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Ming Kei Holdings Limited

明基控股有限公司*

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

(Stock Code: 8239)

ANNOUNCEMENT FOR INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

* For identification purposes only

The board of directors (the “Board”) of the Company is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three (the “Quarterly Period”) and six (the “Interim Period”) months ended 30 September 2012 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended		Six months ended	
		30 September	2011	30 September	2011
		2012	(Unaudited)	2012	(Unaudited)
		(Unaudited)	(Restated)	(Unaudited)	(Restated)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Turnover	4	21,986	28,424	46,017	58,853
Cost of sales		(20,730)	(26,668)	(43,358)	(55,400)
Direct operating expenses		—	(79)	(33)	(146)
Gross profit		1,256	1,677	2,626	3,307
Other income, and gains					
and losses, net	4	246	11	2,765	421
Selling and distribution costs		(171)	(186)	(342)	(371)
Administrative and other expenses		(8,881)	(8,189)	(19,695)	(17,758)
Finance costs	5	—	(87)	—	(171)
Loss before income tax from continuing operations	6	(7,550)	(6,774)	(14,646)	(14,572)
Income tax	7	(189)	(436)	(382)	(444)
Loss for the period from continuing operations		(7,739)	(7,210)	(15,028)	(15,016)
Discontinued operation					
(Loss)/profit for the period from discontinued operation	8	—	(334)	(64)	209
Loss for the period		(7,739)	(7,544)	(15,092)	(14,807)
Attributable to:					
Owners of the Company		(7,834)	(7,632)	(15,281)	(15,024)
Non-controlling interest		95	88	189	217
		(7,739)	(7,544)	(15,092)	(14,807)
Loss per share attributable to owners of the Company	10				
From continuing and discontinued operations					
Basic (Hong Kong dollar)		(0.029)	(0.045)	(0.057)	(0.089)
Diluted (Hong Kong dollar)		(0.029)	(0.045)	(0.057)	(0.089)
From continuing operations					
Basic (Hong Kong dollar)		(0.029)	(0.043)	(0.057)	(0.090)
Diluted (Hong Kong dollar)		(0.029)	(0.043)	(0.057)	(0.090)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 September 2012 (Unaudited) HK\$'000		Six months ended 30 September 2012 (Unaudited) HK\$'000	
	2011 (Unaudited) HK\$'000		2011 (Unaudited) HK\$'000	
Loss for the period	(7,739)	(7,544)	(15,092)	(14,807)
Other comprehensive income for the period, net of tax:				
– Exchange differences on translation of financial statements of overseas subsidiaries	(40)	402	(32)	873
– Reclassification adjustment of exchange reserves on disposal of interests in overseas subsidiaries	–	–	(1,198)	–
Total comprehensive income for the period	(7,779)	(7,142)	(16,322)	(13,934)
Attributable to:				
Owners of the Company	(7,874)	(7,230)	(16,511)	(14,151)
Non-controlling interest	95	88	189	217
	(7,779)	(7,142)	(16,322)	(13,934)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	13,134	13,120
Intangible assets	13	47,425	47,425
Deposit paid for acquisition of subsidiaries	14	55,000	–
		<u>115,559</u>	<u>60,545</u>
Current assets			
Trade receivables	15	42,175	51,969
Refundable deposit		19,385	19,411
Prepayments, deposits and other receivables		6,286	11,879
Tax recoverable		20	20
Cash and cash equivalents		30,786	8,543
		<u>98,652</u>	<u>91,822</u>
Assets of a disposal group classified as held for sale		<u>–</u>	<u>15,150</u>
Total current assets		<u>98,652</u>	<u>106,972</u>
Current liabilities			
Trade payables	16	36,922	46,296
Accrued expenses and other payables		4,421	2,987
Amount due to a non-controlling equity owner of a subsidiary	18(b)	1,950	1,950
Tax payable		819	1,188
		<u>44,112</u>	<u>52,421</u>
Liabilities of a disposal group classified as held for sale		<u>–</u>	<u>607</u>
Total current liabilities		<u>44,112</u>	<u>53,028</u>
Net current assets		<u>54,540</u>	<u>53,944</u>
Total assets less current liabilities		<u>170,099</u>	<u>114,489</u>
Non-current liabilities			
Deferred tax liabilities		7,825	7,825
Net assets		<u>162,274</u>	<u>106,664</u>
Capital and reserves			
Issued capital	17	3,919	1,967
Reserves		153,901	100,432
Equity attributable to owners of the Company		<u>157,820</u>	<u>102,399</u>
Non-controlling interest		<u>4,454</u>	<u>4,265</u>
Total equity		<u>162,274</u>	<u>106,664</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to owners of the Company							Non-controlling interest	Total equity
	Issued capital	Share premium	Contributed surplus	Capital reserve	Share option reserve	Exchange reserve	Accumulated losses		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 17)								
At 1 April 2012	1,967	70,917	131,109	120,794	4,484	3,012	(229,884)	102,399	106,664
Loss for the period	-	-	-	-	-	-	(15,281)	189	(15,092)
Other comprehensive income for the period	-	-	-	-	-	(1,230)	-	-	(1,230)
Total comprehensive income for the period	-	-	-	-	-	(1,230)	(15,281)	189	(16,322)
Placements of new shares (Note 17(iii))	799	24,026	-	-	-	-	-	-	24,825
Open offer (Note 17(ii))	1,153	45,954	-	-	-	-	-	-	47,107
At 30 September 2012	3,919	140,897	131,109	120,794	4,484	1,782	(245,165)	157,820	162,274

For the six months ended 30 September 2011

	Attributable to owners of the Company							Non-controlling interest	Total equity
	Issued capital	Share premium	Contributed surplus	Capital reserve	Warranty reserve	Share option reserve	Exchange reserve		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 17)								
At 1 April 2011	1,688	49,362	131,109	120,794	2,164	8,969	1,869	122,427	126,985
Loss for the period	-	-	-	-	-	-	-	(15,024)	(14,807)
Other comprehensive income for the period	-	-	-	-	-	-	873	-	873
Total comprehensive income for the period	-	-	-	-	-	-	873	217	(13,934)
As at 30 September 2011	1,688	49,362	131,109	120,794	2,164	8,969	2,742	108,276	113,051

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing and discontinued operations		
Net cash used in operating activities	(8,625)	(15,100)
Net cash (used in)/generated from investing activities	(41,051)	9,538
Net cash generated from financing activities	<u>71,932</u>	<u>–</u>
Net increase/(decrease) in cash and cash equivalents	22,256	(5,562)
Cash and cash equivalents at beginning of period	8,543	18,032
Effect of foreign exchange rate, net	(13)	67
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	<u>30,786</u>	<u>12,537</u>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	<u>30,786</u>	<u>12,537</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ming Kei Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on The Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is at Room 2103, 21/F., No. 9 Queen’s Road Central, Central, Hong Kong.

The Company principally engaged in investment holding and its subsidiaries (together the “Group”) are principally engaged in property investment, and business of coal trading between the People’s Republic of China (the “PRC”) and Indonesia.

During the Interim Period, the Group disposed of its 100% equity interests in Star International Business Company Limited (“SIB”) and its subsidiary (together referred to as the “SIB Group”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the three and six months ended 30 September 2012 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of Stock Exchange (the “GEM Listing Rules”). The Interim Financial Statements should be read in conjunction with the annual report of the Company for the year ended 31 March 2012 (the “Annual Report”), which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 Principal accounting policies

The Interim Financial Statements have been prepared under the historical cost convention.

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2012 in the Annual Report.

In the Interim Period, the Group has applied, the following amendments to standards issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2012.

HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these amendments has no significant impact on the Group’s Interim Financial Statements.

3. SEGMENT INFORMATION

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

- (a) The coal trading segment comprised the business of coal trading;
- (b) The property investment segment comprised investment in various properties for rental income purposes; and
- (c) The general trading segment comprised the business of trading of other merchandise goods. During the year ended 31 March 2012, the Group decided to cease the operation of the general trading segment. Accordingly, the general trading segment was re-classified from a continuing operation to a discontinued operation during that year, details of which are set out in Note 8.

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

In determining the Group's geographical segments, revenues and results are based on the location in which the customer is located.

Reportable segments

The following tables present revenue, results and certain asset, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2012 and 2011.

	For the six months ended 30 September 2012				
	Continuing operations			Discontinued operation	Total
	Coal trading (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	General trading (Unaudited) HK\$'000	
Segment revenue					
External sales and services and reportable segment revenue	<u>45,872</u>	<u>145</u>	<u>46,017</u>	<u>-</u>	<u>46,017</u>
Reportable segment profit/(loss)	<u>2,258</u>	<u>(575)</u>	<u>1,683</u>	<u>(64)</u>	<u>1,619</u>
Interest income	-	-	-	1	1
Depreciation	<u>-</u>	<u>48</u>	<u>48</u>	<u>-</u>	<u>48</u>

For the six months ended 30 September 2011

	Continuing operations			Discontinued operation	
	Coal trading (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Subtotal (Unaudited) HK\$'000	General trading (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue					
External sales and services and reportable segment revenue	<u>58,171</u>	<u>682</u>	<u>58,853</u>	<u>16,778</u>	<u>75,631</u>
Reportable segment profit/(loss)	<u>2,592</u>	<u>(591)</u>	<u>2,001</u>	<u>209</u>	<u>2,210</u>
Interest income	-	3	3	6	9
Depreciation	-	(100)	(100)	(1)	(101)
Gain on disposal of investment property	-	14	14	-	14
Fair value gain on investment properties	<u>-</u>	<u>180</u>	<u>180</u>	<u>-</u>	<u>180</u>

A reconciliation of reportable segment profit to consolidated loss before income tax is provided as follow:

	Six months ended 30 September 2012 (Unaudited) HK\$'000		2011 (Unaudited) HK\$'000
Continuing operations:			
Loss before income tax			
Reportable segment profit	1,683		2,001
Interest income	-		1
Unallocated expenses	(16,329)		(16,403)
Finance costs	<u>-</u>		<u>(171)</u>
Consolidated loss before income tax	<u>(14,646)</u>		<u>(14,572)</u>

Except for the deposit paid for acquisition of subsidiaries as set out in Note 14, there has been no material change in total assets from the amount disclosed in the Annual Report.

There is no difference from the Annual Report in the basis of segmentation or in the basis of measurement of segment profit or loss.

4. TURNOVER AND OTHER INCOME, AND GAINS AND LOSSES, NET

	Three months ended 30 September		Six months ended 30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Turnover:				
Sales of goods	21,986	28,057	45,872	58,171
Rental income	-	367	145	682
	<u>21,986</u>	<u>28,424</u>	<u>46,017</u>	<u>58,853</u>
Other income, and gains and losses, net:				
Interest income	-	2	-	4
Gain on disposal of subsidiaries	-	-	2,143	-
Gain on disposal of investment property	-	14	-	14
Exchange gains/(losses), net	-	50	(32)	95
Sundry income	246	65	654	128
Fair value (loss)/gain on investment properties	-	(120)	-	180
	<u>246</u>	<u>11</u>	<u>2,765</u>	<u>421</u>

5. FINANCE COSTS

Interest expense on the following borrowing which is wholly repayable within five years:

	Three months ended 30 September		Six months ended 30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Promissory notes	-	87	-	171

6. LOSS BEFORE INCOME TAX

This is arrived at after charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	(Restated) HK\$'000	HK\$'000	(Restated) HK\$'000
Continuing operations				
Cost of inventories sold	20,730	26,668	43,358	55,400
Direct operating expenses arising on rental-earning investment properties	-	79	33	146
Depreciation	455	1,153	938	2,165

7. INCOME TAX

	Three months ended 30 September		Six months ended 30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax – Hong Kong				
Charge for the period	(188)	(431)	(374)	(431)
Current tax – PRC				
Charge for the period	(1)	(5)	(8)	(13)
	<u>(189)</u>	<u>(436)</u>	<u>(382)</u>	<u>(444)</u>

Provision for Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the current and prior periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or places in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. DISCONTINUED OPERATION

General trading operation

During year ended 31 March 2012, in view of the low profit margins and keen competitions in the general trading industry, the Group decided to cease its general trading operation. Accordingly, the general trading operation was re-classified from a continuing operation to a discontinued operation. For the purpose of presenting this discontinued operation, the comparative unaudited condensed consolidated income statement and the related notes have been re-presented as if the operation discontinued during the prior period had been discontinued at the beginning of the comparative period.

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

	Three months ended 30 September		Six months ended 30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	-	4,430	-	16,778
Cost of inventories sold	-	(4,149)	-	(15,926)
Gross profit	-	281	-	852
Other income, and other gains and losses, net	-	1	(7)	6
Administrative and other expenses	-	(616)	(57)	(649)
(Loss)/profit before income tax	-	(334)	(64)	209
Income tax	-	-	-	-
(Loss)/profit for the period from discontinued operation	<u>-</u>	<u>(334)</u>	<u>(64)</u>	<u>209</u>

The cash flows of the discontinued operation was as follows:

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(4,278)	(4,808)
Effect of foreign exchange rate changes, net	(16)	237
	<hr/>	<hr/>
Total net cash outflows	<u>(4,294)</u>	<u>(4,571)</u>

Basic loss per share for the discontinued operation for the Interim Period is approximately HK\$0.0002 (2011: earnings per share of HK\$0.001) based on the loss for the Interim Period from the discontinued operation of approximately HK\$64,000 (six months ended 30 September 2011: profit of approximately HK\$209,000).

The denominators used are the same as those detailed in Note 10 for the basic loss per share attributable to owners of the Company.

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

9. DIVIDEND

The Board does not recommend for payment of a dividend for the Interim Period (2011: HK\$Nil).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the current and prior periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current and prior periods.

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

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

(i) **From continuing and discontinued operations**

The calculation of basic and diluted loss per share is based on:

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculations	<u>(7,834)</u>	<u>(7,632)</u>	<u>(15,281)</u>	<u>(15,024)</u>
	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares for basic and diluted loss per share calculations	<u>265,909</u>	<u>168,802</u>	<u>265,909</u>	<u>168,802</u>

(ii) **From continuing operations**

The calculation of basic and diluted loss per share is based on:

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculations	<u>(7,834)</u>	<u>(7,298)</u>	<u>(15,217)</u>	<u>(15,233)</u>
	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares for basic and diluted loss per share calculations	<u>265,909</u>	<u>168,802</u>	<u>265,909</u>	<u>168,802</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group acquired items of property, plant and equipment with total cost of approximately HK\$942,000 (2011: approximately HK\$2,408,000) and did not have any significant disposal of property, plant and equipment.

12. GOODWILL

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
At beginning of the period/year		
Cost	24,425	24,425
Impairment loss	(24,425)	(24,425)
	<u> — </u>	<u> — </u>
At the end of the period/year		
At the end of the period/year		
Cost	24,425	24,425
Accumulated impairment losses	(24,425)	(24,425)
	<u> — </u>	<u> — </u>
Net carrying amount	<u> — </u>	<u> — </u>

Goodwill arising in prior years related to the acquisition of equity interest in China Indonesia Friendship Coal Trading Company Limited ("CIFC" together with its 90%-owned subsidiary are collectively referred to as the "CIFC Group") and has been allocated to the coal trading cash generating unit (the "Coal Trading CGU").

Goodwill attributable to the Coal Trading CGU was fully impaired in prior years.

13. INTANGIBLE ASSETS

	The LOIs (as defined below) HK\$'000
The Group	
Cost:	
At 1 April 2011, 31 March 2012 (audited), 1 April 2012 and 30 September 2012 (unaudited)	<u>60,000</u>
Accumulated impairment losses:	
At 1 April 2011	8,915
Impairment loss	<u>3,660</u>
At 31 March 2012 (audited), 1 April 2012 and 30 September 2012 (unaudited)	<u>12,575</u>
Carrying amount:	
At 30 September 2012 (unaudited)	<u>47,425</u>
At 31 March 2012 (audited)	<u>47,425</u>

The master framework purchase agreements (the “LOIs”) related to the Coal Trading CGU and represented separate legally binding master framework purchase agreements entered into between the CIFIC Group and a customer and a supplier, which were acquired as part of the Group’s acquisition of the CIFIC Group in prior years. The useful lives of the LOIs were estimated by the Group to be indefinite as the LOIs are renewed automatically and unconditionally at no additional cost.

Impairment testing of the Coal Trading CGU

The recoverable amount of the Coal Trading CGU as at 30 September 2012 was assessed by the directors by reference to a professional valuation performed by Greater China Appraisal Limited (“Greater China Appraisal”).

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

Key assumptions used in the fair value less costs to sell calculation:

	30 September 2012
— Growth in revenue year-on-year	No growth
— Post-tax discount rate per annum	12.96%
— Budgeted gross margin	5.4%

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

During the Interim Period, the Group is of the opinion, based on the fair value less costs to sell calculation, that the net carrying amount of the LOIs of the Coal Trading CGU was not impaired as compared with their recoverable amounts as at 30 September 2012 (During the year ended 31 March 2012: impairment loss of approximately HK\$3,660,000).

14. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

As at 30 September 2012, the amount represented an aggregate deposit of HK\$55,000,000 paid to a vendor (the “Vendor”), an independent third party, pursuant to an acquisition agreement, a supplemental agreement and a letter of agreement between the Group and the Vendor dated 24 May 2012, 15 August 2012 and 10 September 2012 respectively in relation to a proposed acquisition of (i) the entire equity interest in Foremost Star Investments Limited (the “Target”) and its wholly-owned subsidiary (the “Target Subsidiary”, the Target and the Target Subsidiary are collectively referred to as the “Target Group”); and (ii) the net attributable amount owing by the Target Group to the Vendor (collectively referred to as the “Acquisition”), at a nominal consideration of HK\$88,000,000 (subject to adjustment) to be satisfied as to the amount of HK\$74,966,000 in cash and the remaining nominal amount of HK\$13,034,000 by the allotment and issuance of 34,300,000 consideration shares (“Consideration Shares”) upon the completion of the Acquisition, details of which are set out in the Company’s circular dated 26 September 2012. The principal asset of the Target Group is its interest in a commercial property located in Hong Kong. The Acquisition was subsequently completed on 24 October 2012 and the Consideration Shares were also issued on the same date.

15. TRADE RECEIVABLES

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

	The Group	
	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 90 days	21,982	20,125
91 to 180 days	19,545	31,844
Over 181 days	648	–
	<u>42,175</u>	<u>51,969</u>

- (ii) The Group normally allows an average credit term of 60-90 days (31 March 2012: 60-90 days) to its trade customers. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period beyond 90 days.

16. TRADE PAYABLES

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

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 90 days	20,726	18,867
91 to 180 days	16,196	19,566
181 to 365 days	–	7,863
	<u>36,922</u>	<u>46,296</u>

17. SHARE CAPITAL

	As at 30 September 2012		As at 31 March 2012	
	Number of shares (Unaudited) '000	Amount (Unaudited) HK\$'000	Number of shares (Audited) '000	Amount (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>391,853</u>	<u>3,919</u>	<u>196,742</u>	<u>1,967</u>

Movement of the number of shares issued and the share capital during the current Interim Period is as follows:

	Notes	Number of shares '000	Share Capital HK\$'000
As at 1 April 2012		196,742	1,967
Proceeds from shares issued:			
Open offer	(i)	115,251	1,153
Placements of new shares	(ii)	<u>79,860</u>	<u>799</u>
As at 30 September 2012		<u>391,853</u>	<u>3,919</u>

Notes:

- (i) During the Interim Period, 115,251,000 new ordinary shares of par value HK\$0.01 each of the Company were issued under an open offer at a subscription price of HK\$0.43 each at an aggregate consideration of approximately HK\$47,107,000 (net of issuing expenses), of which approximately HK\$1,153,000 was credit to share capital and the remaining balance of approximately HK\$45,954,000 was credited to the share premium account.
- (ii) During the Interim Period, an aggregate number of 79,860,000 new ordinary shares of par value HK\$0.01 each of the Company were placed at subscription prices ranging from HK\$0.28 to HK\$0.36 at an aggregate consideration of approximately HK\$24,825,000 (net of issuing expenses), of which approximately HK\$799,000 was credited to share capital and the remaining balance of approximately HK\$24,026,000 was credited to the share premium account.

18. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those disclosed elsewhere in these Interim Financial Statements, details of transactions between the Group and other related parties are disclosed below.

- (a) During the Interim Period, the Group incurred management fee of approximately HK\$251,000 (Six months ended 30 September 2011: HK\$280,000) to a related company which is partially owned by a director of a subsidiary.
- (b) As at 30 September 2012 and 31 March 2012, the amount due to a non-controlling equity owner of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.
- (c) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees, salaries and other benefits	<u>2,308</u>	<u>4,830</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Decrease in revenue were mostly contributed by the reduced of selling price per metric tonne of coal sold for the coal trading business and the disposal of SIB Group completed on 11 May 2012. The reduced of selling price per metric tonne of coal sold for did not have significant impact to the cash flows or the operating model of the coal trading business pursuant to pages 18 and 19 of the circular of the Company dated 14 October 2010, in particular maintaining a positive price gap between the purchase price and the selling price of at least US\$2 per metric tonne of coal sold.

Given the letter of intents signed with the customers and suppliers separately, the coal trading business will continue and provide a stable and regular source of income to the Group.

References are made to the circular and announcement of the Company dated 26 September 2012 and 24 October 2012 respectively.

The Group entered into an Agreement to acquire the entire issued share capital of Foremost Star Investments Limited, the Target, and Calneva Capital Limited, the Target Subsidiary at a consideration of HK\$88,000,000. The Target Subsidiary is legally and beneficiary interested in a property located in Tuen Mun, Hong Kong.

The Consideration was settled by the Funding Raising Exercise, the allotment and issue of the Consideration Shares, and internal funding of the Group. The equity funding raising exercises, including:

- (i) on 14 August 2012, 115,251,000 offer shares of par value HK\$0.01 each of the Company were issued under an open offer at a subscription price of HK\$0.43 each at a gross consideration of approximately HK\$49,558,000; and
- (ii) during the Interim Period, 33,760,000 and 46,100,000 placing shares (79,860,000 placing shares in aggregate) of the Company were placed at subscription prices at HK\$0.28 and HK\$0.36 respectively, at an aggregate gross consideration of approximately HK\$26,049,000,

provided source of funds for the Acquisition. Details are set out in the announcements dated 18 April 2012, 13 August 2012 and 29 August 2012. Given the annual gross rental income from the Property of approximately HK\$3.5 million represents a yield of approximately 4.0% to the Consideration, the Board considers the return satisfactory and the Acquisition is a good opportunity for the Group to achieve long term stable income and growth.

The Board considers the Group's financial positions remain stable and has sufficient cash resources to meet its present and future cash flow requirements. The Board will constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and Company's shareholders' returns. The Board considers that there are possibilities that the Group would identify suitable investment opportunities and are trying to identify and capture investment opportunities which will have greater potential returns and may enhance the earnings per Share of the Group which may arise from time to time by taking advantage of the good market sentiments in future.

FINANCIAL REVIEW

The Group reported total turnover of approximately HK\$46,017,000 (2011: approximately HK\$58,853,000 (restated)) for the Interim Period representing a decrease by approximately HK\$12,836,000 over the corresponding prior period. The decrement of revenue were mostly contributed by the reduction in selling price per metric tonne of coal sold for the Coal Trading Business by approximately HK\$12,299,000 to approximately HK\$45,872,000 (2011: approximately HK\$58,171,000 (restated)) for the Interim Period, and reduced rental income due to the disposal of SIB Group completed and announced on 11 May 2012.

The Group's gross profit was approximately HK\$2,626,000 for the Interim Period (approximately HK\$3,307,000 (restated)) representing a decrease by approximately HK\$681,000. The gross profit margin of approximately of 5.7% for the comparable with corresponding period of approximately 5.6%.

Included in other income, and gains and losses, net of approximately HK\$2,765,000 (2011: approximately HK\$421,000 (restated)) was mainly a gain on disposal of subsidiaries of approximately HK\$2,143,000 in related to the disposal of SIB Group (2011: HK\$Nil) during the Interim Period.

The Group's selling and distribution costs for the Interim Period decreased slightly to approximately HK\$342,000 (2011: approximately HK\$371,000), which were arising from the Coal Trading Business.

The administrative and other expenses increased approximately HK\$1,937,000 to approximately HK\$19,695,000 (2011: approximately HK\$17,758,000 (restated)), mainly due to increase in rental expenses, the financial printing cost and the monthly retainer legal and professional fees.

Loss attributable to the owners of the Company from the continuing operations for the Interim Period was approximately HK\$15,281,000 (2011: approximately HK\$15,024,000 (restated)) which was comparable with last corresponding period.

The Group had no borrowings and had cash and cash equivalents of approximately HK\$30,786,000 (31 March 2012: approximately HK\$8,543,000), of which HK\$19,960,000 was paid in October 2012 for the balance of the Consideration. The increase was mainly due to net proceeds raised from open offer and placing arrangements. Details were set out in the announcements dated 18 April 2012, 13 August 2012 and 29 August 2012.

During the Interim Period, most of the transactions of the Group are denominated in Hong Kong dollars, Renminbi and United States dollars, and no hedging or other arrangements to reduce the currency risk have been implemented as the Board considers that the Group's exposure to foreign currency exchange is insignificant.

Save as disclosed, the Group did not have any charge on group assets or significant contingent liabilities or capital commitment as at 30 September 2012.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 30 September 2012, the Group employed a total of 16 employees (31 March 2012: 29). The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The total employee remuneration, excluding Directors' remuneration, for the Interim Period amounted to approximately HK\$2,446,000 (2011: approximately HK\$2,606,000).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Announced on 11 May 2012, a discloseable and connected transaction in regard to the disposal of the entire issued share capital of Star International Business Company Limited, an indirect wholly owned subsidiary of the Company, and its subsidiary to Mr. Wong Wai Sing ("Mr. Wong"), a non-executive Director and the chairman of the Company for the consideration of HK\$15.74 million pursuant to the agreement entered on 29 February 2012 was completed on 11 May 2012.

Further to all resolutions passed on the SGM held on 16 October 2012, all Conditions to the Completion of the Agreement entered into between Star International and Mr. Yuan Huafeng, the Vendor, were satisfied and the Completion took place on 24 October 2012, at which the 34,300,000 Consideration Shares were allotted and issued by the Company at HK\$0.38 issued to the Vendor as part of the consideration.

Save as disclosed herein, there were no other significant investments, material acquisitions and disposals, and future plans for material investments or capital assets during the Interim Period.

CAPITAL STRUCTURE

During the Interim Period, there were a total of 115,251,000 and 79,860,000 new ordinary shares were issued under an open offer and placing agreements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which (i) 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 (ii) were recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "Model Code") were as follows:

Long position in Shares of the Company

Name of Directors	Capacity	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Non-executive Directors			
Mr. Wong	Beneficial owner	36,400	0.01
	Interest of a controlled corporation (Note)	75,676 (Note)	0.02
Mr. Tsang Ho Ka, Eugene (the "Mr. Tsang")	Beneficial owner	7,940,104	2.03

Note: Mr. Wong is the chairman of the Company and a non-executive Director. Of the 112,076 Shares, 75,676 Shares are held by Ming Kei International Holding Company Limited, a company which is wholly and beneficially owned by Mr. Wong. Accordingly he is deemed to be interested in such 75,676 Shares.

Save for those disclosed above, as at 30 September 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Exchange pursuant to the Model Code.

Save as disclosed below in the section headed "Share Option Scheme", none of the Directors or chief executive (including their spouses and children under the age of 18), during the Interim Period, held any interests in or was granted any right to subscribe for the securities of Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting (the "AGM 2012") of the Company held on 2 August 2012 (the "New SOS"), the Company has adopted the new share options scheme and the previous share option scheme of the Company adopted on 26 October 2002 (the "Old SOS") was terminated on the even date.

No options was granted or exercised under the New SOS and Old SOS during the Interim Period. As at 30 September 2012, 7,940,104 options (the "Options") granted under Old SOS were outstanding. The termination of the Old SOS will not affect the rights of the Options and will continue to be valid and effective.

The movements in the share options under the Old SOS during the Interim Period are set out as follows:

Categories of grantee	Date of grant	Exercisable period	Exercise price	Closing price	Outstanding	Granted	Exercised	Outstanding
			per share ⁽²⁾	at the date of grant ⁽²⁾	as at 01/04/2012	during the period	during the period	as at 30/09/2012
			HK\$	HK\$				
Executive director ⁽¹⁾								
Ms. Yick Mi Ching, Dawnibilly ("Ms. Yick")	3 September 2010	3 September 2010 – 2 September 2020	0.755	0.755	7,940,104	–	–	7,940,104

Notes:

1. Ms. Yick retired as an executive Director of the Company on 2 August 2012 and in accordance with the terms of the Old SOS, the outstanding share options were exercisable within a period of 3 months after the date of her retirement.
2. The closing price at grant date of the share option was HK\$1.51 per share, which is identical to the exercise price per share of HK\$1.51. Upon the completion of bonus issues, the exercise price is adjusted to HK\$0.755 per share, closing price at the grant date is adjusted to HK\$0.755 per share accordingly for illustration purpose only.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, the Directors are not aware of any other person, other than the interests of the director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries has purchased, redeemed, sold or cancelled any of the Company's listed securities during the Interim Period.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 30 September 2012, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interests with the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries by the Company, the Directors have confirmed that they have complied with the provisions of Model Code throughout the Interim Period.

CORPORATE GOVERNANCE PRACTICES

Throughout the Interim Period, the Company has been fully compliant with all the code provisions set out in Appendix 15 Corporate Governance Code (the "CG Code") of the GEM Listing Rules with the exception of the following deviations:

Code Provision A.4.1

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Deviation

Non-executive Directors are not appointed for a fixed term. The Bye-laws of the Company stipulate that every director (including executive or non-executive directors) shall be subject to retirement for re-election at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

Code provision A.6.7

Code provision A.6.7 of the CG Code stipulates that the independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

Mr. Kinley Lincoln James Lloyd ("Mr. Kinley"), Ir. Edmund Kwok King Yan ("Ir. Kwok"), Mr. Ho Chi Wai ("Mr. Ho") and Ms. Cui Ying ("Ms. Cui") are the independent non-executive Directors of the Company were unable to attend the AGM 2012 as they had other important business engagement.

Mr. Wong and Mr. Tsang, the non-executive Directors, and Mr. Ho and Ms. Cui, the independent non-executive Directors, were unable to attend the SGM held on 16 October 2012 as they had other important business engagement.

Code provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Deviation

The chairman of the Board, Mr. Wong, was unable to attend the AGM 2012 as he had other important business engagement. However, Ms. Yick Mi Ching Dawnibilly ("Ms. Yick"), had chaired the AGM 2012 in accordance with Bye-laws of the Company.

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of the Directors of the Company since the date of the Annual Report are set out below:

On 26 June 2012, Mr. Chan Kin Sang and Mr. Ng Wing Hang have resigned as independent non-executive Directors, members of audit committee (the "Audit Comm"), nomination committee (the "Nom Comm") and remuneration committee (the "Rem Comm") of the Company. Ir. Kwok resigned as the chairman of the Audit Comm and Nom Comm. Mr. Kwok Kam Tim ("Mr. Kwok") has been appointed as the chairman of Nom Comm and Rem Comm. Mr. Ho and Ms. Cui have been appointed as independent non-executive Directors, and members of Audit Comm, Nom Comm and Rem Comm.

On 2 August 2012, Ms. Yick has retired as an executive Director. Mr. Kinley and Ir. Kwok have retired at the AGM 2012. Mr. Kinley and Ir. Kwok have resigned as members of Audit Comm, Rem Comm and Nom Comm.

On 6 August 2012, Mr. Tsang has resigned as an authorised representative of the Company. Mr. Chow Pak Wah, Oliver has appointed as a chief investment officer of the Company.

On 8 August 2012, Mr. Kwok has resigned as the chairman of Audit Comm and Nom Comm. Mr. Ho and Ms. Cui has been appointed as the chairman of Audit Comm and Nom Comm respectively. Mr. Wong Wai Sing has been re-designated as chairman and non-executive Director.

On 29 August 2012, Mr. Tsang has resigned as the joint company secretary of the Company and has been re-designated as a non-executive Director.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the Interim Period have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The unaudited condensed consolidated interim financial statements of the Group for the Interim Period have been reviewed by the Company's auditor, BDO Limited ("BDO"), in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. BDO's unmodified review report is included in the interim report to be sent to shareholders.

By order of the Board of
Ming Kei Holdings Limited
Ho Pui Tin, Terence
Chief Executive Officer and Executive Director

Hong Kong, 13 November 2012

As at the date of this announcement, the executive Directors are Mr. Ho Pui Tin, Terence and Mr. Chow Pak Wah, Oliver, the non-executive Directors are Mr. Wong Wai Sing and Mr. Tsang Ho Ka, Eugene and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Ho Chi Wai and Ms. Cui Ying.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its posting and the Company's website at www.mingkeiholdings.com.