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

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
(Stock Code 股份代號：8239)

Annual Report 年報
2007/08

* For identification purpose only 僅供識別

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

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

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

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

Corporate Profile

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

The logistics services provided by the Group consists of co-ordinating various logistics services in the following areas: sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services such as customs declaration and clearance, purchasing insurance policies on behalf of the customers, repackaging and storage.

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

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Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. Guo Xu *(Chairman)*
Mr. Yeung Leung Kong
Mr. Cheung King Shan
Mr. Li Hai (appointed on 21 December 2007)
Mr. Li Qing (appointed on 30 May 2008)
Mr. Cheung Chi Hwa, Justin (resigned on 18 June 2008)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Sung Wai Tak, Herman (appointed on 7 March 2008)
Mr. Fung Ho Yin (appointed on 30 May 2008)
Mr. Chung Ho Tung (appointed on 19 June 2008)
Mr. Pang Hong Tao, Peter (resigned on 7 March 2008)
Mr. Wong Ming, Kerry (resigned on 30 May 2008)
Mr. Tam Chak Chi (resigned on 19 June 2008)

COMPLIANCE OFFICER
Mr. Li Qing (appointed on 30 May 2008)
Mr. Guo Xu (resigned on 30 May 2008)

QUALIFIED ACCOUNTANT
Mr. Luk Yue Kan *BA (Poly U), CPA*
(appointed on 27 February 2008)
Mr. Tsang Ho Ka, Eugene
ATIHK, AMA, BCom (UNSW), CPA (Aust.), CPA, MHKIoD
(resigned on 27 February 2008)

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

AUTHORISED REPRESENTATIVES
Mr. Tsang Ho Ka, Eugene
Mr. Yeung Leung Kong

MEMBERS OF THE AUDIT AND REMUNERATION COMMITTEES
Mr. Sung Wai Tak, Herman (appointed on 7 March 2008)
Mr. Fung Ho Yin (appointed on 30 May 2008)
Mr. Chung Ho Tung (appointed on 19 June 2008)
Mr. Pang Hong Tao, Peter (resigned on 7 March 2008)
Mr. Wong Ming, Kerry (resigned on 30 May 2008)
Mr. Tam Chak Chi (resigned on 19 June 2008)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 3308-3309, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC
Flat B, 28th Floor
Ying Ke International Centre
No. 416, Beijing Nan Road
Urumqi City
Xinjiang, PRC

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

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

PRINCIPAL BANKERS

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

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISOR

as to Cayman Islands Law
Conyers Dill & Pearman

as to Hong Kong Law
Michael Li & Co.

as to PRC Law
Fujian Min Jiang Law Firm

COMPANY HOMEPAGE

http://www.mingkeienergy.com

E-MAIL ADDRESS

general@mingkeienergy.com

STOCK CODE

8239

Milestones in 2007 and 2008




JUNE 2007	Announcement of annual results for 2006/2007. Completion of placing of 300,000,000 new Ming Kei Energy Holdings Limited (the "Company")'s shares at HK$0.311 per placing share and received a gross proceed of approximately HK$93.30 million for the future investments and general working capital.
JULY 2007	The group entered into a sale and purchase agreement (the "Acquisition") with Mr. Wong Wai Ngok, Mr. Wong Wai Sing and Ming Kei International Holding Company Limited in relation to the acquire of two coal mines in the Xinjiang Uygur Autonomous Region, People's Republic of China.
AUGUST 2007	Announcement of quarter 1 results for 2007/2008. An annual general meeting was duly approved by the shareholders for the approving of the grant of general mandate to allot and issue new shares and repurchase by the Company of its own shares, re-election of directors and refreshment of scheme mandate limit.
SEPTEMBER 2007	Proposed change of Company name from MP Logistics International Holdings Limited to Ming Kei Energy Holdings Limited.
NOVEMBER 2007	Announcement of quarter 2 results for 2007/2008. An extraordinary general meeting was duly approved by the shareholders for the approving of the Acquisition and the proposed change of Company name. Completion of the Acquisition.
DECEMBER 2007	The shares of the Company was traded on the Stock Exchange of Hong Kong Limited under the new English stock short name of "MING KEI ENERGY" and "明基能源" in Chinese, instead of "MP LOGISTICS" and "MP物流" in Chinese.
FEBRUARY 2008	Announcement of quarter 3 results for 2007/2008. The new acquired coal mine's business contributed an unaudited operating profit of approximately HK$5.84 million to the group.
JUNE 2008	Announcement of annual results for 2007/2008. The group recorded an audited net profit after tax of approximately HK$15.39 million, the remarkable turnaround to record an audited net profit after tax were caused by the Acquisition of the new mining business and excess of the group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition from the Acquisition.

Top 5 Customers

新疆潞安煤化工(集團)
有限責任公司
XINJIANG LU AN CHEMICAL INDUSTRY (GROUP) COMPANY LIMITED#

甘肅酒泉鋼鐵(集團)
有限公司
GANSU JIUQUAN STEEL (GROUP) COMPANY LIMITED#

甘肅電投張掖發電
有限責任公司
GANSU ELECTRIC ZHANG YE POWER GENERATION COMPANY LIMITED#

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

深圳彩聯物流有限公司
廣州分公司
SHENZHEN TRI LINK LOGISTICS LTD# GUANG ZHOU BRANCH

ENLARGEMENT OF COAL PRODUCTION, STRIVE TO INCREASE THE RAW COALS AND PRODUCTION VOLUME

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Corporate Introduction

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

The logistics services provided by the Group consists of co-ordinating various logistics services in the following areas: sea freight forwarding, road freight forwarding, air freight forwarding and other related logistics services such as customs declaration and clearance, purchasing insurance policies on behalf of the customers, repackaging and storage.

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

MISSION

Customers Oriented and Excellence Services

VISION

By treating coal as basis and targeting coal refinery as its potential business

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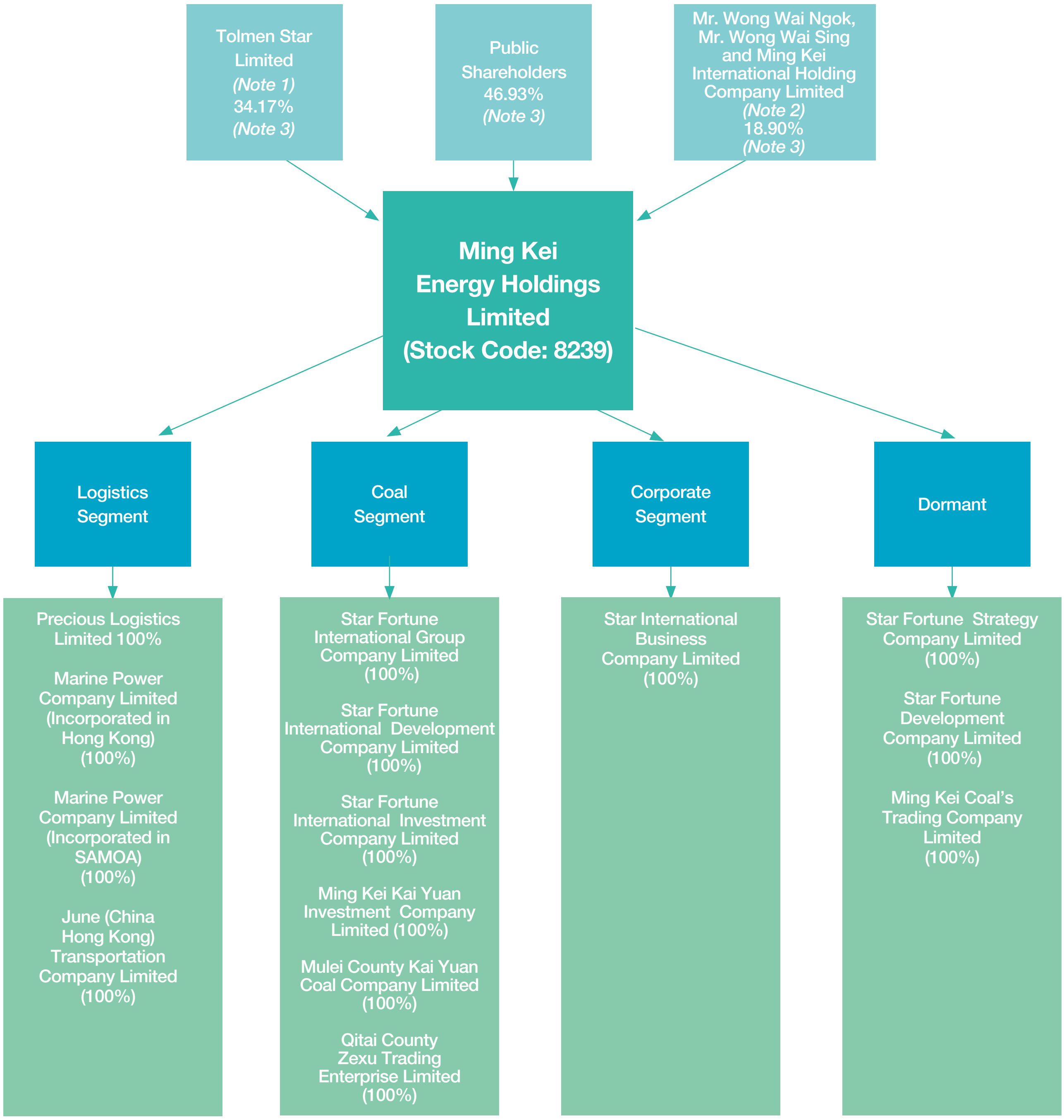
Corporate Structure

CORPORATE CHART



Notes:

1. Tolmen Star Limited is wholly and beneficially owned by Mr. Guo Xu who is the executive director and chairman of Ming Kei Energy Holdings Limited.

2. Ming Kei International Holding Company Limited is owned as to 50% by Mr. Wong Wai Ngok and as to 50% by Mr. Wong Wai Sing. Mr. Wong Wai Ngok is the elder brother of Mr. Wong Wai Sing and Mr. Wong Wai Sing is the younger brother of Mr. Wong Wai Ngok.

3. As at 31st March 2008.

THE CHINESE CHARACTERS **"MING"** (明) AND **"KEI"** (基)

MEAN **"BRIGHT"** AND **"FOUNDATION"** RESPECTIVELY.

"Bright" implies clear-sight and brilliant;

"Foundation" implies base and infrastructure.

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual report of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") for the year ended 31 March 2008 to the Company's shareholders.

MARKET OVERVIEW

The logistics environment in Hong Kong continuously experienced a tough year due to the entry of more new competitors into the market and the pricing for services provided are under pressure. However, for the coal mine's industry, the environment is continuously improving due to the continuous robust growth of the economy and driven by an increasing growth of energy demand in the PRC due to unsustainable nature of the mineral resources, the Company is optimistic of the prospects of the coal mining industry in the PRC.

The Group recorded a decrease of the turnover for the logistics services provided by approximately of 51.96% in the year under review compared to the previous corresponding year mainly due to intense competition in the logistics industry which lead to the tremendous decrease of turnover for the logistics services provided.

A new business of engaging in mining, sale and distribution of coals in the PRC was acquired on 19 November 2007 (the "Completion Date") and has contributed approximately of 68.58% of the Group's turnover in the year under review.

As a result of the above, the overall turnover was increased by approximately of 52.91%.

FINANCIAL REVIEW

For the year ended 31 March 2008, the Group recorded a turnover of approximately of HK$51.14 million, an increase of approximately of 52.91%, compared to the previous corresponding year. The increase was mainly attributable to the contribution of the newly acquired coal mining business, which recorded sale of coals of approximately HK$35.07 million for the year under review. For the period from the Completion Date to 31 March 2008, the raw coals production was approximately 0.8 million tons. During the year under review, income derived from logistics services relating to sea, road, air freight forwarding, other related logistics services and sale of coals represented approximately 5.9%, 24.1%, 0.1%, 1.3% and 68.6% respectively of the Group's total turnover (2007: approximately 65.7%, 31.1%, 1.1%, 2.1% and nil respectively).

During the year, the Group has net profit attributable to the equity holders of the Company amounted to approximately HK$15.39 million, an increase of 246.57% compared to approximately HK$10.50 million of net loss attributable to equity holders of the Company in the previous corresponding year. The gross profit margin increased from approximately 6.93% for the previous corresponding year to 15.24% for the year ended 31 March 2008 due to acquisition of the coal mine's business and strict cost control by the Group. The selling and distribution costs decreased by approximately 45.34% from approximately HK$1.23 million in the previous corresponding year to approximately HK$0.67 million in the current year as a result of reduction in the turnover of logistics services provided and stricter costs control. Administrative expenses of the Group amounted to approximately HK$36.76 million, an increase of approximately 283.37% compared to approximately HK$9.59 million in the previous corresponding year. The increase was mainly due to the increase of staff salaries, numbers of employees, directors' emoluments, depreciation and amortisation charge for the year and minimum lease payments under operating leases rental for land and buildings, and the share-based payments of approximately HK$17.24 million (2007: HK$ nil).

PROSPECTS

The Group views the prospects of the logistics' business as challenging as the Group is aware of the intense competition in the logistics industry, with the entry of new competitors into the market, the pricing for services provided are under pressure and hence the Group is trying its best efforts to work on various measures to either gradually increase the prices charged for its services by introducing some value-added services to its customers or negotiate a lower fee with its various services providers.

Pursuant to a management review of the business environment and the comparative landscape for the Group's logistics business, taking into the account the recurring losses suffered in the logistics divisions and the limited prospect and considering the competitive and challenging business environment in the logistics industry, the logistics business is not expected to have significant future growth nor positive contribution to the financial results of the Group. The Board of Directors decided to restrain from making further investments to the business of logistics.

By successfully acquiring Ming Kei Kai Yuan Investment Company Limited on 19 November 2007, the Group has diversified the Group's business to mining, sale and distribution of coals in the PRC. As mining activities have been carried out for a considerably long time for the acquired coal mines, it is already equipped with an experienced management team for the exploration, survey, exploitation, screening, sorting and sales of coals therein. Hence, the acquisition bought to the Group a team of professionals and experts in the coal mining industry which will further strengthen the Group's operational capabilities. In view of the continuous robust growth of the economy and driven by an increasing growth of energy demand in the PRC due to unsustainable nature of the mining resources, the Group is optimistic of the prospects of the coal mining industry in the PRC. The Group will firmly seize the opportunity of the continue growth of demand in the coal market and strive to increase the raw coals production volume and continuously improving the growth quality. The Board of Directors believe that the coal's market in the PRC provides abundant business opportunities for the Group in the future.

With cash on hand of approximately HK$69.40 million and a gearing ratio of 23.50% as at 31 March 2008 respectively, the Group is capable and will continue to actively look for any other potential attractive mining acquisition targets. The Group will strategically continue to increase its coals based assets.

The Group aims to become one of the leading mining company in the Xinjiang Uygur Autonomous Region of the PRC through its internal organic growth and by mergers and acquisitions and deliver increasing return to the shareholders.

In addition, in order to seek more business opportunities and to maximise the return of the Group as well as to improve its existing business further in the long run, the Group is actively looking for any other business opportunities elsewhere to improve its standard performance and improve shareholders' return.

APPRECIATION

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

By order of the Board
Mr. Guo Xu
Chairman

Hong Kong
30 June 2008

Financial Highlights

Turnover increased by **52.91%**

Gross profit margin Percentage increased by **8.31%**

Net profit margin Percentage increased by

246.57%

Management Discussion and Analysis

Management Discussion and Analysis

OPERATIONAL REVIEW

General

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

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BUSINESS REVIEW

During the year ended 31 March 2008, the logistics business recorded a decrease in turnover of approximately of 51.96%. The decrease in the turnover for the logistics services provided was mainly attributable to the lower pricing of services provided as a result of increase of competitive and challenging business environment and the increase in operating costs.

Turnover for the newly acquired coal mining business was approximately HK$35.07 million with segment result of approximately of HK$52.06 million.

With a gross profit margin of 15.24%, increase by 236.19% when compared with the previous corresponding year.

With the increase in the overall sales, the Group recorded a profit for the year attributable to the equity holders of the Company of approximately HK$15.39 million in the year under review. The profit for the year attributable to the equity holders of the Company was mainly attributed to the acquisition of the new mining business and the excess of the group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition.

For the year ended 31 March 2008, the Group recorded a turnover of approximately of HK$51.14 million, an increase of approximately of 52.91%, compared to the previous corresponding year. The increase was mainly attributable to the contribution of the newly acquired coal mining business, which recorded sale of coals of approximately HK$35.07 million for the year under review. For the period from 19 November 2007 (the "Completion Date") to 31 March 2008, the raw coals production was approximately 0.8 million tons. During the year under review, income derived from logistics services relating to sea, road, air freight forwarding, other related logistics services and sale of coals represented approximately 5.9%, 24.1%, 0.1%, 1.3% and 68.6% respectively of the Group's total turnover (2007: approximately 65.7%, 31.1%, 1.1%, 2.1% and nil respectively).

During the year, the Group has net profit attributable to equity holders of the Company amounted to approximately HK$15.39 million, an increase of 246.57% compared to approximately HK$10.50 million of net loss attributable to equity holders of the Company in the previous corresponding year. The gross profit margin increased from approximately 6.93% for the previous corresponding year to 15.24% for the year ended 31 March 2008 due to acquisition of the coal mine's business. The selling and distribution costs decreased by approximately 45.34% from approximately HK$1.23 million in the previous corresponding year to approximately HK$0.67 million in the current year as a result of reduction in the turnover for logistics services provided and stricter costs control. Administrative expenses of the Group amounted to approximately HK$36.76 million, an increase of approximately 283.37% compared to approximately HK$9.59 million in the previous corresponding year. The increase was mainly due to the increase of staff salaries, numbers of employees, directors' emoluments, depreciation and amortisation charge for the year and minimum lease payments under operating leases rental for land and buildings, and the share-based payments of approximately HK$17.24 million (2007: HK$ nil).

Liquidity, financial resources and capital structure

As at 31 March 2008, the Group had net current assets of approximately HK$100.27 million (2007: approximately HK$11.56 million) including cash and bank balances of approximately HK$69.40 million (2007: approximately HK$8.41 million). The Group had no bank overdraft facilities and bank borrowing as at 31 March 2008 and 2007.

The Group had obligations under finance leases of approximately HK$0.15 million (2007: approximately HK$0.99 million), of which approximately HK$0.15 million was repayable within one year (2007: approximately HK$0.37 million) and nil was repayable beyond one year but within five years (2007: HK$0.61 million). As at 31 March 2008, the Group has obligations under promissory notes of HK$282 million in nominal principal amount, and obligations under promissory notes stated at amortised cost of approximately HK$248.99 million which was repayable beyond one year but within 5 years (2007: nil). The debt ratio (defined as total liabilities over total assets) of the Group as at 31 March 2008 was approximately 0.42 (2007: approximately 0.39).

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

On 11 July 2007, 120,000,000 share options (the "Share Options") were exercised by the eligible participants and 120,000,000 new shares were issued and allotted on 25 July 2007.

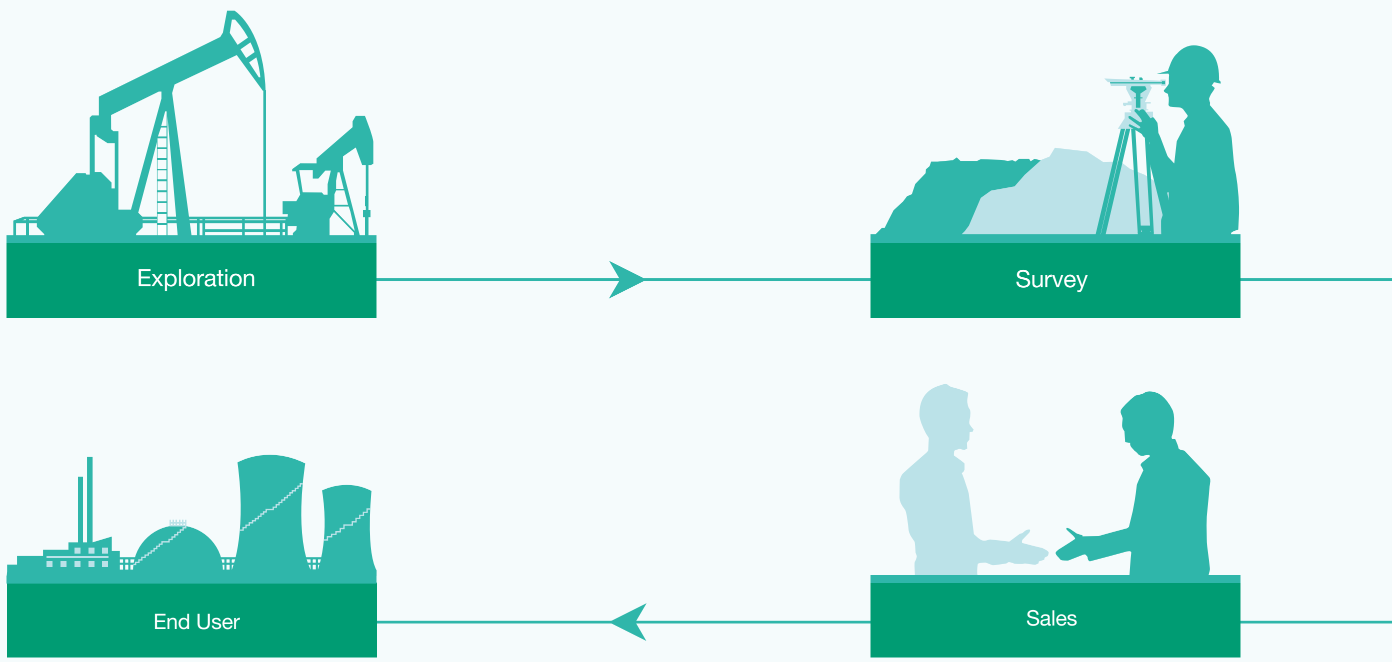
On 21 November 2007, 400,000,000 new shares of the Company (the "Consideration Shares") were issued and allotted by the Company to Mr. Wong Wai Ngok, Mr. Wong Wai Sing and Ming Kei International Holding Company Limited as partial consideration for the acquisition of the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited.

On 13 December, 2007, 23,000,000 new shares of the Company (the "Conversion Shares"), on 4 January 2008, 25,000,000 Conversion Shares, on 15 January 2008, 16,000,000 Conversion Shares, on 19 February 2008, 64,000,000 Conversion Shares, on 26 February 2008, 15,000,000 Conversion Shares, on 10 March 2008, 78,000,000 Conversion Shares and on 17 March 2008, 99,000,000 Conversion Shares were issued and allotted by the Company upon partial conversion of the convertible bonds by different convertible bondholders respectively.

As a result of the Share Options, Consideration Shares and Conversion Shares, additional 840,000,000 new ordinary shares were allotted and issued by the Company during the year under review.

The total issued share capital had been enlarged to 2,640,000,000 shares and there has been no change in the capital structure of the Company since 31 March 2008.

COAL PRODUCTION **PROCESS**



- Residential
- Industrial

- Contract Sales
- Cash Sales / Direct Sales

Charge of group assets

As at 31 March 2008, the Group did not have any material charge of assets, (2007: nil).

Foreign exchange exposure

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

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

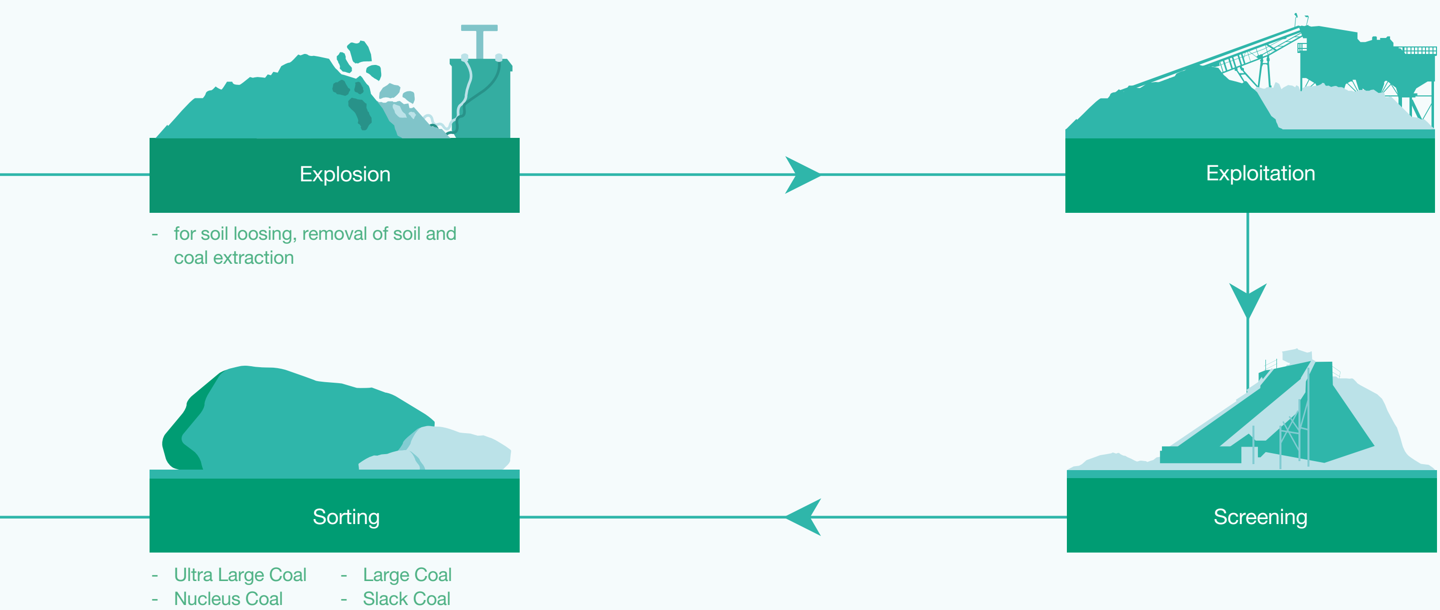
The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group historically has not used any derivative instruments to hedge exchange rate of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

Treasury policies

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

Significant investment

As at 31 March 2008, there was no significant investment held by the Group (2007: Nil).



Material acquisitions or disposals of subsidiaries and affiliated companies

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

This acquisition constitutes a very substantial acquisition on the part of the Company under the Rules Governing the Listing of Securities in the Growth Enterprise Market ("GEM Listing Rules") of the Stock Exchange of Hong Kong Limited and is subject to the approval of the shareholders at the extraordinary general meeting of the Company. The respective resolutions were passed by the shareholders on 12 November 2007 and the acquisition has been completed on 19 November 2007.

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

Save as disclosed above, there were no other significant investments held, material acquisition, disposals of subsidiaries and affiliated companies during the year (31 March 2007: Nil).

Segment information

During the year under review, the Group has expanded a new business operations into the Xinjiang Uygur Autonomous Region of the PRC in 19 November 2007 through the acquisition of the indirect wholly owned subsidiary – Ming Kei Kai Yuan Investment Company Limited. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

Employee information

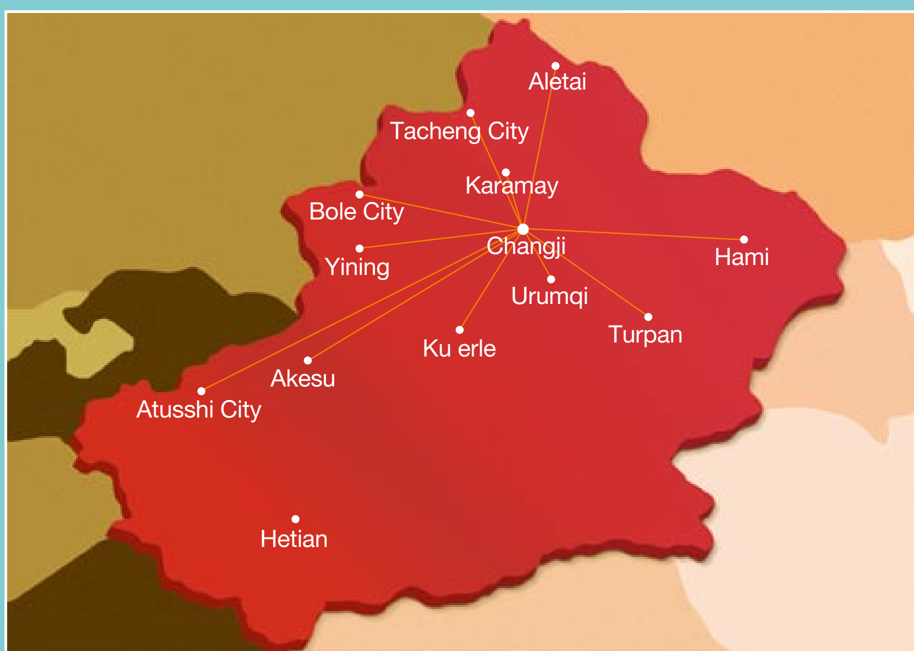
As at 31 March 2008, the Group employed a total of 89 employees (2007: 12). The tremendous increase in the number of employees was resulted from the acquisition of the indirect wholly owned subsidiary – Ming Kei Kai Yuan Investment Company Limited in this year under review. The salaries and benefits of the Group's employees are maintained at a competitive level and employees are rewarded on a discretionary performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong. Social insurance contributions were made by the Group for its employees in the PRC in accordance with the relevant PRC regulations.

COAL MINES' **LOCATION**

▲ Coal Screening Plant

■ Coal Mines

CUSTOMERS DISTRIBUTION IN **XINJIANG**



The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute. The Group also operates a share option scheme (the "Scheme") where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. As at 31 March 2008, share options have been granted to the eligible participants.

Staff costs, excluding Directors' remuneration, increased by approximately 459.40% to approximately HK$13.09 million (2007: approximately HK$2.34 million). The increase is attributed to the share-based payments and the increment of salaries and the acquisition of Ming Kei Kai Yuan Investment Company Limited.

Future plans for material investments or capital assets and expected source of funding

As at 31 March 2008, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is capable and will continue to actively looking for any attractive mining acquisition targets. The Group will strategically continue to increase its coals based assets. Addition, the Group will constantly looking for any other business opportunities elsewhere for investments or capital assets to improve its shareholders' value.

Contingent liabilities

Environmental contingencies

The estimated capital budget for environmental protection, in relation to all of the two mines of the Group, amounted to approximately HK$3.08 million according to a report of independent technical adviser dated 15 October 2007.

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

Legal contingencies

On 13 April 2006, a customer filed a writ of summons against Marine Power Company Limited (the "Marine Power"), an indirect wholly owned subsidiary of the Company as the second defendant, to recover the cargo of goods. According to the documentation filed to the court, the potential claim of failing to recover the cargo of goods will be approximately HK$0.58 million.

Also on 13 April 2006, a customer issued a writ of summons in the High Court of Hong Kong against Marine Power as the defendant to recover certain cargoes from Marine Power, who acted as agent for another carrier in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil. No specified amount was claimed by that customer on the writ of summons.

In addition, on 15 May 2006, another customer issued a writ of summons in the High Court of Hong Kong against Marine Power as the defendant to recover certain cargoes from Marine Power, who acted as agent for another carrier in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil. No specified amount was claimed by that customer on the writ of summons.

Based on the advice of Marine Power's legal adviser, the Group is of the view that Marine Power has sufficient grounds to defend. Accordingly, no provision has been made in the financial statements for the year ended 31 March 2007 and 2008.

The Company and the Group had no other material contingent liabilities as at 31 March 2007 and 2008.

Commitments

Operating lease commitments:

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

As at 31 March 2008, the Group had commitment for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	Year ended 31 March	
	2008	2007
	HK$'000	HK$'000
Within one year	**2,916**	289
In the second to fifth year inclusive	**2,860**	–
	5,776	289

The operating lease relates to officer premises for a term of three years from year 2007 to year 2010.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Guo Xu, aged 45, graduated from Peking University with a bachelor's degree in laws and a master's degree in laws in 1985 and 1988 respectively. He is a partner of Bo An Law Office (北京市博安律師事務所), a law firm in Beijing, and has extensive experience in advising corporate clients in Hong Kong and the PRC with regard to PRC investments, mergers and acquisitions, and other corporate matters. Apart from being a PRC lawyer, he is also an owner of a consultancy firm named Beijing Yicao Contac Consultancy Limited (北京逸超康泰咨詢有限公司) in the PRC. Mr. Guo resigned as the compliance officer of the Company with effect on 30 May 2008 while he will continue to remain as the executive Director and chairman of the Company and the Group respectively.

Mr. Yeung Leung Kong, aged 48, is the managing director and founder of the Group. Mr. Yeung is responsible for the operational and marketing functions of the Group. He holds a certificate in shipping practise and management from the Hong Kong Polytechnic University. Prior to founding the Group, Mr. Yeung was the operational director of a shipping and logistics company in Hong Kong.

Mr. Cheung King Shan, aged 73, has been engaging in the shipping industry since 1962. He has over 46 years of experience in the field of shipping, which includes ship financing, shipping consultancy, shipping management, river trade transportation, inter-nodal transportation, cargo forwarding business, wharf operation and container truck transportation. He also has extensive experience on the management of leisure cruise hospitality, hotel and gaming facilities management in both Hong Kong and Asia Pacific region. Mr. Cheung has engaged in the management and operation of famous vessels, namely MV New Orient Princess (former MV Orient Princess), MV Omar (former MV Columbus Caravelle), MV Neptune Star (former MV Heaven Star), MV Omar III and MV Asia Star. Mr. Cheung holds a certificate of radar observer on merchant ships from the Macau Marine Department and has completed an internal auditor training course for safety and quality management system internal auditing issued from the Det Norske Veritas, Norway.

Mr. Cheung is currently a director of the Asia Cruiser Club Limited and a consultant of the Conning Shipping Limited, which are both engaged in the provision of leisure cruise hospitality, hotel and gaming facilities management in both Hong Kong and Asia Pacific region as well as the provision of service of port, vessel management and wharf operation. Mr. Cheung was previously a registered sea man and retired with a rank of Master issued by the Hong Kong Immigration Department. He was a Master of ocean-going vessels for all kind of gross register (the "GRT") tonnage issued by the Panamanian Consul at Yokohama, Japan. He was also a Captain (Master) qualified for handling vessels over 1,600 GRT as issued by the Ministry of Finance and Treasury of the Republic of Panama.

Mr. Li Hai, aged 39, has over 17 years of experience in the field of manufacturing and specialized in the manufacturing of bicycles and electric bicycles. He also has extensive experiences in international trading, financial management, accounting and company secretarial experiences. Mr. Li holds a certificate in finance and accounting from the Shenzhen University (深圳大學), People's Republic of China.

Mr. Li is currently the vice president, deputy general manager, department head of the investors' relations affairs and the secretary of the board of directors of the Shenzhen China Bicycle Company (Holdings) Limited (深圳中華自行車(集團)股份有限公司) which shares are listed on the Shenzhen Stock Exchange (Stock Code: 000017 and 200017). Mr. Li was appointed as the executive Director of the Company with effect from 21 December 2007.

Mr. Li Qing, aged 38, holds a bachelor's degree in commerce from Hainan University (海南大學) in the People's Republic of China (the "PRC") and holds a qualification certificate (Accountant) of intermediate level of specialty and technology in accounting from the Ministry of Personnel, PRC (中華人民共和國人事部). Mr. Li has over 15 years experience in accounting and finance. Mr. Li is currently employed as a chief financial officer and an administrative manager of 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.

Prior joining to the 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited)#, Mr. Li was a finance manager and a finance officer of 海南明基實業有限公司 (Hainan Ming Kei Industrial Company Limited)# and 太平洋(海南)郵輪有限公司 (Pacific Cruises (Hainan) Limited)# respectively. Mr. Li was appointed as the executive Director and the compliance officer of the Company with effect from 30 May 2008.

Mr. Cheung Chi Hwa, Justin, resigned as the executive Director of the Company with effect from 18 June 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sung Wai Tak, Herman, aged 50, is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of the New South Wales in Australia. Mr. Sung holds a bachelor's degree of art from The Chinese University of Hong Kong, a bachelor's degree of laws from The University of London and holds a master of laws from The University of Sydney. Mr. Sung has extensive experiences in the legal area both in Hong Kong and Australia respectively and he is currently a solicitor practising in Hong Kong and his practice has been focused on commercial related matters. Mr. Sung is currently an independent non-executive director of the Argos Enterprise (Holdings) Limited (Stock Code: 8022), a company listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Sung appointed as the independent non-executive Director of the Company with effect from 7 March 2008.

Mr. Fung Ho Yin, aged 34, 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 of the Company with effect from 30 May 2008.

Mr. Chung Ho Tung, aged 33, 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 of the Company with effect from 19 June 2008.

Mr. Pang Hong Tao, Peter, resigned as the independent non-executive Director of the Company with effect from 7 March 2008.

Mr. Wong Ming, Kerry, resigned as the independent non-executive Director of the Company with effect from 30 May 2008.

Mr. Tam Chak Chi, resigned as the independent non-executive Director of the Company with effect from 19 June 2008.

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SENIOR MANAGEMENT

Mr. Luk Yue Kan, aged 32, joined the group in December 2007 as the group's chief financial officer. Mr. Luk holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting, auditing and finance. Prior to joining the Company, he was a senior manager at an international CPA firm. Mr. Luk was appointed as the qualified accountant of the Company with effect from 27 February 2008.

Mr. Tsang Ho Ka, Eugene, aged 26, 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 and also an associate of the Taxation Institute of Hong Kong. Mr. Tsang holds a bachelor's degree in commerce from the University of New South Wales, Australia and also completed an accounting extension course of Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has over 5 years of experience in accounting, auditing, and financial management and previously worked in an international CPA firm and a company listed in the Hong Kong Special Administrative Region of the People's Republic of China. Prior joining to this Company, he was the company secretary and the qualified accountant of the Richfield Group Holdings Limited (Stock Code: 8136) which is a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. Mr. Tsang resigned as the qualified accountant of the Company with effect from 27 February 2008 while he will continue to remain as the authorised representative and the company secretary of the Company.

Ms. Sung Ting Yee, aged 33, joined the group in April 2008 as the group's internal audit manager. Ms. Sung holds a bachelor's degree in accountancy from the University of Central England, United Kingdom. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in accounting, auditing and internal audit in both Hong Kong and People's Republic of China respectively and previously worked in an international CPA firm as an audit manager and a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. Prior joining to this Company, Ms. Sung was an internal audit manager of the China Mining Resources Group Limited (Stock Code: 340) which is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Li Junye, aged 39, holds a bachelor degree from the 中國人民大學 (Renmin University of China) major in economics and management. He has over 16 years of experiences in mining, natural resources industry and coal trading experiences. He is the managing director of the Company's indirect wholly owned subsidiary of the 木壘縣凱源煤炭有限責任公司 (Mu Lei County Kai Yuan Coal Company Limited)#.

\# *The English translation of the Chinese names in this annual report, where indicate, is included for information purpose only and should not be regarded as the official English names of such Chinese names.*

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2008, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), except the following:

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

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

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). During the year ended 31 March 2008, the Company had made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard set out in the Code.

(C) BOARD OF DIRECTORS

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

Executive Directors:

Mr. Guo Xu *(Chairman)*
Mr. Yeung Leung Kong
Mr. Cheung King Shan
Mr. Li Hai (appointed on 21 December 2007)
Mr. Li Qing (appointed on 30 May 2008)
Mr. Cheung Chi Hwa, Justin (resigned on 18 June 2008)

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman (appointed on 7 March 2008)
Mr. Fung Ho Yin (appointed on 30 May 2008)
Mr. Chung Ho Tung (appointed on 19 June 2008)
Mr. Pang Hong Tao, Peter (resigned on 7 March 2008)
Mr. Wong Ming, Kerry (resigned on 30 May 2008)
Mr. Tam Chak Chi (resigned on 19 June 2008)

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

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

Generally, the responsibilities of the Board include:

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

Decisions regarding the daily operation and administration of the Company are delegated to the management, lead by the Chief Executive Officer, Mr. Yeung Leung Kong.

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

Directors	Board No. of Meetings Held	Board No. of Meetings Attended
Mr. Guo Xu *(Chairman)*	4	4
Mr. Yeung Leung Kong	4	4
Mr. Cheung King Shan	4	4
Mr. Li Hai (appointed on 21 December 2007)	4	2
Mr. Li Qing (appointed on 30 May 2008)	4	1
Mr. Sung Wai Tak, Herman (appointed on 7 March 2008)	4	1
Mr. Fung Ho Yin (appointed on 30 May 2008)	4	1
Mr. Chung Ho Tung (appointed on 19 June 2008)	4	1
Mr. Pang Hong Tao, Peter (resigned on 7 March 2008)	4	3
Mr. Cheung Chi Hwa, Justin (resigned on 18 June 2008)	4	3
Mr. Wong Ming, Kerry (resigned on 30 May 2008)	4	3
Mr. Tam Chak Chi (resigned on 19 June 2008)	4	3

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

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

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at 31 March 2008, the roles of Chief Executive Officer (the "CEO") is taken up by Mr. Yeung Leung Kong and the role of the Chairman of the Group is taken up by Mr. Guo Xu, hence, the role of the Chairman and CEO are separate.

(E) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

(F) REMUNERATION OF DIRECTORS

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

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

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

	Remuneration Committee	
Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Mr. Sung Wai Tak, Herman (appointed on 7 March 2008)	1	1
Mr. Fung Ho Yin (appointed on 30 May 2008)	1	1
Mr. Chung Ho Tung (appointed on 19 June 2008)	1	1
Mr. Pang Hong Tao, Peter (resigned on 7 March 2008)	1	0
Mr. Wong Ming, Kerry (resigned on 30 May 2008)	1	0
Mr. Tam Chak Chi (resigned on 19 June 2008)	1	0

(G) NOMINATION OF DIRECTORS

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

(H) AUDITOR'S REMUNERATION

During the year ended 31 March 2008, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

Nature of services	**2008 Amount (HK$)'000**	2007 Amount (HK$)'000
Audit services	**680**	330
Non-audit services		
Taxation compliance services	**111**	63

(I) AUDIT COMMITTEE

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

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

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

Directors	Audit Committee No. of Meetings Held	Audit Committee No. of Meetings Attended
Mr. Sung Wai Tak, Herman (appointed on 7 March 2008)	4	1
Mr. Fung Ho Yin (appointed on 30 May 2008)	4	1
Mr. Chung Ho Tung (appointed on 19 June 2008)	4	1
Mr. Pang Hong Tao, Peter (resigned on 7 March 2008)	4	3
Mr. Wong Ming, Kerry (resigned on 30 May 2008)	4	3
Mr. Tam Chak Chi (resigned on 19 June 2008)	4	3

(J) ACCOUNTABILITY AND AUDIT

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

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

(K) INTERNAL CONTROL

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

(L) INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

Corporate Culture

BUILDING UP A MANAGEMENT TEAM

Ming Kei Energy Holdings Limited (the "Company") has been committed to the fulfillment of its mission "Customer Oriented and Excellence Service" which aims at promoting a people-oriented culture in order to provide customers with quality services, maximize corporate value and bring along maximum returns to the Company's shareholders. Accordingly, the management places significant emphasis on building up a strong management team and through various kinds of in-house and external training programs and annual appraisal mechanisms, actively enhances the overall performances and standards as well as the working capability of the management team.

BUILDING A MING KEI CORPORATE CULTURE

As one of the Hong Kong listed companies on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the Company has been actively promoting the corporate culture of "Ming Kei". Through a wide range of corporate cultural activities, the Company advocates a sense of belonging to the PRC, to the Hong Kong Special Administrative Region and the "MING KEI" Group.

SOCIAL RESPONSIBILITY OF SAFETY

As the Company is engaged in the business of mining, sale and distribution of coals, hence the Company places a significant emphasis on building up a safety management system. During the year under review, a safety management system has been developed by the Company to further improve the safety controls on the subsidiaries in the People's Republic of China (the "PRC"). Addition, the management of the Company has regular on-site visits to inspect the operation of the coal mines. The on-site visits is primarily focus and to ensure the compliance of the safety guidelines and environmental standards of the PRC. The operated coal mine has been granted 煤礦安全生產許可証件 (Coal Safety Production Permit)# by the 新疆煤礦安全監察局 (Bureau of Xinjiang Coal Mine Safety Supervision)# which presented strong evidence that the safety of the operated coal mine. During the year under review, there had been no record of accident for the operated coal mines.

CORPORATE SOCIAL RESPONSIBILITY

The magnitude 8 earthquake in the Sichuan Province of the PRC on 12 May 2008 has caused massive devastation and destruction. There has been a widespread of casualties and loss of life. The indirect wholly owned subsidiary of the Company – 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited)# is providing help by donations to support the victims of this devastating disaster.

Donation

Mr. Li Qing (the Company's executive Director)

Interview of Mr. Li Qing – the Company's executive Director by Xinjiang Chiang Ji Zhou TV News.

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Report of the directors

The board (the "Board") of directors (the "Directors") herein present the annual report and the audited financial statements of Ming Kei Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008.

CHANGE OF THE COMPANY NAME

Pursuant to a special resolution in relation to the proposed change of Company name at the extraordinary general meeting held on 12 November 2007 and was approved by the Registrar of Companies in the Cayman Islands and Hong Kong on 14 November 2007 and on 29 November 2007 respectively, the Company's name was changed from MP Logistics International Holdings Limited (Chinese translation being MP 物流國際控股有限公司, for identification purpose only) to Ming Kei Energy Holdings Limited (Chinese translation being 明基能源控股有限公司, for identification purpose only).

DATE OF INCORPORATION

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the accounts. During the year, the new business engaging in mining, sale and distribution of coals in the People's Republic of China was acquired.

SEGMENT INFORMATION

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

RESULTS AND DIVIDENDS

The Group's consolidated profit for the year ended 31 March 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 94.

The Directors do not recommend any dividends during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2008 and of the assets and liabilities of the Group as at 31 March 2007, 2006, 2005 and 2004 prepared on the basis set out in the note below.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**51,139**	33,444	65,732	81,916	53,720
Profit/(loss) before tax	**13,414**	(7,352)	(8,128)	(9,701)	377
Income tax	**1,974**	(3,149)	1,510	1,755	(176)
Profit/(loss) attributable to equity holders of the Company	**15,388**	(10,501)	(6,618)	(7,946)	201

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,448,486**	1,748	6,091	5,585	2,088
Current assets	**187,668**	18,826	13,337	28,564	32,941
Current liabilities	**87,396**	7,270	7,234	16,194	9,201
Net current assets	**100,272**	11,556	6,103	12,370	23,740
Non-current liabilities	**604,368**	879	1,268	411	338
	944,390	12,425	10,926	17,544	25,490

Note: The consolidated results of the Group for the years ended 31 March 2008 and 2007 and the consolidated assets and liabilities of the Group as at 31 March 2008 and 31 March 2007 are set out on pages 44 and 45 of the annual report.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the accounts.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the Company's issued share capital, together with the details of the Company's share option scheme, are set out in the Report of the Directors, titled SHARE OPTION SCHEME and notes 25 and 28 to the accounts respectively.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year under review (2007: nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 47 of the annual report and in note 26(b) to the accounts respectively.

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK$801,523,000 (2007: HK$20,554,000). This includes the Company's share premium account of HK$841,530,000 (2007: HK$14,946,000) and capital reserve account of HK$6,510,000 (2007: HK$6,510,000) in aggregate at 31 March 2008 which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for approximately 84% (2007: 76%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for approximately 26% (2007: 47%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 79% (2007: 91%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 47% (2007: 36%) of the total purchases for the year.

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

DIRECTORS

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

Executive Directors:

Mr. Guo Xu *(Chairman)*	
Mr. Yeung Leung Kong	
Mr. Cheung King Shan	
Mr. Li Hai	(appointed on 21 December 2007)
Mr. Li Qing	(appointed on 30 May 2008)
Mr. Cheung Chi Hwa, Justin	(resigned on 18 June 2008)

Independent non-executive Directors:

Mr. Sung Wai Tak, Herman	(appointed on 7 March 2008)
Mr. Fung Ho Yin	(appointed on 30 May 2008)
Mr. Chung Ho Tung	(appointed on 19 June 2008)
Mr. Pang Hong Tao, Peter	(resigned on 7 March 2008)
Mr. Wong Ming, Kerry	(resigned on 30 May 2008)
Mr. Tam Chak Chi	(resigned on 19 June 2008)

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Li Hai, Mr. Li Qing, Mr. Sung Wai Tak, Herman, Mr. Fung Ho Yin and Mr. Chung Ho Tung who were appointed as the directors of the Company on 21 December 2007, 30 May 2008, 7 March 2008, 30 May 2008 and 19 June 2008 respectively, all the above mentioned Directors and Mr. Guo Xu and Mr. Cheung King Shan will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 24 to 26 of the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Leung Kong, the executive Director of the Company, entered into service contract with a subsidiary of the Company for an initial term of two years commencing from 1 November 2002 and will continue thereafter until terminated by either party by giving not less than 3 months' notice in writing to the other party.

Mr. Guo Xu, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 24 November 2006 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Cheung King Shan, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 27 June 2007 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Li Hai, one of the executive Director of the Company entered into the services contract with the Company for a term of one year commencing from 21 December 2007 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

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

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

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2008, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	**Capacity of interests**	**Number of ordinary shares held**	**Approximate percentage of shareholding in the Company** (Note 1)
Tolmen Star Limited (the "Tolmen Star") (Note 1)	Beneficial owner	902,000,000 (L) (Note 2)	34.17
Mr. Guo Xu (Note 1)	Interest of controlled corporation	902,000,000 (L) (Note 2)	34.17
Ms. Zhou Ya Ping (Note 1)	Interest of spouse	902,000,000 (L) (Note 2)	34.17

Notes:

1. Tolmen Star is wholly and beneficially owned by Mr. Guo Xu who is the spouse of Ms. Zhou Ya Ping. Accordingly, each of Mr. Guo Xu and Ms. Zhou Ya Ping is deemed to be interested in the 902,000,000 shares in which Tolmen Star is interested.

2. The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at 31 March 2008, none of the Directors nor the chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and chief executives' interests in shares" above and the share option scheme disclosures in note 28 to the accounts, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 26 October 2002 pursuant to a written resolution of the Company. On 21 May 2007, options to subscribe for an aggregate of 120,000,000 shares at HK$0.45 per share had been granted by the Company under the Scheme. On 11 July 2007, all the 120,000,000 share options were exercised. On 11 October 2007, options to subscribe for an aggregate of 105,000,000 shares at HK$0.888 per share and on 10 March 2008, options to subscribe for an aggregate of 20,000,000 Shares at HK$0.718 had been granted by the Company under the Scheme. As at 31 March 2008, 125,000,000 share options granted under the Scheme were still outstanding. Particulars and movements of the share options granted under the Scheme were as follows:

Categories of grantees	Date of grant	Exercisable Period	Exercise Price per share HK$	Closing Price at the date of grant HK$	Outstanding as at 01/04/2007	Granted during the period	Exercise during the period	Outstanding as at 31/03/2008
Employees	21/05/2007	21/05/2007-22/05/2017	0.450	0.355	–	68,000,000	(68,000,000)	–
Consultants	21/05/2007	21/05/2007-22/05/2017	0.450	0.355	–	52,000,000	(52,000,000)	–
Employees	11/10/2007	11/10/2007-12/10/2017	0.888	0.870	–	35,000,000	–	35,000,000
Consultants	11/10/2007	11/10/2007-12/10/2017	0.888	0.870	–	70,000,000	–	70,000,000
Employees	10/03/2008	10/03/2008-11/03/2018	0.718	0.670	–	20,000,000	–	20,000,000
					–	245,000,000	(120,000,000)	125,000,000

Details of the Scheme are set out in note 28 to the accounts.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the interests and short positions of persons, other than a Director or chief executives of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 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 of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity of interests	Number of Ordinary shares held	Approximate percentage of shareholding in the Company
Tolmen Star Limited (the "Tolmen Star") (Note 1)	Beneficial owner	902,000,000 (L) (Note 5)	34.17
Mr. Guo Xu (Note 1)	Interested of controlled corporation	902,000,000 (L) (Note 5)	34.17
Ms. Zhou Ya Ping (Note 1)	Interest of spouse	902,000,000 (L) (Note 5)	34.17
Ming Kei International Holding Company Limited (the "Ming Kei")	Beneficial owner	339,000,000 (L) (Note 5)	12.84
Mr. Wong Wai Sing (Note 2)	Beneficial owner	80,000,000 (L) (Note 5)	3.03
	Interested of controlled corporation	339,000,000 (L) (Note 5)	12.84
Mr. Wong Wai Ngok (Note 3)	Beneficial owner	80,000,000 (L) (Note 5)	3.03
	Interested of controlled corporation	339,000,000 (L) (Note 5)	12.84
Ms. Tsang Tsz Kwan (Note 4)	Interest of spouse	419,000,000 (L) (Note 5)	15.87

Notes:

1. Tolmen Star is wholly owned by Mr. Guo Xu who is the spouse of Ms. Zhou Ya Ping. Accordingly, each of Mr. Guo Xu and Ms. Zhou Ya Ping is deemed to be interested in the 902,000,000 Shares in which Tolmen Star is interested.

2. Ming Kei is owned as to 50% by Mr. Wong Wai Sing and as to 50% by Mr. Wong Wai Ngok. Therefore Mr. Wong Wai Sing is deemed to be interested in the Shares of Ming Kei.

3. Ming Kei is owned as to 50% by Mr. Wong Wai Sing and as to 50% by Mr. Wong Wai Ngok, therefore Mr. Wong Wai Ngok is deemed to be interested in the Shares of Ming Kei.

4. Ms. Tsang Tsz Kwan is the wife of Mr. Wong Wai Ngok, therefore she is deemed to be interested in the Shares of Mr. Wong Wai Ngok.

5. The Letter "L" denotes a long position in the Shares.

Save as disclosed above, as at 31 March 2008, the Directors or chief executives of the Company were not aware of any other person (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Apart from the share options, details of which are set out above in the Report of the Directors titled "SHARE OPTION SCHEME", and the Company's convertible bonds, as discussed below, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 March 2008. On 19 November 2007, the Company issued an aggregate of HK$288,000,000, interest rate of 1% per annum convertible bonds (the "Convertible Bonds") which is due to be repaid on 18 November 2010, as part of the consideration for the acquisition of Ming Kei Kai Yuan Investment Company Limited. The Convertible Bond holders have the right to transfer and convert the Convertible Bonds into new Company's shares at an initial conversion price of HK$0.9 per share during its conversion period of 3 years starting from 19 November 2007.

During the year under review, the Convertible Bonds were fully converted in new shares of the Company by different Convertible Bond holders. There had been no other exercise of convertible securities, options, warrants or other similar rights during the year under review.

COMPETITION AND CONFLICT OF INTERESTS

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

CORPORATE GOVERNANCE

Subject to the deviations as disclosed in Corporate Governance Report set out on pages 27 to 31 of the Company's annual report, the Company has complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules during the year under review.

AUDIT COMMITTEE

The Company established an audit committee on 26 October 2002 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this announcement, the audit committee comprises three members, Mr. Sung Wai Tak, Herman, Mr. Chung Ho Tung, and Mr. Fung Ho Yin, all are independent non-executive Directors of the Company. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

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

CONNECTED TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2008.

AUDITOR

Messrs Grant Thornton resigned as auditor of the Company on 19 March 2008. At the extraordinary general meeting of the Company held on 30 April 2008, Shu Lun Pan Horwath Hong Kong CPA Limited was appointed as auditor of the Company to fill the casual vacancy.

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Mr. Guo Xu
Chairman

Hong Kong, 30 June 2008

Independent Auditor's Report

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司

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18 Harbour Road
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TO THE SHAREHOLDERS OF MING KEI ENERGY HOLDINGS LIMITED
(Formerly known as MP Logistics International Holdings Limited)
（明基能源控股有限公司）
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ming Kei Energy Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "group") and set out on pages 44 to 94, which comprise the consolidated and company balance sheets as at 31 March 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2008 and of the profit and cash flows of the group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

30 June 2008

Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	6	**51,139**	33,444
Cost of sales		**(43,346)**	(31,126)
Gross profit		**7,793**	2,318
Excess of the group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition	27	**50,777**	–
Other income and gains	6	**2,236**	1,266
Selling and distribution costs		**(674)**	(1,233)
Administrative expenses		**(36,761)**	(9,589)
Finance costs	8	**(9,957)**	(114)
Profit/(loss) before tax	7	**13,414**	(7,352)
Income tax	10(a)	**1,974**	(3,149)
Profit/(loss) for the year attributable to equity holders of the company	11	**15,388**	(10,501)
Dividend	12	**–**	–
Earnings/(loss) per share attributable to equity holders of the company	13		
– Basic		**HK0.76 cents**	(HK1.44 cents)
– Diluted		**HK0.76 cents**	N/A

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**18,113**	1,568
Intangible assets	15	**1,430,193**	–
Deferred tax assets	22(i)	**180**	180
		1,448,486	1,748
Current assets			
Inventories	17	**2,877**	–
Accounts and bills receivable	18	**78,754**	5,847
Prepayments, deposits and other receivables		**36,637**	4,565
Cash and cash equivalents	19	**69,400**	8,414
		187,668	18,826
Current liabilities			
Accounts and bills payable	20	**45,184**	1,024
Accrued expenses and other payables		**42,067**	5,872
Obligations under finance leases	21	**145**	374
		87,396	7,270
Net current assets		**100,272**	11,556
Total assets less current liabilities		**1,548,758**	13,304
Non-current liabilities			
Obligations under finance leases	21	**–**	615
Deferred tax liabilities	22(ii)	**355,374**	264
Promissory notes	24	**248,994**	–
		604,368	879
Net assets		**944,390**	12,425
CAPITAL AND RESERVES			
Issued capital	25	**26,400**	15,000
Reserves	26(a)	**917,990**	(2,575)
Total equity		**944,390**	12,425

These financial statements were approved and authorised for issue by the board of directors on 30 June 2008.

Mr. Guo Xu
Director

Mr. Yeung Leung Kong
Director

The accompanying notes form part of these financial statements.

Balance Sheet

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	16	**8**	6,554
Deferred tax assets	22(i)	**103**	103
		111	6,657
Current assets			
Prepayments, deposits and other receivables		**1,024**	113
Amounts due from subsidiaries	16	**1,021,102**	21,090
Cash and cash equivalents	19	**63,194**	7,921
		1,085,320	29,124
Current liabilities			
Accrued expenses and other payables		**8,514**	227
Net current assets		**1,076,806**	28,897
Total assets less current liabilities		**1,076,917**	35,554
Non-current liabilities			
Promissory notes	24	**248,994**	–
Net assets		**827,923**	35,554
CAPITAL AND RESERVES			
Issued capital	25	**26,400**	15,000
Reserves	26(b)	**801,523**	20,554
Total equity		**827,923**	35,554

These financial statements were approved and authorised for issue by the board of directors on 30 June 2008.

Mr. Guo Xu
Director

Mr. Yeung Leung Kong
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Issued capital HK$'000 (Note 25)	Share premium HK$'000	Capital reserve HK$'000 (Note 26(a))	Statutory reserve fund HK$'000 (Note 26(a))	Share option reserve HK$'000 (Note 26(a))	Convertible bond reserve HK$'000 (Note 26(a))	Exchange reserve HK$'000 (Note 26(a))	Accumulated losses HK$'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 expense for the year	–	–	–	–	–	–	–	(10,501)	(10,501)
Issue of new shares	12,000	–	–	–	–	–	–	–	12,000
Balance at 31 March 2007 and 1 April 2007	15,000	14,946	3,867	–	–	–	–	(21,388)	12,425
Exchange realignments and total income and expense for the year recognised directly in equity	–	–	–	–	–	–	63,233	–	63,233
Profit for the year	–	–	–	–	–	–	–	15,388	15,388
Total income and expense for the year	–	–	–	–	–	–	63,233	15,388	78,621
Appropriation	–	–	–	862	–	–	–	(862)	–
Issue of new shares (Note 25)	3,000	90,300	–	–	–	–	–	–	93,300
Issue of new shares on acquisition of subsidiaries (Note 27)	4,000	404,000	–	–	–	–	–	–	408,000
Issue of convertible bonds (Note 23)	–	–	–	–	–	38,054	–	–	38,054
Issue of new shares on conversion of convertible bonds (Note 23)	3,200	287,836	–	–	–	(38,054)	–	–	252,982
Share options exercised (Note 28)	1,200	54,679	–	–	(1,879)	–	–	–	54,000
Share issue expenses	–	(10,231)	–	–	–	–	–	–	(10,231)
Recognition of share-based payments (Note 28)	–	–	–	–	17,239	–	–	–	17,239
Balance at 31 March 2008	**26,400**	**841,530**	**3,867**	**862**	**15,360**	**–**	**63,233**	**(6,862)**	**944,390**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Profit/(loss) before tax		13,414	(7,352)
Adjustments for:			
Excess of the group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition	27	(50,777)	–
Share-based payments	7	17,239	–
Depreciation	7	1,146	952
Amortisation of intangible assets	7	9,599	–
Gains on disposal of property, plant and equipment	6	–	(140)
Interest income	6	(1,947)	(94)
Finance costs	8	9,957	114
		(1,369)	(6,520)
Increase in inventories		(2,582)	–
(Increase)/decrease in accounts and bills receivable		(41,604)	995
(Increase)/decrease in prepayments, deposits and other receivables		(3,930)	804
Increase/(decrease) in accounts and bills payable		34,743	(1,074)
Increase/(decrease) in accrued expenses and other payables		7,374	1,463
Cash used in operations		(7,368)	(4,332)
Interest received		1,947	94
Interest paid		(2,666)	(114)
Net cash outflow from operating activities		(8,087)	(4,352)
Cash flows from investing activities			
Acquisition of subsidiaries	27	(67,593)	–
Purchase of items of property, plant and equipment	14	(1,599)	(198)
Proceeds from disposal of property, plant and equipment		–	251
Additions to intangible assets	15	(38)	–
Net cash inflow/(outflow) from investing activities		(69,230)	53
Cash flows from financing activities			
Proceeds from issue of new shares	25	147,300	12,000
Share issue expenses		(10,231)	–
Repayment of finance lease obligations		(844)	(742)
Net cash inflow from financing activities		136,225	11,258
Net increase in cash and cash equivalents		58,908	6,959
Cash and cash equivalents at beginning of year		8,414	1,455
Effect of foreign exchange rate, net		2,078	–
Cash and cash equivalents at end of year		69,400	8,414
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		69,400	8,414

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2008

1. ORGANISATION AND OPERATIONS

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

The principal activity of the company is investment holding. The subsidiaries (together with the company referred to as the "group") are principally engaged in the provision of various logistics services in Hong Kong and the People's Republic of China (the "PRC") and mining, sale and distribution of coals in the PRC.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the group and the company. The adoption of these new and revised HKFRSs has had no material effect to the group's and the company's financial statements, except as explained below.

The impact of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1 Amendments: "Capital Disclosures" has been to expand the disclosures provided in these financial statements regarding the group's and the company's financial instruments and management of capital. These new disclosures are shown in notes 32, 33 and 34 to the financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 & 1 (Amendment)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The group is in the process of making an assessment of the impact of these new or revised standards or interpretations in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of financial statements

The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

(c) Basis of consolidation

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

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

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

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

(d) Business combinations

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

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

(e) Subsidiaries

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

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

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

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

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

(g) Property, plant and equipment

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at 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:

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 consolidated income statement.

(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) 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. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill)

(i) Mining rights

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

(ii) Exploration and evaluation assets

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

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

(k) Impairment of 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets excluding goodwill *(Continued)*

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

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

(l) Inventories

Coal inventories are stated at the lower of weighed 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 any impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(ii) Impairment of financial assets (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts and bills receivable 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 accounts receivable 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.

(iii) 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.

(iv) Derecognition of financial assets

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

(n) Financial liabilities and equity 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities and equity instrument issued by the group *(Continued)*

(iii) Convertible bonds (Continued)

Issue costs were 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 was 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.

(o) Cash and cash equivalents

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

(p) Leases

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Provisions and contingent liabilities

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

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

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, adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

(r) Income tax

Income tax expense represents the sum of current tax 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

(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.

(s) Foreign currencies

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Foreign currencies *(Continued)*

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

(t) Employees' benefits

(i) Short term benefits

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

(ii) Pension obligations

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

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

(u) Share-based payments

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

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

(v) Borrowing costs

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Related parties

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

(x) Revenue recognition

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

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

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

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

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

(y) Segment reporting

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements 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. In addition, the company also assessed the impairment on its investment costs in subsidiaries and amounts due from subsidiaries, details of which are set out in note 16 to the financial statements.

(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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Reserve estimates *(Continued)*

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 charges 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 allowance 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.

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 coal; and

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

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

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

2008

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

5. SEGMENT INFORMATION *(Continued)*

(i) Business segments *(Continued)*

2007

	Mining HK$'000	Logistic HK$'000	Consolidated 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
Unallocated capital expenditure			–
Total capital expenditure			198
Depreciation charges	–	952	952
Unallocated depreciation charges			–
Total depreciation charges			952

5. SEGMENT INFORMATION *(Continued)*

(ii) Geographical segments

An analysis of the group's revenue and assets and capital expenditure by geographical segment is as follow:

	Hong Kong		PRC (excluding Hong Kong)		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Segment revenue	**16,068**	33,444	**35,071**	–	**51,139**	33,444
Segment assets	**73,222**	11,579	**1,562,932**	8,995	**1,636,154**	20,574
Capital expenditure	**366**	198	**1,271**	–	**1,637**	198

6. REVENUE, AND OTHER INCOME AND GAINS

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

	2008 HK$'000	2007 HK$'000
Revenue:–		
Sale of coals	**35,071**	–
Fees for logistics services provided	**16,068**	33,444
	51,139	33,444
Other income and gains:		
Interest income	**1,947**	94
Net exchange gains	**170**	388
Gains on disposal of property, plant and equipment	**–**	140
Sundry income	**119**	644
	2,236	1,266

7. PROFIT/(LOSS) BEFORE TAX

The group's profit/(loss) before tax is arrived at after charging the following:

	2008 HK$'000	2007 HK$'000
Cost of inventories sold	31,669	–
Cost of services provided	11,677	31,126
Auditor's remuneration	680	330
Amortisation of intangible assets (Note 15)*	9,599	–
Depreciation (Note 14)		
Owned assets	1,038	236
Assets held under finance leases	108	716
Staff costs (excluding directors' remuneration (Note 9(a))		
Salaries and wages	5,254	2,251
Pension scheme contributions	497	88
Share-based payments**	7,338	–
	13,089	2,339
Share-based payments (Note 28)	17,239	–
Minimum lease payments under operating leases for land and buildings***	1,977	479

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

** Amount is also included in total "Share-based payments" of HK$17,239,000 above.

*** Included in the balance for the year ended 31 March 2008 is approximately HK$26,000 (2007: HK$147,000) in respect of rental expenses for a director's quarters. This balance has been included in the amount of directors' remuneration disclosed in note 9(a) to the financial statements.

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest expense on following borrowings wholly repayable within five years:		
Promissory notes	5,288	–
Convertible bonds (Note 23)	3,761	–
Trade financing	829	–
Finance leases	79	114
	9,957	114

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

2008

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

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

(a) Directors' remuneration *(continued)*

2007

Name of Directors	Fees HK$'000	Basis salaries, allowance and bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors				
Mr. Yeung Leung Kong	–	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	–	–	–	–
Mr. 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 year (2007: HK$Nil). In addition, no emolument was paid by the group to the directors as an inducement to join, or upon joining the group, or as a compensation for loss of office (2007: HK$Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year ended 31 March 2007 and 2008 were not the directors of the company. The emolument paid or payable to the five highest paid employees is as follows:

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

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

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

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

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

During the year, 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 28 to the financial statements. 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 financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX

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

	2008 HK$'000	2007 HK$'000
Deferred tax credit/(charge) (Note 22)	**1,974**	(3,149)

No provision for Hong Kong profits tax has been made as the group has no assessable profits for Hong Kong profits tax purposes in the current year (2007: HK$Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries 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 ("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 year ended 31 March 2008.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress of the PRC promulgated the Corporate Income Tax Law (the "New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council of the PRC released the implementation rules to the New Tax Law.

According to the New Tax Law, from 1 January 2008, the standard CIT rate for enterprises in the PRC was reduced from 33% to 25%.

10. INCOME TAX *(Continued)*

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

	2008 **HK$'000**	2007 HK$'000
Profit/(loss) before tax	**13,414**	(7,352)
Tax calculated at the rate of 17.5%	**2,347**	(1,287)
Tax effect of tax rates of other jurisdictions	**3,896**	–
Profits exempted from income tax	**(2,154)**	–
Tax effect of income non-taxable for taxation purposes	**(12,694)**	(189)
Tax effect of expenses not deductible for taxation purposes	**–**	86
Tax effect on accelerated depreciation allowance	**–**	149
Tax effect on unused tax losses not recognised	**6,631**	1,241
Derecognition of deferred tax assets on prior years' tax losses	**–**	3,149
Income tax for the year	**(1,974)**	3,149

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to equity holders of the company for the year ended 31 March 2008 dealt with in the financial statements of the company was approximately HK$60,975,000 (2007: HK$413,000) (Note 26(b)).

12. DIVIDEND

No dividend has been paid or declared by the company during the year (2007: HK$Nil).

13. EARNINGS/(LOSS) PER SHARE

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

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

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

Diluted loss per share for the prior year has not been disclosed as no diluting event existed during that year.

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

	2008 **HK$'000**	2007 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to the equity holders of the company, used in the basic and diluted earnings/(loss) per share calculation	**15,388**	(10,501)

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Mining related machinery and equipment HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
The group							
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 and 1 April 2007	–	–	160	656	2,541	–	3,357
Additions	–	24	38	331	292	914	1,599
Acquisition of subsidiaries (Note 27)	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**
Accumulated depreciation:							
At 1 April 2006	–	–	–	630	1,619	–	2,249
Charge for the year (Note 7)	–	–	80	126	746	–	952
Written back on disposal	–	–	–	(248)	(1,164)	–	(1,412)
At 31 March 2007 and 1 April 2007	–	–	80	508	1,201	–	1,789
Charge for the year (Note 7)	96	236	90	123	601	–	1,146
Acquisition of subsidiaries (Note 27)	874	1,600	–	68	1,942	–	4,484
Exchange realignments	54	101	–	5	117	–	277
At 31 March 2008	**1,024**	**1,937**	**170**	**704**	**3,861**	**–**	**7,696**
Net book value:							
At 31 March 2008	**7,741**	**5,747**	**28**	**423**	**2,304**	**1,870**	**18,113**
At 31 March 2007	–	–	80	148	1,340	–	1,568

Included in net book value of property, plant and equipment as at 31 March 2008 are motor vehicles with a net book value of HK$287,000 (2007: HK$1,124,000) held under finance leases expiring within 1 year (2007: 3 years).

15. INTANGIBLE ASSETS

	Exploration and evaluation assets HK$'000	Mining right HK$'000	Total HK$'000
The group			
Cost:			
At 31 March 2007 and 1 April 2007	–	–	–
Acquisition of subsidiaries (Note 27)*	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**
Accumulated amortisation:			
At 31 March 2007 and 1 April 2007	–	–	–
Acquisition of subsidiaries (Note 27)*	–	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**
Net book value:			
At 31 March 2008	**1,159,177**	**271,016**	**1,430,193**
At 31 March 2007	–	–	–

* 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 recogised at their fair values on acquisition with reference to professional valuations performed by Greater China Appraisal Limited. 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 group's "cost of sales" in the consolidated income statement.

15. INTANGIBLE ASSETS *(Continued)*

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

Mines	Locations	Expiry dates	Notes
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)	30 June 2008	(a)
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)	21 June 2008	(a)&(b)

(a) As at the date of approval of the consolidated financial statements of the group, the group has applied for an extension of the relevant licences for the mining right and the exploration right but the extensions are yet to be approved by the relevant authorities. The group is confident that the licences will be renewed by the relevant authorities without any significant cost.

(b) 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.

16. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	The company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**6,562**	6,554
Amounts due from subsidiaries	**1,041,102**	21,090
	1,047,664	27,644
Less: allowance for investment costs	**(6,554)**	–
allowance for amounts due from subsidiaries	**(20,000)**	–
	1,021,110	27,644

Amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. An allowance for investment costs and amounts due from subsidiaries of HK$6,554,000 (2007: HK$Nil) and HK$20,000,000 (2007: HK$Nil) respectively was recognised as at 31 March 2008 because the related recoverable amounts of the investment costs and the amounts due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related investment costs and amounts due therefrom are reduced to their recoverable amounts.

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

Particulars of the company's subsidiaries as at 31 March 2008 are as follows:–

Name of company	Country of incorporation and operation	Nominal value of issued ordinary share capital/ paid-in capital	Percentage of equity attributable to the company Direct	Indirect	Principal activities
Star Fortune International Group Company Limited	British Virgin Islands ("BVI")/Hong Kong	US$1	100	–	Investment holding
Star Fortune Strategy Company Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Precious Logistics Limited ("PPL")	BVI/Hong Kong	US$10,000	100	–	Investment holding
Star International Business Company Limited	Hong Kong	HK$1	–	100	Provide administrative service
Star Fortune International Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Star Fortune International Investment Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Ming Kei Kai Yuan Investment Company Limited ("MKKY")	Hong Kong	HK$60,000,000	–	100	Investment holding
Mulei County Kai Yuan Coal Company Limited *	PRC	RMB30,000,000	–	100	Coal mining and selling
Qitai County Zexu Trading Company Limited *	PRC	RMB2,000,000	–	100	Coal mining and selling
Star Fortune Development Company Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Ming Kei Coal's Trading Company Limited	Hong Kong	HK$1	–	100	Dormant
Marine Power Company Limited ("Marine Power")	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 PRC law.

During the year, the group acquired 100% equity interest in MKKY and its subsidiaries (collectively referred to as the "MKKY Group") from independent third parties. Further details of this acquisition are included in note 27 to the financial statements.

17. INVENTORIES

	The group	
	2008 **HK$'000**	2007 HK$'000
Coals	**2,507**	–
Ancillary materials, spare parts and small tools	**370**	–
	2,877	–

18. ACCOUNTS AND BILLS RECEIVABLE

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

	2008 **HK$'000**	2007 HK$'000
Within 90 days	**10,822**	4,150
91 to 180 days	**–**	1,697
Accounts receivable	**10,822**	5,847
Bills receivable	**67,932**	–
	78,754	5,847

(ii) The group allows an average credit term of 60 days (2007: 60 days) to its trade customers, except for certain well-established customers having strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 60 days.

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

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

19. 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.

The group

	2008 HK$'000	2007 HK$'000
Cash and cash equivalents were denominated in:		
HK$	65,627	8,414
Renminbi ("RMB")	3,656	–
United States Dollars	117	–
Total	69,400	8,414

The company

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

20. ACCOUNTS AND BILLS PAYABLE

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

	2008 HK$'000	2007 HK$'000
Within 90 days	3,917	958
91 to 180 days	197	66
Accounts payable	4,114	1,024
Bills payable	41,070	–
	45,184	1,024

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

21. OBLIGATIONS UNDER FINANCE LEASES

During the year, the group leased motor vehicles for it business operations. These leases are classified as finance leases and have remaining lease terms of one year (2007: ranging from one to three years).

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

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

The effective interest rate at the balance sheet date is 6.58% (2007: ranges from 5.49% to 9.06%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The group's obligations under finance leases are secured by the lessors' title to the leased assets.

22. DEFERRED TAX

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

(i) Deferred tax assets

	The group		The company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Balance at 1 April	**180**	3,329	**103**	103
Debited to income statement (Note 10(a))	**–**	(3,149)	**–**	–
Balance at 31 March	**180**	180	**103**	103

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

22. DEFERRED TAXATION *(Continued)*

(ii) Deferred tax liabilities

	The group					
	Accelerated tax depreciation		Intangible assets		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Balance at 1 April	**264**	264	**–**	–	**264**	264
Acquisition of subsidiaries (Note 27)	**–**	–	**337,194**	–	**337,194**	–
Credited to consolidated income statement (Note 10(a))	**–**	–	**(1,974)**	–	**(1,974)**	–
Exchange realignments	**–**	–	**19,890**	–	**19,890**	–
Balance at 31 March	**264**	264	**355,110**	–	**355,374**	264

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

	The group		The company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Deferred tax assets	**180**	180	**103**	103
Deferred tax liabilities	**(355,374)**	(264)	**–**	–
Balance at 31 March	**(355,194)**	(84)	**103**	103

At 31 March 2008, the group and the company have unused tax losses of HK$60,210,000 (2007: HK$25,762,000) and HK$35,857,000 (2007: HK$1,436,000) respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss amount of HK$59,182,000 (2007: HK$24,734,000) and HK$35,268,000 (2007: HK$847,000) due to the uncertainty over the availability of future profit streams of the group and the company respectively. Such losses may be carried forward indefinitely.

The company has no other material unprovided deferred tax at 31 March 2008 (2007: HK$Nil).

23. 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 27). The bonds carry coupon interest rate of 1% per annum, which is payable monthly. The bonds are convertible into ordinary shares of the company at an initial conversion price of HK$0.9 per conversion share (subject to adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of convertible bonds.

Unless previously converted, lapsed or redeemed by the company, any outstanding convertible bonds 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 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 an 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 professional valuation performed by Greater China Appraisal Limited using the prevailing market interest rate for a similar non-convertible instrument. The effective interest of the host contract is 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 bond 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, the convertible bonds were fully converted into 320,000,000 new ordinary shares of the company (Note 25).

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

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

24. 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 27). 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 27), 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, the carrying amount of promissory notes amounted to HK$248,994,000 as at 31 March 2008.

As part of the acquisition, the group received a profit guarantee of not less than HK$120,000,000 in aggregate (the "Profit Guarantee") in respect of the net profit of the MKKY Group for the two years ended 31 December 2009 (the "Audited Net Profit") from the vendors. In the event that the Profit Guarantee is not achieved, the company's payment obligation under the promissory notes will be adjusted downwards on a dollar to dollar basis in an amount equivalent to the difference between the Audited Net Profit and the Profit Guarantee.

25. SHARE CAPITAL

	Notes	2008 Number of shares '000	2008 Amount HK$'000	2007 Number of shares '000	2007 Amount HK$'000
Authorised:					
Ordinary shares of HK$0.01each:					
At beginning and end of year		**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:					
Ordinary shares of HK$0.01each:					
At beginning of year		**1,500,000**	**15,000**	300,000	3,000
Issue of new shares	(i)	**–**	**–**	1,200,000	12,000
Issue of new shares on private placement	(ii)	**300,000**	**3,000**	–	–
Issue of new shares on conversion of convertible bonds	23	**320,000**	**3,200**	–	–
Issue of new shares on acquisition of subsidiaries	27	**400,000**	**4,000**	–	–
Exercise of share options	28	**120,000**	**1,200**	–	–
At end of year		**2,640,000**	**26,400**	1,500,000	15,000

Notes:

(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.

26. RESERVES

(a) The group

(i) *Capital reserve*

The capital reserve of the group represents (i) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired by the company and the nominal value of the share capital of the company issued as consideration in exchange thereof pursuant to the group reorganisation in October 2002; and (ii) the premium arising from the issue of shares by PPL in settlement of the loans from the former shareholders of a subsidiary.

(ii) *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.

(iii) *Share option reserve*

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

(iv) *Convertible bond reserve*

The convertible bond 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(n).

(v) *Exchange reserve*

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

26. RESERVES *(Continued)*

(b) The company

	Share premium HK$'000	Capital reserve HK$'000	Convrtible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2006	14,946	6,510	–	–	(489)	20,967
Loss for the year	–	–	–	–	(413)	(413)
At 31 March 2007	14,946	6,510	–	–	(902)	20,554
Issue of new shares (Note 25)	90,300	–	–	–	–	90,300
Issue of new shares on acquisition of subsidiaries (Note 27)	404,000	–	–	–	–	404,000
Issue of convertible bonds (Note 23)	–	–	38,054	–	–	38,054
Issue of new shares on conversion of convertible bonds (Note 23)	287,836	–	(38,054)	–	–	249,782
Share options exercised (Note 28)	54,679	–	–	(1,879)	–	52,800
Share issue expenses	(10,231)	–	–	–	–	(10,231)
Recognition of share-based payments (Note 28)	–	–	–	17,239	–	17,239
Loss for the year	–	–	–	–	(60,975)	(60,975)
Balance at 31 March 2008	**841,530**	**6,510**	**–**	**15,360**	**(61,877)**	**801,523**

The capital reserve of the company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the group reorganisation in October 2002 over the nominal value of the company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the company, provided that immediately following the date on which the dividend is proposed to be distributed, the company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

27. BUSINESS COMBINATION

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

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 new ordinary shares of the company (Note 25); (iii) as to HK$288,000,000 by the issue of convertible bonds by the company (Note 23); and (iv) as to HK$282,000,000 by the issue of promissory notes by the company (Note 24).

27. BUSINESS COMBINATION *(Continued)*

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

	Acquirees' carrying amount before business combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment (Note 14)	15,205	–	15,205
Intangible assets (Note 15)	10,820	1,348,776	1,359,596
Inventories	295	–	295
Accounts and bills receivables	31,303	–	31,303
Other receivables	28,142	–	28,142
Bank and cash balances	2,407	–	2,407
Accounts and bills payables	(9,417)	–	(9,417)
Other payables	(28,821)	–	(28,821)
Deferred tax liabilities (Note 22(ii))	–	(337,194)	(337,194)
	49,934	1,011,582	1,061,516
Excess of the group's share of net fair value of the interests in subsidiaries acquired over the cost of the acquisition			(50,777)
Total consideration			1,010,739
Consideration satisfied by:			
Cash paid			70,000
Shares of the company – at fair value*			408,000
Convertible bonds – at fair value (Note 23)			288,000
Promissory note – at fair value (Note 24)			244,739
			1,010,739
Net cash outflow arising on acquisition:			
Consideration paid in cash			(70,000)
Cash and cash equivalent balances acquired			2,407
			(67,593)

* The fair value of the 400,000,000 ordinary shares of the company issued 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 (Note 25).

Included in turnover and profit for the year is approximately 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 at the beginning of the year, the revenue of the group would have been approximately HK$78,814,000, and the profit for the year would have been approximately HK$17,414,000.

28. 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.

28. SHARE OPTION SCHEME *(Continued)*

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

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

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

2008

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

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

The fair value of the share options granted during the year was HK$17,239,000 which was recognised as share-based payments (Note 7) during the year (2007: HK$ Nil).

28. SHARE OPTION SCHEME *(Continued)*

The fair value of equity-settled share options granted during the year 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:

	2008
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 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 25 to the financial statements. An amount of approximately HK$1,879,000 was transferred from share option reserve to share premium account.

At the balance sheet date and the date of approval of these financial statements, 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.

29. OPERATING LEASE COMMITMENTS

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

At 31 March 2008, the group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

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

The company had no material operating lease commitment at 31 March 2007 and 2008.

30. CONTINGENT LIABILITIES

(a) The group

(i) Environmental contingencies

The estimated capital budget for environmental protection, in relation to all of the two mines of the group, amounted to approximately HK$3,075,000 according to a report of independent technical adviser dated 15 October 2007.

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

30. CONTINGENT LIABILITIES *(Continued)*

(a) The group *(Continued)*

(ii) Legal contingencies

On 13 April 2006, a customer issued a writ of summons in Hong Kong against one of the company's subsidiary, Marine Power, as the second defendant, to recover certain cargoes, claiming to be approximately HK$580,000 which was subsequently reduced to approximately HK$487,000, from Marine Power, who acted as an agent for another carrier in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil.

On 13 April 2006 and 15 May 2006, two customers respectively issued legal proceedings in Hong Kong against Marine Power as the defendant to recover certain cargoes from Marine Power, who acted as an agent for other carriers in Taiwan in signing a number of bills of lading for transportation of such cargoes from Hong Kong to Brazil. The amounts claimed by these two plaintiffs are not specified on the writs.

Based on the written advice of Maine Power's legal adviser, the group is of the view that Marine Power has sufficient grounds to defend. Accordingly, no provision has been made in the financial statements for the years ended 31 March 2007 and 2008.

(b) The company

As at 31 March 2007 and 2008, the company had no material contingent liability.

31. 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. Details of transactions between the group and other related parties are disclosed below.

(a) During the year and in the ordinary course of business, the group had the following material transactions with related parties which are not members of the group:

	2008 HK$'000	2007 HK$'000
Waiver of payable balances due to a director	–	564

(b) Included in accrued expenses and other payables of the group as at 31 March 2008 is an amount of approximately HK$11,430,000 (2007: HK$Nil) due to a shareholder of the company, which is unsecured, interest free and repayable on demand.

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

	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	**1,550**	986
Pension scheme contributions	**22**	22
Share-based payments	**4,366**	–
	5,938	1,008

32. 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 2008 and 2007 were as follows:

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

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 27) during the year.

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.

33. FINANCIAL RISK MANAGEMENT

The main risks arising from the group's business and financial instruments are financial risks: market risk (including price risk, foreign currency risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The group historically has no fixed 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*

The Group is principally engaged in the production and sale of coal. 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 coal and does not have a fixed policy to do so in the foreseeable future.

(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.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

(ii) Foreign currency risk (Continued)

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 fixed 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 prepayment 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 products are made to customers with an appropriate credit history, and its major clients are large-scale companies with good credit. The group's historical experience in collection of accounts and other receivables falls within the recorded allowance, if any, and the directors are of the opinion that adequate allowance for uncollectible receivables has been made in the financial statements.

(c) Liquidity risk

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

(d) Fair values

All financial instruments are carried at amounts not materially different from their estimated fair values as at 31 March 2008 and 2007.

The estimated fair value amounts have been determined by the group using market information and valuation methodologies considered appropriate. However, considerable judgement 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.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the group's financial assets and financial liabilities as recognised at 31 March 2008 and 2007 may be categorised as follows:

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	177,314	14,592
Financial liabilities		
Financial liabilities measured at amortised cost	309,925	1,543

35. MATERIAL POST BALANCE SHEET EVENT

On 15 May 2008, Kai Yuan Coal, an indirect wholly-owned subsidiary of the company, entered into a sale and purchase agreement with an independent vendor in relation to the acquisition of a property located in the PRC for a cash consideration of RMB14,493,000 (equivalent to approximately HK$16,158,000). Further details are set out in the company's announcement and circular dated 15 May 2008 and 26 May 2008 respectively.

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

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