlement of current accounts of HK$560,000 by the Target Group to the Remaining Group.

(6) This adjustment represents:

(i) the estimated net disposal consideration for the Disposal of approximately HK$88,000,000 (being the cash consideration for the Disposal of HK$100,000,000 less all costs, fees, and expenses attributable to the Disposal of HK$12,000,000), details of the settlement of the disposal consideration are set out in (a) and (b) below;

(ii) Based on the consolidated net assets value of the Target Group contributed to the Group amounted to approximately HK$244,057,000 as at 31 March 2009, and the reduction in the Target Group's consolidated net assets value of approximately HK$50,165,000 (same as the estimated amount of the increase in net assets value of the Remaining Group of approximately HK$47,665,000 as shown in Note (5) and adding back the estimated costs of the Group Reorganisation of approximately HK$2,500,000 to be borne by the Remaining Group (Note (5)) as a result of the Group Reorganisation, the adjusted net assets value of the Target Group subject to the Disposal would amount to approximately HK$193,892,000. Taking into account (i) the carrying value of 51% equity interest of the Target Group of HK$98,885,000 with reference to adjusted net assets value of approximately HK$193,892,000 as at 31 March 2009 disposed of pursuant to the Disposal; (ii) the realisation of HK$8,383,000 being 51% of the Target Group's exchange reserve of approximately HK$16,438,000 as at 31 March 2009; and (iii) the estimated net cash consideration for the Disposal of HK$88,000,000, a loss on the Disposal of approximately HK$2,502,000 is arrived;

(iii) the reclassification of the Remaining Group's amount due from the Target Group as at 31 March 2009 of approximately HK$28,400,000 as the Remaining Group's amount due from associates which is included in its interests in associates as if the Group Reorganisation had been completed on 31 March 2009;

(iv) the Remaining Group's 49% share of the net assets value of the Target Group amounted to approximately HK$95,007,000 as at 31 March 2009 based on the Target Group's adjusted net assets value of approximately HK$193,892,000 (Note (ii) above) which is also included in its interests in associates. Taking into account the amount due from associates of approximately HK$28,400,000 (Note (iii) above), the Remaining Group's interests in the Target Group accounted for as its interests in associates would amount to approximately HK$123,407,000 as if the Disposal and the Group Reorganisation had been completed on 31 March 2009; and

(v) The total effects on the net assets value of the Group arising from the pro forma adjustments (4), (5) and (6) represented (i) the loss on the Disposal of approximately HK$2,502,000; (ii) the recognition of estimated costs of approximately HK$2,500,000 attributable to the Group Reorganisation; and (iii) the realisation of HK$8,383,000 being 51% of the Target Group's exchange reserve of approximately HK$16,438,000.

The estimated net disposal consideration of HK$88,000,000 would be settled in the following manner:

(a) a sum of HK$60,000,000, being the aggregate and partial payment of the disposal consideration (after deduction of all costs, fees and expenses (Note (i) above)) which shall be paid by the purchaser to the Company on completion of the Disposal; and

(b) the remaining sum of the disposal consideration of HK$28,000,000 (subject to adjustment as stated in the Disposal Agreement) which shall be deposited by the purchaser to the escrow account with purchaser's solicitors as the escrow agent on completion of the Disposal and shall release subject to the terms and condition as stated in the escrow agreement, and therefore such amount of HK$28,000,000 would be recorded as disposal consideration receivable classified as other receivables under current assets in the pro forma consolidated balance sheet of the Remaining Group.

(7) This adjustment reflects the amendment of the existing promissory note in the principal amount of HK$120,000,000 with zero coupon issued by the Company in favour of Ming Kei International Holding Co., Ltd. ("MK International") to a new promissory note in the renewed principal amount of HK$40,000,000 with zero coupon with a reduction in principal amount of HK$80,000,000 (the "Waiver") as if the amendment of the terms of promissory note of the Group had been completed on 31 March 2009. The carrying value of the promissory note of the Group as at 31 March 2009 is approximately HK$103,193,000; and the estimated carrying value of the new promissory note after the Waiver amounted to approximately HK$35,645,000 which is computed based on the renewed principal amount of HK$40,000,000 discounted using the assumed effective interest rate of 9.66% per annum over the period from 31 March 2009 to the expiry date of the promissory note, and the difference in the carrying value of approximately HK$67,548,000 had been accounted for as a gain on partial waiver of a promissory note by MK International as an equity participant (a contribution from equity participant) and credited to the capital reserve of the Remaining Group.

For the purpose of the unaudited pro forma financial information, an effective interest rate of 9.66% per annum was assumed which were reference to the effective interest rate of the Group's existing promissory note as at 31 March 2009, and the estimation of carrying amount of new promissory note of approximately HK$35,645,000 was then computed accordingly.

(8) The adjustment reflects the net cash inflow amounting to approximately HK$55,734,000 resulting from the Disposal as if the Disposal had taken place on 1 April 2008, which represents (i) the estimated net cash consideration received for the Disposal of HK$60,000,000 as mentioned in Note (6) (a) above; and (ii) the cash and bank balances of the Target Group of approximately HK$4,266,000 as at 1 April 2008 disposed of pursuant to the Disposal.

(9) This adjustment reflects the impact on the effective interest expenses of the Group's new promissory note as if the new promissory note had been in issue on 1 April 2008. Based on the renewed principal amount of HK$40,000,000 pursuant to the amendment of the terms of promissory note of the Group and with reference to the assumed effective interest rate of 9.66% per annum (Note (7) above), the effective interest expenses of the Group's promissory notes for the year ended 31 March 2009 would be reduced by approximately HK$10,651,000.

1. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2009, being the latest practicable date for the purposes of preparing this indebtedness statement prior to the printing of this circular, the Group has outstanding bills payable of HK$3,453,000 and outstanding principal amount of unsecured redeemable promissory notes of HK$120,000,000. The promissory note is carried on the amortised cost basis until extinguished on redemption. Taking into account the accrued effective interest of HK$1,968,000, the carrying amount of promissory note amounted to HK$103,975,000 as at 30 April 2009, and the Group's total outstanding borrowings amounted to HK$107,428,000 as at 30 April 2009.

Commitments

As at 30 April 2009, the Group had total future minimum lease payments under non-cancellable operating leases for its office premises and staff quarters falling due within one year of approximately HK$2,487,000.

Disclaimer

Save as aforesaid or as otherwise mentioned herein, and apart from intragroup liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 April 2009 being the latest practicable date for the purpose of this statement of indebtedness prior to printing of the circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness and contingent liabilities of the Group since 30 April 2009, the date to which the indebtedness statement is made and up to the Latest Practicable Date.

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Remaining Group including the Remaining Group's internal financial resources and the net proceeds to be received by the Remaining Group as a result of the Disposal, in the absence of unforeseen circumstances, the Group will have sufficient working capital to meet its present requirements for at least twelve months from the date of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in mining, sale and distribution of coals in the PRC.

After completion of the Disposal Agreement, the Company will be interested in only 49% equity interests in the Target, and therefore the Target Group will become associates of the Company and will cease to be subsidiaries of the Company. In addition, after completion of the Group Reorganisation and completion of the Disposal Agreement, it is expected that the Group will receive a turnover from an expected rental income of approximately HK$980,000 per annum of Yema Building, a property located in Xinjiang, the PRC which is owned by Shenzhen Star Investment Consultancy Limited, an indirect wholly-owned subsidiary of the Company, after the Group Reorganisation.

Looking ahead, the Remaining Group will while continue to strengthen the existing business in mining, sale and distribution of coals in the PRC, actively exploring new business opportunities including those sectors which the Directors believe are less affected by the global recession. The Directors believe that the net proceeds from the Disposal will enhance the cash resources of the Group and have more financial flexibility for possible future investments to enhance the financial performance of the Remaining Group and the value for the Shareholders.

The following is the text of a letter, a summary of value and valuation certificate, prepared for the purpose of incorporation of this circular received from Greater China Appraisal Limited, an independent valuer, in connection with its valuation as at 31 March 2009 of the property interests held by the Target Group.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

12 June 2009

The Directors
Ming Kei Energy Holdings Limited

Dear Sirs,

In accordance with the instructions from Ming Kei Energy Holdings Limited ("the Company") to value the property interests of Star Fortune International Investment Company Limited ("Target") and its subsidiaries (together referred to as the "Target Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the capital value of such property interest as at 31 March 2009 (referred to as the "date of valuation").

It is our understanding that this valuation is for very substantial disposal purpose.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION METHODOLOGY

All property interests are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests in their continued uses and in their existing states without the benefit of any deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interests.

For the properties numbered 1 and 2, as they are held under long term Land Use Rights, we have assumed that the owner of the properties has free and uninterrupted rights to use or transfer the property for the whole of the unexpired term of the respective Land Use Rights. In our valuation, we have assumed that the property can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the property concerned.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected thereon have been granted. Also, we have assumed that all buildings and structures fall within the site are held by the owner or permitted to be occupied by the owner.

We have assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. In addition, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificates.

TITLESHIP INVESTIGATION

For the properties owned by the Target Group in the PRC (classified as Group I), we have been provided with copy of title documents. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any material liabilities attached to the properties.

For the properties leased to the Target Group in the PRC (classified as Group II), we have been provided with copy of tenancy agreements. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us.

In the course of our valuation, we have relied upon the legal opinions as stated in the title report given by Fujian Trinity Law Office ("The PRC Lawyer") dated 12 June 2009 in relation to the legal title to the properties located in the PRC under valuation.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No soil investigation has been carried out to determine the suitability of the ground conditions or the services for any property development.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the property in which the Target Group has valid interests. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

For the properties located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuation figures of the properties held by the Target Group are shown in the attached summary of valuation and their respective valuation certificates.

For the properties which are leased to the Target Group under tenancy agreements or other form of documents, they have no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Rules"), including but are not limited to the provisions of Chapter 8 of the Rules.

In valuing the property interests, we have complied with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

All amounts are denominated in Hong Kong Dollars (HK$). Where applicable, an exchange rate of HK$100 to RMB88.203 Chinese Renminbi was adopted which is the prevailing exchange rate as at the date of valuation.

We enclose herewith the summary of valuation and valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
K. K. Ip
BLE, LLD
Chartered Valuation Surveyor
Registered Professional Surveyor
Managing Director

Note: Mr. K. K. Ip, is a chartered valuation surveyor and registered professional surveyor, has substantial experience in valuation of property in the PRC and Hong Kong since 1992. Mr. Ip has joined Greater China Appraisal Limited since 1997.

SUMMARY OF VALUATION

No.	**Property**	**Market Value as at 31 March 2009** *(HK$)*
	Group I – Property interests owned by the Target Group in The PRC	
1.	Unit 2 on 6th Floor Block A Yema Building No. 158 Kunming Road Urumqi Xinjiang Uygur Autonomous Region The PRC	18,100,000
2.	A Parcel of Land located at Jiangjungebi Qitai County Xinjiang Uygur Autonomous Region The PRC	5,300,000
3.	A Parcel of Land located at Beitashan Qitai County Xinjiang Uygur Autonomous Region The PRC	No commercial value
4.	A Parcel of Land located at Beitashan Qitai County Xinjiang Uygur Autonomous Region The PRC	No commercial value
	Sub-total:	HK$23,400,000
	Group II – Property interests leased to the Target Group in The PRC	
5.	A Parcel of Industrial Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	No commercial value

No.	Property	Market Value as at 31 March 2009 *(HK$)*
6.	A Parcel of Residential Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	No commercial value
7.	Room 1807 Baixin Zuanshiyuan Beijing Nan Road Urumqi Xinjiang Uygur Autonomous Region The PRC	No commercial value
8.	Room 15-C-308 Kangpu Zuanshiyuan Beijing Nan Road Urumqi Xinjiang Uygur Autonomous Region The PRC	No commercial value
9.	Room 501, Unit 2 Block 2, Dijingyuan Xinzhou Chengshihuayuan No. 80 Suzhou Road Urumqi Xinjiang Uygur Autonomous Region The PRC	No commercial value
10.	Room 402, Unit 1 Block 4, Xuanjingyuan Xinzhou Chengshihuayuan No. 80 Suzhou Road Urumqi Xinjiang Uygur Autonomous Region The PRC	No commercial value

No.	Property	Market Value as at 31 March 2009 *(HK$)*
11.	Room 602, Unit 5 Block 5, Yujingyuan Xinzhou Chengshihuayuan No. 80 Suzhou Road Urumqi Xinjiang Uygur Autonomous Region The PRC	No commercial value
12.	A Unit in Guest House of Mulei Office of State Administration of Taxation 330 Ren Min Nan Road Mulei County Xinjiang Uygur Autonomous Region The PRC	No commercial value
13.	Room 201 in Unit 2 Block No. 3 Lihuajian Industry and Commerce Bureau Qitai County Xinjiang Uygur Autonomous Region The PRC	No commercial value
	Sub-total:	No commercial value
	Grand Total:	**HK$23,400,000**

VALUATION CERTIFICATE

Group I – Property interests owned by the Target Group in the PRC

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 March 2009 *(HK$)*
1.	Unit 2 on 6th Floor Block A Yema Building No. 158 Kunming Road Urumqi Xinjiang Uygur Autonomous Region The PRC	Yema Building comprises 1 block of 27-storey office building (Block A) and 1 block of 27-storey apartment building (Block B) with a 1-storey basement carpark. It was completed in 2006. The subject property comprises an office unit on the 6th floor of Block A with a gross floor area of approximately 1,811.65 square metres. The property is held by a Building Ownership Certificate for office use.	The property is currently occupied by the Target Group as an office.	18,100,000

Notes:

(i) According to a Building Ownership Certificate (烏市高新區字第2008033866號) dated 24 July 2008, the property is held by 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited, "PRC Subsidiary A", a wholly-owned subsidiary of the Target) for office use.

(ii) As advised by PRC Subsidiary A, the property was acquired in May 2008 at an acquisition cost of approximately RMB14,500,000, and the other costs (including transaction fee, taxes etc.) expended to the property is approximately RMB743,000.

(iii) Opinions of the PRC Lawyer are summarized as follows:

(a) PRC Subsidiary A is in possession of the Building Ownership Certificate by which the PRC Subsidiary A has vested legal title to the property.

(b) PRC Subsidiary A has the right to use or dispose of the property.

(c) The property is not subject to any mortgage.

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 March 2009 *(HK$)*
2.	A Parcel of Land located at Jiangjungebi Qitai County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 66,666.60 square metres. The property is held by the Target Group under a State-owned Land Use Rights Certificate for a term expiring on 20 April 2056 for industrial use.	The property is currently occupied by the Target Group for industrial use.	5,300,000

Notes:

(i) According to a State-owned Land Use Rights Certificate (奇土國用(2008)第143號) dated 18 April 2008, the land use rights is granted to 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) for a term expiring on 20 April 2056 for industrial use.

(ii) As advised by PRC Subsidiary A, the property was acquired on 18 April 2008 at nil consideration, and no material costs have been expended to the property.

(iii) Opinions of the PRC Lawyer are summarized as follows:

(a) PRC Subsidiary A has obtained a State-owned Land Use Rights Certificate by which the PRC Subsidiary A has vested legal title to the property. The land use rights of the Land have been granted to PRC Subsidiary A with a term from 18 April 2008 to 20 April 2056 for industrial use.

(b) The property is not subject to any mortgage.

No.	Property	Description	Particulars of Occupancy	**Market Value as at 31 March 2009** *(HK$)*
3.	A Parcel of Land located at Beitashan Qitai County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 1.158 square kilometres. The property is held by the Target Group under a Temporary Land Use Rights Certificate for a term from 1 January 2009 to 31 December 2010 for industrial use.	The property is currently occupied by the Target Group for mining activities.	No commercial value

Notes:

(i) According to a Temporary Land Use Rights Certificate (木臨(2009)字第001號) dated 20 May 2009, the land use rights is held by 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) for a term from 1 January 2009 to 31 December 2010 for industrial use.

(ii) Opinions of the PRC Lawyer are summarized as follows:

(a) PRC Subsidiary A has obtained the Temporary Land Use Rights Certificate and has paid land use fee for the temporary usage of the property.

(b) PRC Subsidiary A has the right to use the land in accordance with the Temporary Land Use Rights Certificate.

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 March 2009 *(HK$)*
4.	A Parcel of Land located at Beitashan Qitai County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 1.067 square kilometres. The property is held by the Target Group under a Temporary Land Use Rights Certificate for a term from 25 July 2007 to 25 July 2009 for temporary dump.	The property is currently occupied by the Target Group for temporary dump.	No commercial value

Notes:

(i) According to a Temporary Land Use Rights Certificate dated (25 July 2009), the land use rights is held by 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) for a term from 25 July 2007 to 25 July 2009 for temporary dump.

(ii) Opinions of the PRC Lawyer are summarized as follows:

(a) PRC Subsidiary A has obtained the Temporary Land Use Rights Certificate and has paid land use fee for the temporary usage of the property.

(b) PRC Subsidiary A has the right to use the land in accordance with the Temporary Land Use Rights Certificate.

Group II – Property interests leased by the Target Group in the PRC

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 March 2009 *(HK$)*
5.	A parcel of Industrial Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin, approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 7,017.60 square metres. There are single-storey ancillary brickwork structures erected on the Land being occupied as offices and warehouses. The property is held by the Target Group under a State-owned Land Use Rights Certificate for an undefined term for industrial use.	The property is currently occupied by the Target Group as temporary office and warehouse of mining site.	No commercial value

Notes:

(i) According to a State-owned Land Use Rights Certificate (木土國用(2004)第155號) dated 28 September 2004, the land use rights have been leased to 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) for an undefined term for industrial use.

(ii) Opinions of the PRC Lawyer are summarized as follows:

(a) PRC Subsidiary A has obtained a State-owned Land Use Rights Certificate by which the land use rights of the Land have been leased to PRC Subsidiary A for an undefined term for industrial use.

(b) Although the land administration authority has never requested PRC Subsidiary A to pay rent for the property, PRC Subsidiary A may be required to repay all rent in the future.

(c) No Building Ownership Certificates have been obtained for the buildings erected on the property. PRC Subsidiary A may be requested to apply for the relevant Building Ownership Certificates or to demolish the buildings if categorized as illegal.

No.	Property	Description	Particulars of Occupancy	Market Value as at 31 March 2009 *(HK$)*
6.	A parcel of Residential Land located at Beishan Mining Area (Southeastern region of Dzungarian Basin, approximately 90 km northeast of Qi Tai County) Mulei County Xinjiang Uygur Autonomous Region The PRC	The property comprises a parcel of land ("the Land") with land area of approximately 4,031.32 square metres. There are single-storey ancillary brickwork structures erected on the Land being occupied as dormitory. The property is held by the Target Group under a State-owned Land Use Rights Certificate for an undefined term for residential use.	The property is currently occupied by the Target Group as temporary dormitory of mining site.	No commercial value

Notes:

(i) According to a State-owned Land Use Rights Certificate (木土國用(2004)第154號) dated 28 September 2004, the land use rights have been leased to 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) for an undefined term for residential use.

(ii) Opinions of the PRC Lawyer are summarized as follows:

(a) PRC Subsidiary A has obtained a State-owned Land Use Rights Certificate by which the land use rights of the Land have been leased to PRC Subsidiary A for an undefined term for residential use.

(b) Although the land administration authority has never requested PRC Subsidiary A to pay rent for the property, PRC Subsidiary A may be required to repay all rent in the future.

(c) No Building Ownership Certificates have been obtained for the buildings erected on the property. PRC Subsidiary A may be requested to apply for the relevant Building Ownership Certificates or to demolish the buildings if categorized as illegal.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 *(HK$)*
7.	Room 1807 Baixin Zuanshiyuan Beijing Nan Road Urumqi Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 19-storey building completed in or about 2005. The gross floor area of the property is approximately 70 square metres. The property is held under a tenancy agreement dated 16 July 2008 between 夏紅艷 (Xia Hongyan) as lessor and 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) as lessee for a term of 1 year from 9 July 2008 to 9 July 2009 at a monthly rent of RMB1,550 inclusive of furniture and management fee. The tenancy is not assignable. The property is currently occupied by the Target Group as a staff quarter.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The lessor has obtained building ownership certificate and has the rights to lease the property to PRC Subsidiary A.

(b) The tenancy agreement is legal and binding.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 *(HK$)*
8.	Room 15-C-308 Kangpu Zuanshiyuan Beijing Nan Road Urumqi Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 19-storey building completed in or about 2000. The gross floor area of the property is approximately 77.72 square metres. The property is held under a tenancy agreement dated 24 March 2009 between 袁志斌 (Yuan Zhibin) as lessor and 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Group) as lessee for a term of 1 year from 26 March 2009 to 25 March 2010 at a monthly rent of RMB1,200 inclusive of furniture and management fee. The tenancy is not assignable. The property is currently occupied by the Target Group as a staff quarter.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The lessor has obtained building ownership certificate and has the rights to lease the property to PRC Subsidiary A.

(b) The tenancy agreement is legal and binding.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 *(HK$)*
9.	Room 501 Unit 2 Block 2 Dijingyuan Xinzhou Chengshihuayuan No. 80 Suzhou Road Urumqi Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 6-storey building completed in or about 2000. The gross floor area of the property is approximately 117 square metres. The property is held under a tenancy agreement dated 24 February 2009 between 楊萍 (Yang Ping) as lessor and 木壘縣凱源煤炭有限責任有公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) as lessee for a term of 1 year from 24 February 2009 to 23 February 2010 at a monthly rent of RMB1,800 inclusive of furniture. The property is currently occupied by the Target Group as a staff quarter.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The lessor has obtained building ownership certificate and has the rights to lease the property to PRC Subsidiary A.

(b) The tenancy agreement is legal and binding.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 *(HK$)*
10.	Room 402 Unit 1 Block 4 Xuanjingyuan Xinzhou Chengshihuayuan No. 80 Suzhou Road Urumqi Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 6-storey building completed in or about 2005. The gross floor area of the property is approximately 123 square metres. The property is held under a tenancy agreement dated 16 June 2008 between 金正 (Jin Zheng) as lessor and 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target Group) as lessee for a term of 1 year from 17 June 2008 to 15 June 2009 at a monthly rent of RMB1,500 inclusive of furniture and management fee. The property is currently occupied by the Target Group as a staff quarter.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The lessor has obtained building ownership certificate and has the right to lease the property to PRC Subsidiary A.

(b) The tenancy agreement is legal and binding.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 (HK$)
11.	Room 602, Unit 5 Block 5, Yujingyuan Xinzhou Chengshihuayuan No. 80 Suzhou Road Urumqi Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 6-storey building completed in or about 2000. The gross floor area of the property is approximately 136 square metres. The property is held under a tenancy agreement dated 25 April 2008 between 湯麗丹 (Tang Lidan) as lessor and 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) as lessee for a term of 1 year from 26 April 2008 to 25 April 2009 at a monthly rent of RMB1,600 inclusive of management fee. The property is currently occupied by the Target Group as a staff quarter.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The lessor has obtained building ownership certificate and has the right to lease the property to PRC Subsidiary A.

(b) The tenancy agreement is legal and binding.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 *(HK$)*
12.	A Unit in Guest House of Mulei Office of State Administration of Taxation 330 Ren Min Nan Road Mulei County Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 4-storey building completed in about 2000. The gross floor area of the property is approximately 100 square metres. The property is held under a tenancy agreement dated 1 January 2007 between 木壘縣國家稅務局 (Mulei Office of State Administration of Taxation) as lessor and 木壘縣凱源煤炭有限責任公司 ("PRC Subsidiary A", a wholly-owned subsidiary of the Target) as lessee for a term of 1 year from 1 January 2009 to 31 December 2009 at a monthly rent of RMB8,000 inclusive of furniture, charges of water, electricity and heat. The property is currently occupied by the Target Group as an office.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) No title document of the property has been provided to the PRC Lawyer.

(b) The PRC Lawyer is unable to ascertain the legality of the tenancy agreement.

(c) There exists a risk that PRC Subsidiary A will be unable to use the property.

No.	Property	Description and Occupancy	Market value as at 31 March 2009 *(HK$)*
13.	Room 201 in Unit 2 Block No. 3 Lihuajian Industry and Commerce Bureau Qitai County Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit within a 6-storey building completed in about 1993. The gross floor area of the property is approximately 111.02 square metres. The property is held under a tenancy agreement dated 20 January 2009 between 黃建明(Wong Kin Ming) as lessor and 奇台縣澤旭商貿有限責任公司 ("PRC Subsidiary B", a wholly-owned subsidiary of the Target) as lessee for a term of 1 year from 1 January 2009 to 31 December 2009 at a yearly rent of RMB2,000 exclusive of utilities. The property is currently occupied by the Target Group as an office.	No commercial value

Notes:

(i) Opinions of the PRC Lawyer are summarized as follows:

(a) The lessor has obtained building ownership certificate and has the rights to lease the property to PRC Subsidiary B.

(b) The tenancy agreement is legal and binding.

1. RESPONSIBILITY STATEMENT

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

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors 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 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 as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interest in Shares:

Name	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding
Ming Kei International Holding Co. Limited ("**Ming Kei**") *(Note 1)*	339,000,000 (L)	Beneficial owner	12.841

Name	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding
Mr. Wong Wai Sing *(Note 2)*	339,000,000 (L)	Interest of controlled corporation	12.841
	162,610,000 (L)	Beneficial owner	6.159
Lonestar Group Limited ("**Lonestar**") *(Note 3)*	260,000,000 (L)	Beneficial owner	9.848
Mr. Tsang Ho Ka, Eugene *(Note 4)*	260,000,000 (L)	Interest of controlled corporation	9.848
	13,000,000 (L)	Beneficial owner	0.492
Ms. Lau Kimberly Siu Yan Kaiulani *(Note 5)*	273,000,000 (L)	Interest of spouse	10.340
Mr. Luk Yue Kan	60,000 (L)	Beneficial owner	0.002

(L): Long Position

Notes:

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

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

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

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

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

(ii) Interest in share options:

Name of Director	Date of grant	Exercisable period	Exercise price per Share *HK$*	Number of share options granted
Mr. Luk Yue Kan	10 March 2008	10 March 2008 – 11 March 2018	0.718	20,000,000 (L)

(L): Long Position

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were 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 are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of persons, other than the Directors or chief executive 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:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding
Ming Kei International Holding Co. Limited ("**Ming Kei**") *(Note 1)*	339,000,000 (L)	Beneficial owner	12.841
Mr. Wong Wai Sing *(Note 2)*	339,000,000 (L)	Interest of controlled corporation	12.841
	162,610,000 (L)	Beneficial owner	6.159

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding
Lonestar Group Limited ("**Lonestar**") *(Note 3)*	260,000,000 (L)	Beneficial owner	9.848
Mr. Tsang Ho Ka, Eugene *(Note 4)*	260,000,000 (L)	Interest of controlled corporation	9.848
	13,000,000 (L)	Beneficial owner	0.492
Ms. Lau Kimberly Siu Yan Kaiulani *(Note 5)*	273,000,000 (L)	Interest of spouse	10.340
Well Star Enterprises Limited ("**Well Star**") *(Note 6)*	180,000,000 (L)	Beneficial owner	6.818
Mr. Li Hai *(Note 6)*	180,000,000 (L)	Interest of controlled corporation	6.818
Ms. Zhao Yang *(Note 6)*	180,000,000 (L)	Interest of spouse	6.818

(L): Long Position

Notes:

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

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

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

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

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

6. Well Star is wholly and beneficially owned by Mr. Li Hai and who is the spouse of Ms. Zhao Yang. Accordingly, Mr. Li Hai and Ms. Zhao Yang are deemed to be interested in the 180,000,000 Shares in which Well Star is interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares 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.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement dated 3 July 2007 entered into between Star Fortune International Investment Company Limited (星力富鑫國際投資有限公司), an indirect wholly-owned subsidiary of the Company as purchaser and Ming Kei International (明基國際集團有限公司), Mr. Nelson Wong and Mr. Benny Wong collectively as vendors regarding the sale and purchase of the entire equity interests in Ming Kei Kai Yuan Investment Company Limited;

(b) the sale and purchase agreement and the supplemental agreement dated 15 May 2008 entered into between 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited), an indirect wholly-owned subsidiary of the Company as purchaser and 新疆野馬經貿有限公司 (Xinjiang Yema Economy & Trade Company Limited) as vendor in relation to the sale and purchase of a property situates at Unit 2, 6th Floor, Block A, Yema Building, No. 158, Kunming Road, Urumqi, Xinjiang, Uygur Autonomous Region, the PRC;

(c) the disposal agreement date 8 July 2008 entered into between the Company and Mr. Fu Hiu Lung in relation to the sale and purchase of the entire equity interests in Precious Logistics Limited and all obligations, liabilities and debts owing or incurred by Precious Logistics Limited and three subsidiaries to the Company which amounted to approximately HK$21 million as at 31 March 2008;

(d) the placing letter dated 4 August 2008 entered into between the Company and Partners Capital Securities Limited pursuant to which, Partners Capital Securities Limited, as placing agent to Wing Hing International (Holdings) Limited, has agreed to procure Wing Hing International (Holdings) Limited, as the issuer to allot and issue and the Company has agreed to subscribed in cash for 1,600,000 subscription shares for a total subscription price of HK$2,288,000;

(e) the supplement deed dated 13 February 2009 entered into between the Company and Ming Kei International, pursuant to which, Ming Kei International had agreed to waive part of the promissory note issued from the Company to Ming Kei International with an aggregate principal amount of HK$49,200,000 and replaced and substituted with a new promissory note with an aggregate principal amount of HK$120,000,000;

(f) the deed of waiver dated 13 February 2009 entered into between the Company and Ming Kei International, pursuant to which, Ming Kei International had agreed to waive part of the promissory note issued from the Company to Ming Kei International with an aggregate principal amount of HK$49,200,000 and replaced and substituted with a new promissory note with an aggregate principal amount of HK$120,000,000 (the "Revised Promissory Note"). At the same time, the Company amended the interest rate of the Revised Promissory Note from 1% per annum to zero coupon;

(g) the deed of settlement dated 13 February 2009 entered into between the Company and Mr. Benny Wong, pursuant to which, the Company agreed that by payment of HK$2,000,000 to Mr. Benny Wong for early redemption of the aggregate principal sum of promissory note issued by the Company to Mr. Benny Wong;

(h) the Disposal Agreement; and

(i) the Supplemental Agreement.

4. DIRECTORS' SERVICE CONTRACTS

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

5. LITIGATION

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

7. EXPERTS

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Shu Lun Pan Hong Kong CPA Limited ("**SLP**")	Certified Public Accountants
Greater China Appraisal Limited ("**Greater China**")	Charter Valuation Surveyor conducting asset valuation
Nuada Limited ("**Nuada**")	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities pursuant to the SFO
Fujian Trinity Law Office ("**Trinity**") 福建眾行律師事務所	PRC lawyers

As at the Latest Practicable Date, each of SLP, Greater China, Nuada and Trinity did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of SLP, Greater China, Nuada and Trinity was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of SLP, Greater China, Nuada and Trinity has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which it respectively appears.

8. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Remaining Group.

(b) As at the Latest Practicable Date, neither SLP, Greater China, Nuada and Trinity nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands and the head office and principal place of business in Hong Kong is at Room 3308-09, The Center, 99 Queen's Road Central, Central, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road Central East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Mr. Tsang Ho Ka, Eugene who is a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Directors, an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong and a full member of the Institute of Accountants Exchange.

(f) The compliance officer of the Company is Mr. Wong Wai Sing, an executive Director and chairman of the Group.

(g) 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 financing reporting process and internal control system of the Group. The audit committee comprises three members namely, Mr. Sung Wai Tak, Herman, Mr. Fung Ho Yin and Mr. Chung Ho Tung, all are independent non-executive Directors. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

Mr. Sung Wai Tak, Herman ("**Mr. Sung**") aged 51, is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of the New South Wales in Australia. Mr. Sung holds a bachelor's degree of art from The Chinese University of Hong Kong, a bachelor's degree of laws from The University of London and holds a master of laws from The University of Sydney. Mr. Sung has extensive experiences in the legal area both in Hong Kong and Australia respectively and he is currently a solicitor practising in Hong Kong and his practice has been focused on commercial related matters. Mr. Sung is currently an independent non-executive director of the Argos Enterprise (Holdings) Limited (Stock Code: 8022), a company listed on GEM. Mr. Sung was appointed as an independent non-executive Director with effect from 7 March 2008.

Mr. Fung Ho Yin ("**Mr. Fung**"), aged 35, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Company Secretaries, an associate of the Institute of Chartered Secretaries & Administrators. Mr. Fung holds a bachelor's degree of arts (honour) in accountancy from the Hong Kong Polytechnic University. Mr. Fung has over 10 years of experience in auditing and tax advisory in Hong Kong. Mr. Fung is currently an audit manager of a Hong Kong based medium size certified public accountants firm. Mr. Fung was appointed as an independent non-executive Director with effect from 30 May 2008.

Mr. Chung Ho Tung ("**Mr. Chung**"), aged 34, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chung holds a bachelor's degree of arts (honour) in accounting and financial management from the University of Essex, United Kingdom and also holds a master of philosophy degree in finance from the University of Cambridge, United Kingdom. Mr. Chung has over 8 years of extensive experience in securities and corporate finance. Mr. Chung is currently an associate director of a corporate finance company specialized in financial and mergers and acquisitions advisory, banking and financing in Hong Kong Special Administrative Region, the People's Republic of China and Taiwan. Mr. Chung was appointed as an independent non-executive Director with effect from 19 June 2008.

(h) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 3308–09, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the written consents of experts referred to in the paragraph headed "Experts" in this Appendix;

(d) the service contract referred to in the paragraph headed "Directors' service contracts" in this Appendix;

(e) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 in this circular;

(f) the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 34 in this circular;

(g) the valuation report on the properties held by the Target Group prepared by Greater China Appraisal Limited, the text of which is set out in Appendix IV to this circular;

(h) the accountants' report on the Group prepared by Shu Lun Pan Hong Kong CPA Limited, the text of which is set out in Appendix I to this circular;

(i) the accountants' report from Shu Lun Pan Hong Kong CPA Limited in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(j) the annual reports of the Company for each of the two financial years ended 31 March 2008 and 31 March 2009;

(k) the PRC legal opinion on the properties held by the Target Group prepared by Fujian Trinity Law Office, the summary content of which has been referred to in the valuation report which is set out in Appendix IV of this circular; and

(l) this circular.

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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8239)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Ming Kei Energy Holdings Limited (the "**Company**") will be held at Room 3308–3309, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 29 June 2009 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the conditional agreement (the "**Disposal Agreement**") dated 30 April 2009 entered into between Star Fortune International Development Company Limited ("**Star Fortune**"), an indirectly wholly-owned subsidiary of the Company, as vendor, the Company as vendor's guarantor, Artfield Group Limited as purchaser's guarantor, and Lasting Power Investments Limited, a wholly-owned subsidiary of Artfield Group Limited (the "**Purchaser**"), as purchaser in relation to the sale and purchase of the 51 shares (the "**Sale Shares**") of US$1.00 each in the issued share capital of Star Fortune International Investment Company Limited (the "**Target**") (a copy of which is marked "A" and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) be and is hereby ratified, confirmed and approved and the directors (the "**Directors**") of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Disposal Agreement and the transactions contemplated thereunder."

2. "**THAT** the supplemental agreement (the "**Supplemental Agreement**") dated 30 April 2009 entered into between Ming Kei International Holding Co. Limited, Mr. Wong Wai Ngok and Mr. Wong Wai Sing as vendors (collectively the "**Former Vendors**"), the Target as purchaser and Mr. Wong Wai Sing as the guarantor in relation to amendments made to the sale and purchase agreement dated 3 July 2007 entered into among the Former Vendors and the Target including but not limited to (a) amendment of the former profit guarantee from HK$120,000,000 to HK$40,000,000 for the two financial years ending 31 December 2008 and 31 December 2009 (the "**Revised Former Profit Guarantee**"); and (b) amendment of the amount of the promissory note from HK$120,000,000 with zero coupon to HK$40,000,000 with zero coupon (the

* *for identification purpose only*

"**Amendment of the Promissory Note**") (a copy of which is marked "B" and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) be and is hereby ratified, confirmed and approved and the Directors be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Supplemental Agreement, the Revised Former Profit Guarantee, the Amendment of the Promissory Note and the transactions contemplated thereunder."

By order of the Board
Ming Kei Energy Holdings Limited
Mr. Tsang Ho Ka, Eugene
Chief Executive Director and Executive Director

Hong Kong, 12 June 2009

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

Head office and principal place of business in Hong Kong:
Room 3308–09
The Center
99 Queen's Road Central
Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.