



# Ming Kei Holdings Limited

## 明基控股有限公司\*

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

(Stock Code: 8239)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

#### **Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")**

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

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

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

\* For identification purposes only

## INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of Ming Kei Holdings Limited (the "Company") herein presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 September 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2010

		Six months ended 30 September 2010 (Unaudited) HK\$'000		Three months ended 30 September 2010 (Unaudited) HK\$'000	
	Notes		2009 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000
<b>Continuing operations</b>					
Turnover	4	14,424	276	8,332	276
Cost of sales		(13,356)	–	(7,647)	–
Direct operating expenses		(129)	(61)	(65)	(61)
Gross profit		939	215	620	215
Other income and gains/(losses)		334	(441)	280	(459)
Administrative and other expenses		(24,398)	(13,692)	(15,057)	(8,610)
Finance costs	5	(15)	(3,122)	–	(731)
Impairment loss on property, plant and equipment		–	(1,127)	–	(1,127)
Fair value loss on investment properties	11	(1,466)	(718)	(752)	(718)
<b>Loss before income tax from continuing operations</b>	6	(24,606)	(18,885)	(14,909)	(11,430)
Income tax	7	–	(103)	–	(103)
<b>Loss for the period from continuing operations</b>		(24,606)	(18,988)	(14,909)	(11,533)
<b>Discontinued operation:</b>					
(Loss)/profit for the period from discontinued operation	8	(21,072)	3,375	(18,962)	(1,572)
<b>Loss for the period attributable to owners of the Company</b>		(45,678)	(15,613)	(33,871)	(13,105)
<b>Dividend</b>	9	–	–	–	–

# **UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT** *(Continued)*

*For the three months and six months ended 30 September 2010*

	<i>Notes</i>	Six months ended 30 September 2010 (Unaudited) <b>HK\$'000</b>		Three months ended 30 September 2010 (Unaudited) <b>HK\$'000</b>	
			2009 (Unaudited) <i>HK\$'000</i>		2009 (Unaudited) <i>HK\$'000</i>
<b>Loss per share attributable to owners of the Company</b>	<b>10</b>				
From continuing and discontinued operations			(Restated)		(Restated)
– Basic (Hong Kong dollar)		<b>(59.12) cents</b>	(29.57) cents	<b>(42.66) cents</b>	(24.82) cents
– Diluted (Hong Kong dollar)		<b>(59.12) cents</b>	(29.57) cents	<b>(42.66) cents</b>	(24.82) cents
From continuing operations					
– Basic (Hong Kong dollar)		<b>(31.85) cents</b>	(35.96) cents	<b>(18.78) cents</b>	(21.84) cents
– Diluted (Hong Kong dollar)		<b>(31.85) cents</b>	(35.96) cents	<b>(18.78) cents</b>	(21.84) cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2010

	Six months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(45,678)	(15,613)	(33,871)	(13,105)
Other comprehensive income for the period, net of tax:				
– Change in fair value of available-for-sale financial assets	979	1,097	5,339	233
– Exchange differences on translation of financial statements of overseas subsidiaries	799	284	404	2
– Exchange differences on translation of financial statements of overseas associates	471	101	(323)	101
– Reclassification adjustment of release of exchange reserves on disposal of interests in overseas associates	(7,218)	–	(7,218)	–
Loss and total comprehensive income for the period attributable to owners of the Company	(50,647)	(14,131)	(35,669)	(12,769)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	Notes	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		18,904	19,178
Investment properties	11	21,932	23,136
Interests in associates	12	–	71,437
Available-for-sale financial assets		11,539	10,560
Deposits paid for acquisition of subsidiaries	13	40,000	–
		<b>92,375</b>	124,311
<b>Current assets</b>			
Accounts receivable	14	5,320	4,880
Prepayments, deposits and other receivables		8,439	6,184
Escrow money receivable		–	10,000
Loan to an associate	12	–	28,500
Cash and cash equivalents		66,698	33,277
		<b>80,457</b>	82,841
<b>Current liabilities</b>			
Accrued expenses, other payables, deposits and receipts in advance		2,892	3,683
Amount due to an associate	12	–	81
		<b>2,892</b>	3,764
<b>Net current assets</b>		<b>77,565</b>	79,077
<b>Total assets less current liabilities</b>		<b>169,940</b>	203,388
<b>Non-current liabilities</b>			
Convertible bonds	15	–	2,834
<b>NET ASSETS</b>		<b>169,940</b>	200,554
<b>CAPITAL AND RESERVES</b>			
Issued capital	16	794	664
Reserves		169,146	199,890
<b>TOTAL EQUITY</b>		<b>169,940</b>	200,554

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Convertible bonds reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010	664	25,434	131,109	120,794	6,356	1,734	-	1,172	332	6,805	(93,846)	200,554
Loss and total comprehensive income for the period	-	-	-	-	-	-	-	-	979	(5,948)	(45,678)	(50,647)
Issue of new shares on conversion of convertible bonds	24	3,997	-	-	-	-	-	(1,172)	-	-	-	2,849
Issue of new shares on exercise of warrants	106	15,462	-	-	-	(1,734)	-	-	-	-	-	13,834
Issue of warrants	-	-	-	-	-	3,350	-	-	-	-	-	3,350
Transfer upon disposal of associates	-	-	-	-	(6,356)	-	-	-	-	-	6,356	-
At 30 September 2010	794	44,893	131,109	120,794	-	3,350	-	-	1,311	857	(133,168)	169,940

	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Convertible bonds reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2009	26,400	841,530	-	53,659	4,856	-	15,360	-	(1,072)	16,439	(772,920)	184,252
Loss and total comprehensive income for the period	-	-	-	-	-	-	-	-	1,097	385	(15,613)	(14,131)
Contribution from an equity participant	-	-	-	69,945	-	-	-	-	-	-	-	69,945
Appropriations	-	-	-	-	4,300	-	-	-	-	-	(4,300)	-
Transfer upon disposal of financial assets	-	-	-	-	-	-	-	-	(25)	-	-	(25)
Transfer upon disposal of subsidiaries	-	-	-	-	(4,670)	-	-	-	-	(8,524)	4,670	(8,524)
At 30 September 2009	26,400	841,530	-	123,604	4,486	-	15,360	-	-	8,300	(788,163)	231,517

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Continuing and discontinued operations</b>		
Net cash generated from/(used in) operating activities	10,177	(16,014)
Net cash generated from investing activities	5,852	16,204
Net cash generated from financing activities	17,199	–
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,228</b>	190
Cash and cash equivalents at beginning of period	33,277	54,176
Effect of foreign exchange rate changes, net	193	79
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>66,698</b>	54,445
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	66,698	54,445

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the three months and six months ended 30 September 2010*

### 1. GENERAL INFORMATION

Ming Kei Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3308, The Center, 99 Queen's Road Central, Hong Kong.

The Company'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.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding and property investment in Hong Kong and the People's Republic of China (the "PRC") and the business of general trading in the PRC, and its associates were principally engaged in mining, sale and distribution of coals in the PRC.

During the current period, the Group disposed of its remaining 49% equity interests in Star Fortune International Investment Company Limited (the "SFII") and its subsidiaries (collectively referred to as the "SFII Group"), the then indirect 49%-owned associates of the Company, further details of which are set out in Note 8.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the three months and six months ended 30 September 2010 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The Interim Financial Statements have been prepared under the historical cost convention, except for investment properties and available-for-sale financial assets, which are stated at fair values.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2010 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA as disclosed in Note 3 to these Interim Financial Statements. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 3. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has applied all of the new and revised HKFRSs, HKASs and Interpretations issued by the HKICPA that are relevant to its operations and effective for the current accounting period of the Group and the Company.

#### HKFRS 3 (Revised) Business Combinations (the "HKFRS 3R")

HKFRS 3R introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in HKFRS 3R are as follows:

- Acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless HKFRS 3R provides an exception and provides specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

HKFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

During the current period, Star Coal International Investment Company Limited (the "Star Coal"), an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement dated 26 August 2010 with an independent third party (the "Vendor") to acquire (i) the entire equity interest in China Indonesia Friendship Coal Trading Company Limited (the "CIFIC", together with its 90%-owned subsidiary are collectively referred to as the "CIFIC Group"); and (ii) the attributable amount due by CIFIC to the Vendor (collectively referred to as the "Acquisition"), details of which are set out in the Company's announcement dated 26 August 2010, 16 September 2010, 22 September 2010, 30 September 2010 and 29 October 2010, and circular dated 14 October 2010 respectively. The Acquisition was subsequently completed on 29 October 2010, as such there is no adjusting impact on the Interim Financial Statements, with exception to certain acquisition-related costs that have been incurred and expensed in profit or loss during the current period.

#### Early adoption of new or revised HKFRSs

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HK(IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs upon initial application and the directors so far concluded that the application of these new/revised HKFRSs will not have material impact on the Interim Financial Statements of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 4. TURNOVER AND SEGMENT INFORMATION

#### (a) Turnover

Turnover represents the sales value of goods supplied to customers less value added taxes and rental income during the periods. Turnover recognised during the periods is as follows:

	Six months ended 30 September 2010 (Unaudited) HK\$'000		Three months ended 30 September 2010 (Unaudited) HK\$'000	
	2009 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000	
Note				
<b>Continuing operations:</b>				
Turnover				
Sales of goods	13,808	—	8,021	—
Rental income	616	276	311	276
	<b>14,424</b>	<b>276</b>	<b>8,332</b>	<b>276</b>
<b>Discontinued operation:</b>				
Turnover				
Sales of coals	8	—	63,461	2,395
	<b>14,424</b>	<b>63,737</b>	<b>8,332</b>	<b>2,671</b>

#### (b) Segment Information

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

- The trading segment comprised the business of general trading;
- The property investment segment comprised investment in various properties for rental income purposes; and
- The mining segment comprised the mining, exploration and sale of coal in the PRC and the operation had been disposed of by the Group in the current period. Accordingly, the mining segment was classified as a discontinued operation and the comparative figures of this segment were re-classified from continuing operations to discontinued operation during the current period, details of which are set out in Note 8.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

#### (b) Segment Information (Continued)

Business segments

Segment information about these businesses is set out as follows:

	For the six months ended 30 September 2010			
	Continuing operation	Continuing operation	Discontinued operation (Note 8)	
	Trading (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Mining (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue</b>				
External sales and services	13,808	150	—	13,958
Inter-segment revenue	—	474	—	474
Reportable segment revenue	13,808	624	—	14,432
<b>Reportable segment loss</b>	(1,485)	(1,415)	(21,072)	(23,972)
Interest income	4	2	—	6
Depreciation and amortisation charges	(1)	(142)	—	(143)
Finance costs	—	—	—	—
Share of loss of associates	—	—	(861)	(861)
Loss on disposal of subsidiaries	—	—	—	—
Loss on disposal of associates	—	—	(20,211)	(20,211)
Fair value loss on investment properties	—	(1,466)	—	(1,466)
Income tax	—	—	—	—

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

#### (b) Segment Information (Continued)

Business segments (Continued)

	For the six months ended 30 September 2009			
	Continuing operation	Continuing operation	Discontinued operation (Note 8)	
	Trading (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Mining (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue</b>				
External sales and services	–	43	63,461	63,504
Inter-segment revenue	–	233	–	233
Reportable segment revenue	–	276	63,461	63,737
<b>Reportable segment loss</b>	–	(1,020)	(832)	(1,852)
Interest income	–	–	27	27
Depreciation and amortisation charges	–	(642)	(2,910)	(3,552)
Finance costs	–	–	(51)	(51)
Share of profit of associates	–	–	6,053	6,053
Loss on disposal of subsidiaries	–	–	(6,883)	(6,883)
Impairment loss on property, plant and equipment	–	–	(1,127)	(1,127)
Fair value loss on investment properties	–	(718)	–	(718)
Income tax	–	–	(1,749)	(1,749)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

#### (b) Segment Information (Continued)

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

		Six months ended 30 September	
		2010	2009
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Note			
<b>Continuing operations:</b>			
Turnover			
	Reportable segment revenue	14,432	276
	Elimination of inter-segment revenue	(8)	–
		14,424	276
<b>Discontinued operation:</b>			
Turnover			
	Reportable segment revenue	–	63,461
	Elimination of inter-segment revenue	–	–
		–	63,461
		14,424	63,737

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

#### (b) Segment Information (Continued)

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

	Six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
Note	HK\$'000	HK\$'000
<b>Continuing operations:</b>		
Loss before income tax		
Reportable segment loss	(2,900)	(1,020)
Interest income	272	37
Gain on disposal of available-for-sale financial assets	–	25
Unallocated expenses	(21,963)	(14,805)
Finance costs	(15)	(3,122)
Consolidated loss before income tax	(24,606)	(18,885)
<b>Discontinued operation:</b>		
(Loss)/profit before income tax		
Reportable segment loss	(21,072)	(832)
Interest income	–	27
Unallocated expenses	–	5,980
Finance costs	–	(51)
	8	
	(21,072)	5,124
	(45,678)	(13,761)
<b>30 September</b>		
	2010	31 March
	(Unaudited)	2010
	HK\$'000	(Audited)
		HK\$'000
Total assets		
Reportable segment assets	35,671	144,500
Non-current financial assets	11,539	10,560
Unallocated corporate assets	125,622	52,092
Consolidated total assets	172,832	207,152

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

#### (b) Segment Information (Continued)

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Total liabilities		
Reportable segment liabilities	392	271
Unallocated corporate liabilities	2,500	6,327
Consolidated total liabilities	2,892	6,598

### 5. FINANCE COSTS

Interest expenses on the following borrowings, of which are all wholly repayable within five years.

		Six months ended 30 September 2010 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000		Three months ended 30 September 2010 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000	
	Note								
<b>Continuing operations:</b>									
Interest expenses on convertible bonds		15		–		–		–	
Interest expenses on promissory notes		–		3,122		–		731	
		15		3,122		–		731	
<hr/>									
<b>Discontinued operation:</b>									
Interest expenses on trade financing	8	–		51		–		–	
		15		3,173		–		731	

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 6. (LOSS)/PROFIT BEFORE INCOME TAX

		Six months ended		Three months ended	
		30 September		30 September	
		2010	2009	2010	2009
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations:</b>					
Cost of inventories sold		<b>13,356</b>	–	<b>7,647</b>	–
Direct operating expenses arising on rental-earning investment properties		<b>129</b>	61	<b>65</b>	61
Depreciation		<b>1,970</b>	642	<b>1,006</b>	435
<b>Discontinued operation:</b>					
Cost of inventories sold	8	–	52,153	–	1,598
Amortisation of intangible assets*		–	2,243	–	65
Depreciation		–	667	–	–

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 7. INCOME TAX

	Six months ended 30 September		Three months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Note				
<b>Continuing operations:</b>				
Deferred tax charge – Hong Kong	–	103	–	103
<hr/>				
<b>Discontinued operation:</b>				
Current tax – PRC	–	2,263	–	263
Deferred tax credit – PRC	–	(514)	–	(17)
<hr/>				
8	–	1,749	–	246
<hr/>				
	–	1,852	–	349
<hr/>				

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for Hong Kong profits tax purpose for both the current and prior periods. 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.

The share of income tax credit attributable to the then associates of the Group for the six months ended 30 September 2010 amounting to HK\$195,000 (six months ended 30 September 2009: HK\$309,000) is included in “Share of loss of associates”, and the amount with its comparative figures were re-classified to discontinued operation as a result of the completion of the Aggregate Disposal (as defined below in Note 8) during the current period, details of which are set out in Note 8.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 8. DISCONTINUED OPERATION

During the current and prior periods, the Group was engaged in the operation of mining, sale and distribution of coals in the PRC through the SFII Group.

During the prior period, the Group disposed of its 51% equity interests in the SFII Group, the then indirect wholly-owned subsidiaries of the Group (the "Former Disposal"), for a total consideration of HK\$100,000,000 (subject to adjustment). The total consideration was entirely received on 12 July 2010. Upon the completion of the Former Disposal on 3 July 2009, the Group's equity interests in the SFII Group was reduced from 100% to 49%. As a result, the SFII Group ceased to be the subsidiaries of the Group and became the associates of the Group.

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

Upon the completion of the Aggregate Disposal on 16 August 2010, the Group's interests in SFII Group have been derecognised from the unaudited condensed consolidated statement of financial position of the Group and the operation of mining, sale and distribution of coals in the PRC was classified as discontinued immediately on the same date simultaneously.

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

		Six months ended 30 September 2010 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000		Three months ended 30 September 2010 (Unaudited) HK\$'000		2009 (Unaudited) HK\$'000	
	Notes								
Turnover	4	–		63,461		–		2,395	
Cost of inventories sold	6	–		(52,153)		–		(1,598)	
Gross profit		–		11,308		–		797	
Other income and gains		–		585		–		505	
Loss on disposal of associates		(20,211)		–		(20,211)		–	
Loss on disposal of subsidiaries		–		(6,883)		–		(6,883)	
Selling and distribution costs		–		(510)		–		(8)	
Administrative and other expenses		–		(5,378)		–		(1,790)	
Finance costs	5	–		(51)		–		–	
Share of (loss) / profit of associates		(861)		6,053		1,249		6,053	
<b>(Loss)/profit before income tax</b>	6	<b>(21,072)</b>		5,124		<b>(18,962)</b>		(1,326)	
Income tax	7	–		(1,749)		–		(246)	
<b>(Loss)/profit for the period</b>		<b>(21,072)</b>		3,375		<b>(18,962)</b>		(1,572)	

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 8. DISCONTINUED OPERATION (Continued)

The cash flow information of the discontinued operation was as follows:

	Six months ended 30 September 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash used in operating activities	–	(29,446)
Net cash generated from investing activities	43,618	19,049
Effect of foreign exchange rate changes, net	–	116
Increase/(decrease) in cash and cash equivalents	43,618	(10,281)

Basic loss per share for the discontinued operation for the current period is HK27.27 cents and basic earnings per share for the discontinued operation for the prior period is HK6.39 cents (restated) based on the loss for the current period from the discontinued operation of HK\$21,072,000 and profit for the prior period from the discontinued operation of HK\$3,375,000, respectively.

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

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

Upon the completion of the Aggregate Disposal on 16 August 2010, the Group recognised a loss on disposal of associates amounting to HK\$20,211,000 in the unaudited condensed consolidated income statement for the current period, which is calculated at the date of the Aggregate Disposal as follows:

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

No tax charge or credit arose on the Aggregate Disposal of the Group's remaining 49% equity interests in the SFII Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

*For the three months and six months ended 30 September 2010*

### 9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$Nil).

### 10. LOSS PER SHARE

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

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

Basic and diluted loss per share amounts for the three months ended 30 September 2009 and the six months ended 30 September 2009 are restated to take into effect the Company's capital reorganisation completed in the year ended 31 March 2010.

As the Company's outstanding convertible bonds, share options and warrants, where applicable, had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share amounts. Therefore, the basic and diluted loss amounts per share calculations for the respective periods are equal.

#### From continuing and discontinued operations:

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

	Six months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculation	(45,678)	(15,613)	(33,871)	(13,105)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

## 10. LOSS PER SHARE (Continued)

	Number of shares Six months ended 30 September		Number of shares Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited - restated)	(Unaudited)	(Unaudited - restated)
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic and diluted loss per share calculation	77,266	52,800	79,401	52,800

### From continuing operations:

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

	Six months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculation	(24,606)	(18,988)	(14,909)	(11,533)

	Number of shares Six months ended 30 September		Number of shares Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited - restated)	(Unaudited)	(Unaudited - restated)
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic and diluted loss per share calculation	77,266	52,800	79,401	52,800

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 11. INVESTMENT PROPERTIES

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Fair value:		
At the beginning of the period/year	<b>23,136</b>	–
Additions	–	9,104
Transferred from property, plant and equipment	–	17,373
Decrease in fair value recognised for the period/year	<b>(1,466)</b>	(3,356)
Exchange realignments	<b>262</b>	15
	<b>21,932</b>	23,136

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

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

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Located in Hong Kong, held under medium term lease	<b>9,300</b>	8,700
Located in the PRC, held under medium term lease	<b>12,632</b>	14,436
	<b>21,932</b>	23,136

The Group's investment properties were revalued on a market value basis as at 30 September 2010 by Greater China Appraisal Limited (the "Greater China Appraisal"), an independent firm of professionally qualified valuers, at an aggregate amount of approximately HK\$21,932,000, resulting in the recognition of a fair value loss on investment properties of approximately HK\$1,466,000 in the Group's unaudited condensed consolidated income statement for the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$718,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 12. INTERESTS IN ASSOCIATES

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Share of net assets	–	71,437
Loan to an associate	–	28,500
Amount due to an associate	–	(81)

Loan to an associate was unsecured, interest-bearing at a rate of 1.5% per annum, and repayable on the date falling 6 months after the date of the loan facilities agreement (i.e. 3 July 2009) entered into between, SFII and the Group which shall be subject to further negotiation and the cash level of the SFII Group to renew the loan for a further 6-month period. On 3 January 2010, the repayment date of the loan to the associate has been extended to 3 July 2010 (subject to extension). Loan to an associate is neither past due nor impaired. The entire amount of loan to an associate has been fully repaid on 16 August 2010.

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

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

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

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

The Group's entire interests in associates for the current and the prior periods were attributable to the SFII Group. On 3 July 2009, the SFII Group, the then subsidiaries of the Company, became associates of the Company as a result of the Former Disposal. On 16 August 2010, the Group has further disposed of its remaining 49% equity interests in SFII Group and as a result, the Group's interests in SFII Group have been derecognised from the unaudited condensed consolidated statement of financial position of the Group on the same date.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(Continued)*

*For the three months and six months ended 30 September 2010*

### **13. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES**

The amounts comprised refundable deposits of HK\$40,000,000 paid to the Vendor for the Acquisition, details of which are set out in the Company's announcements dated 26 August 2010, 16 September 2010, 22 September 2010, 30 September 2010 and 29 October 2010, and circular dated 14 October 2010 respectively. The Acquisition was completed on 29 October 2010, details of which are set out in Note 18(a).

### **14. ACCOUNTS RECEIVABLE**

The Group's entire accounts receivable as at both 30 September 2010 and 31 March 2010, based on invoice date, were aged within 90 days.

During the current and the prior periods, the Group generally allows an average credit term of 30 to 60 days to its customers for business of general trading.

#### **Accounts receivables that are not impaired**

No allowance for doubtful debts was made during both the current and the prior periods. Accounts receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

### **15. CONVERTIBLE BONDS**

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

The conversion option is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the principal amount of the convertible bonds. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the three months and six months ended 30 September 2010

### 15. CONVERTIBLE BONDS (Continued)

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

During the year ended 31 March 2010, the convertible bonds with the principal amount of HK\$16,000,000 were converted into approximately 9,581,000 ordinary shares of the Company (Note 16(i)). During the current period, the remaining outstanding convertible bonds with the aggregate principal amount of HK\$4,000,000 have been fully converted into approximately 2,395,000 ordinary shares of the Company (Note 16(i)).

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

### 16. SHARE CAPITAL

	Notes	As at 30 September 2010		As at 31 March 2010	
		Number of shares	Amount (Unaudited) HK\$'000	Number of shares	Amount (Audited) HK\$'000
		'000		'000	
Authorised:					
Ordinary shares of HK\$0.01 each					
At end of period/year		10,000,000	100,000	10,000,000	100,000
Issued and fully paid:					
Ordinary shares of HK\$0.01 each					
At beginning of period/year		66,446	664	2,640,000	26,400
Capital reorganisation		—	—	(2,587,200)	(25,872)
Issue of new shares on partial conversion of convertible bonds	(i)	2,395	24	9,581	96
Issue of new shares on exercise of warrants	(ii)	10,560	106	—	—
Exercise of share options		—	—	4,065	40
At end of period/year		79,401	794	66,446	664

Notes:

- (i) As set out in Note 15, the remaining outstanding convertible bonds with an aggregate principal amount of HK\$4,000,000 (year ended 31 March 2010: HK\$16,000,000) and carrying value of HK\$2,849,000 (year ended 31 March 2010: HK\$11,313,000) have been converted into approximately 2,395,000 (year ended 31 March 2010: approximately 9,581,000) ordinary shares of HK\$0.01 each of the Company at the conversion price, of which HK\$24,000 (year ended 31 March 2010: HK\$96,000) was credited to issued share capital and the remaining balance of HK\$2,825,000 (year ended 31 March 2010: HK\$11,217,000) was credited to the share premium account. In addition, an amount of HK\$1,172,000 (year ended 31 March 2010: HK\$4,687,000) has been transferred from convertible bonds reserve to the share premium account.
- (ii) During the current period, 10,560,000 new ordinary shares of HK\$0.01 each of the Company were issued on exercise of 10,560,000 warrants at an aggregate consideration of HK\$13,834,000, of which HK\$106,000 was credited to issued share capital and the remaining balance of HK\$13,728,000 was credited to the share premium account. In addition, an amount attributable to the related warrants of HK\$1,734,000 has been transferred from the warrant reserve to the share premium account.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(Continued)*

*For the three months and six months ended 30 September 2010*

### **17. RELATED PARTY TRANSACTIONS**

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

- (a) During the current period, the Group received interest income from an associate in respect of the loan to an associate amounted to HK\$264,000 (six months ended 30 September 2009: HK\$Nil) and the details of the loan to the associate are set out in Note 12.
- (b) During the current period, the Group received rental income of HK\$466,000 from an associate, which has been included in the Group's turnover for the year (six months ended 30 September 2009: HK\$233,000).

### **18. SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

#### **(a) Acquisition**

On 26 August 2010, Star Coal entered into a conditional sale and purchase agreement with the Vendor to acquire the entire equity interest in CIFIC. The Acquisition was subsequently completed and approved by shareholders of the Company at the special general meeting held on 29 October 2010, as such there is no adjusting effect on the Interim Financial Statements.

Details of the Acquisition are set out in the Company's announcements dated 26 August 2010, 16 September 2010, 22 September 2010, 30 September 2010 and 29 October 2010, and circular dated 14 October 2010 respectively.

It is impractical to disclose the pro forma revenue and loss of the Group for the current period had the acquisition been effected at the beginning of the period, the carrying amount, fair value of the net assets acquired and any goodwill or bargain purchase arising from the Acquisition because the relevant financial information of the Acquisition was not yet available for the preparation of such pro forma financial information at the date of approval of the Interim Financial Statements.

#### **(b) Grant of share options**

On 3 September 2010, the Board conditionally resolved to grant an aggregate of approximately 7,940,000 share options to the Directors, subject to approval from shareholders. As the grant of share options has been subsequently approved by shareholders of the Company at the special general meeting held on 5 November 2010, as such there is no adjusting effect on the Interim Financial Statements.

Details of the share options are set out in the Company's announcement dated 3 September 2010 and 5 November 2010, and circular dated 19 October 2010 respectively.

### **19. COMPARATIVE FIGURES**

As detailed in Notes 8 and 10, the Company's basic and diluted loss per share amounts for the prior period and the results of the discontinued operation have been restated to conform with the current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

In addition, properties hold by the Group for investment purposes are in Hong Kong and Xinjiang, the PRC respectively.

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

For the six months ended 30 September 2010, the Group achieved revenue of approximately HK\$14.4 million (six months ended 30 September 2009: approximately HK\$0.3 million (restated)) for the business of property investment and general trading respectively, representing an increased by approximately HK\$14.1 million or 4,700% over the corresponding prior period ended. The increment was mostly contributed by the revenue stream which derived from the general trading business which commenced on October 2009 as well as an increased of the received of the rental income from its investments properties.

For the six months ended 30 September 2010, the Group recorded total revenue of approximately HK\$14.4 million (six months ended 30 September 2009: approximately HK\$0.3 million (restated)) which was derived from the businesses of general trading and property investment respectively which accounted for approximately of 95.7% and 4.3% respectively (six months ended 30 September 2009: Nil% and 100% respectively). Details of the Group's revenue are disclosed in Note 4 "TURNOVER AND SEGMENT INFORMATION".

An increased in turnover by approximately HK\$14.1 million or 4,700%, as compared to the corresponding prior period ended was mostly contributed by the revenue stream which derived from the general trading business which commenced on October 2009 as well as increased of the received of the rental income from its investments properties.

The Group generated an operating loss of approximately HK\$1.5 million and approximately HK\$1.4 million respectively for the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$Nil and approximately HK\$1.0 million (restated) respectively) for the trading segment and property investment segment respectively.

The Group's gross profit was approximately HK\$0.9 million for the six months ended 30 September 2010 (six months ended 30 September 2009: approximately HK\$0.2 million (restated)). The gross profit increased as compared to the corresponding prior period ended was mostly contributed by the revenue stream which derived from the general trading business which commenced on October 2009 as well as increased of the received of the rental income from its investments properties.

For the six months ended 30 September 2010, the Group's administrative expenses amounted to approximately HK\$24.4 million (six months ended 30 September 2009: approximately HK\$13.7 million (restated)), which represented an increased by approximately HK\$10.7 million or 78.1%, as compared to the corresponding prior period ended. The increment was contributed by the increased on the depreciation charges, directors' remunerations, staff salaries and overseas and local travelling charged for the business trips.

For the six months ended 30 September 2010, the Group's finance costs amounted to approximately HK\$0.02 million (six months ended 30 September 2009: approximately HK\$3.12 million (restated)), the tremendous decreased by approximately HK\$3.10 million or by 99.4% was contributed by the repayment of the promissory notes.

For the six months ended 30 September 2010, the Group recorded the share of loss of associates, net of tax, of approximately HK\$0.9 million (six months ended 30 September 2009: share of profit of associates, net of tax, of approximately HK\$6.1 million), which represented the share of 49% results attributed by the Star Fortune International Investment Company Limited (the "SFII") and its subsidiaries (collectively referred to as the "SFII Group") to the Group. The SFII Group is principally engaged in mining, sale and distribution of coals in the PRC. The 49% equity interests in the SFII were disposed on 16 August 2010.

For the six months ended 30 September 2010, the Group recorded a loss on disposal of associates of approximately HK\$20.2 million (six months ended 30 September 2009: HK\$Nil) represented a loss for the disposal of the 49% equity interests which completed on 16 August 2010 and the SFII ceased to be the associates of the Group.

For the six months ended 30 September 2010, the Group recorded a fair value loss on investment properties of approximately HK\$1.5 million (six months ended 30 September 2009: approximately HK\$0.7 million), which represented decreased in fair value of the Group's investment properties which are hold for investment purposes during the current period under reviewed.

For the six months ended 30 September 2010, the Group recorded an impairment loss on property, plant and equipment of HK\$Nil (six months ended 30 September 2009: approximately HK\$1.1 million).

For the six months ended 30 September 2010, the Group recorded a loss attributable to owners of the Company from the continuing operations of approximately HK\$24.6 million (six months ended 30 September 2009: approximately HK\$19.0 million (restated)) represented an increase in loss by approximately HK\$5.6 million or 29.5%. The overall increase in loss attributable to the owners of the Company as compared to the corresponding prior period ended was mainly attributable by (i) nil revenue was recorded on the corresponding prior period ended for the business of general trading as it only commenced on October 2009, (ii) increased of the administrative expenses and (iii) the recorded of loss on disposal of 49% equity interests in the SFII.

For the six months ended 30 September 2010, the Group recorded a loss attributable to the owners of the Company from the discontinued operations of approximately HK\$21.1 million (six months ended 30 September 2009: net profit of approximately HK\$3.4 million) of which comprised a loss for the disposal of 51% and 49% equity interests respectively in the SFII and completion for the disposal completed on 3 July 2009 and 16 August 2010 respectively.

For the six months ended 30 September 2010, the Group recorded a surplus of approximately HK\$1.0 million (six months ended 30 September 2009: HK\$Nil) for the change in fair value of available for-sale financial assets. The surplus reflected the change in fair value during the current period under reviewed of the Proteus Growth Fund Limited (the "Fund") subscribed by the Group on 2 November 2009 and was recognised in the unaudited condensed consolidated statement of comprehensive income and the asset revaluation reserve of the Group respectively. The fair value of the Fund is determined based on quote issued by respective fund administrator as at the end of each reporting period respectively.

## **LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO**

As at 30 September 2010, the Group had net current assets of approximately HK\$77.57 million (31 March 2010: approximately HK\$79.08 million) including cash and cash equivalents of approximately HK\$66.70 million. (31 March 2010: approximately HK\$33.28 million).

The Group had no bank overdraft facilities and bank borrowings as at 31 March 2010 and 30 September 2010 respectively. The debt ratio (defined as total liabilities over total assets) of the Group as at 30 September 2010 was approximately 0.02 (31 March 2010: approximately 0.03) which has decreased slightly, during the current period under reviewed.

The Group principally finances its operations and investing activities with its operating revenue and internal resources. The directors (the "Directors") of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditures and working capital requirements.

Majority of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars or Renminbi (the "RMB"), hence the Board considers that the exchange rate risk of the Group is minimal. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 September 2010, the Board confirms that the Group makes no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions. The Board would like to emphasize that the Group's financial positions remain stable and has sufficient cash resources to meet its present and future cash flow requirements.

## **FOREIGN EXCHANGE EXPOSURE**

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

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in the RMB and the equity investments denominated in the United States dollars (the “USD”). As at 30 September 2010, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies, i.e. RMB, used by the Group entities or in the USD for HKD functional currency Group entities.

As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant for transactions denominated in USD. The RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 September 2010, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

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

As at 30 September 2010, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the counter contingent forward transactions.

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

## **CAPITAL STRUCTURE**

The shares (the “Shares”) of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 November 2002. There is no material change in the capital structure of the Company during the six months ended 30 September 2010 under reviewed. As at 30 September 2010, the total issued shares is 79,401,047 shares.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

On 20 May 2010, Star Fortune International Development Company Limited (the “SFID”), an indirect wholly owned subsidiary of the Company, entered into a conditional disposal agreement (the “Disposal 2”) with the purchaser (the “Purchaser”), a wholly-owned subsidiary of China Sonangol Resources Enterprise Limited (the “China Sonangol”) (a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1229)), for the disposal of the sale shares (the “Disposal Shares 2”), representing 49% equity interests in SFII (an associate of the Group immediately before the completion of the Disposal 2), held by SFID for a total cash consideration of HK\$50 million.

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

Save as disclosed above, there was no other material acquisitions or disposals of subsidiaries and affiliated companies held by the Group as at 30 September 2010.

(31 March 2010: On 30 April 2009, the SFID entered into a conditional disposal agreement (the “Disposal Agreement 1”) with the Purchaser for the disposal of the sale shares (the “Disposal Shares 1”), representing 51% equity interests in SFII, (an indirect wholly-owned subsidiary of the Company immediately before the completion of the Disposal Agreement 1 and carry on as associate immediately after the Disposal Agreement 1), held by SFID for a total cash consideration of HK\$100 million (subject to adjustment). The entire consideration was entirely received on 12 July 2010..

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

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

The Acquisition was completed on 7 August 2009.

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

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

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

Save as disclosed above, there was no other material acquisitions or disposals of subsidiaries and affiliated companies held by the Group as at 31 March 2010.)

## OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease commitments, with leases negotiated for terms ranging from one to three years. None of the leases includes contingent rentals.

As at 30 September 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 30 September 2010 (Unaudited) HK\$’000</b>	As at 31 March 2010 (Audited) HK\$’000
Within one year	<b>2,145</b>	2,145
In the second to fifty year inclusive	<b>2,730</b>	3,900
	<b>4,875</b>	6,045

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



## CHARGES ON GROUP ASSETS AND CONTINGENT LIABILITIES

The Group had no material charge on assets and any contingent liabilities as at 30 September 2010 (31 March 2010: HK\$Nil).

## PROPOSED ACQUISITION

On 26 August 2010, Star Coal International Investment Company Limited (the “Star Coal”), an indirect wholly owned subsidiary of the Company, as a purchaser, entered into the conditional sale and purchase agreement (the “Conditional S&P”) with Mr. Woo Man Wai, David (the “Vendor David”), pursuant to which Star Coal agreed to acquire and the Vendor David agreed to sell its entire share capital of China Indonesia Friendship Coal Trading Company Limited (the “CIFC”) and the sale loan for a total consideration of HK\$70 million. The CIFC is currently an investment holding company and its subsidiaries which will soon commence the business of coal trading.

Details of the Conditional S&P have been set out in the announcement of the Company dated 26 August 2010, 16 September 2010, 22 September 2010, 30 September 2010 and 29 October 2010, and circular dated 14 October 2010 respectively.

The Conditional S&P constituted a major transaction on the part of the Company pursuant to Rule 19.06(3) of the GEM Listing Rules. Accordingly, the Conditional S&P is subject to the approval of the shareholders (the “Shareholders”) of the Company at the special general meeting (the “SGM 1”). Under the GEM Listing Rules, no Shareholders will be required to abstain from voting on the resolution to approve the Conditional S&P at the SGM 1 and any vote exercised by the Shareholders at the SGM shall be taken by way of poll. The respective resolution was passed by the Shareholders on 29 October 2010 in the SGM 1 and the Conditional S&P was completed on the same day simultaneously.

## SHARE OPTION SCHEME

On 26 October 2002, the Company conditionally adopted the Share Option Scheme (the “Scheme”) under which share options to subscribe for the shares of the Company may be granted under the terms and conditions stipulated therein. On 3 September 2010, options to subscribe for an aggregate of 7,940,104 shares at HK\$1.51 per share had been granted by the Company under the Scheme. As at 30 September 2010, 7,940,104 granted during the current period under reviewed were outstanding. Details number of share options granted, exercised and their respective exercise price and exercisable period are as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Closing price at the date of grant HK\$	Outstanding as at 01/04/2010	Granted during the period	Exercised during the period	Outstanding as at 30/09/2010
<b>Directors</b>								
Ms. Yick Mi Ching, Dawnibilly	3 September 2010	3 September 2010 – 2 September 2020	1.51	1.51	–	3,970,052	–	3,970,052
Mr. Tsang Ho Ka, Eugene	3 September 2010	3 September 2010 – 2 September 2020	1.51	1.51	–	3,970,052	–	3,970,052
					–	7,940,104	–	7,940,104

Pursuant to Rule 23.03(4) of the GEM Listing Rules, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company (or the subsidiary) in issue, such grant of options to each of the eligible participants must be approved by the Shareholders in the special general meeting (the "SGM 2") by way of poll with Ms. Yick Mi Ching, Dawnibilly and Mr. Tsang Ho Ka, Eugene who are both Director respectively (the "Grantees") and their respective associates abstaining from voting.

As such, the grant of options to the Grantees is subject to the Shareholders' approval to be obtained by the Company. The respective resolutions were passed by the Shareholders on 5 November 2010 in the SGM 2.

The Directors consider that it is inappropriate to state the value of the options granted under the Scheme on the ground that certain crucial factors for such valuation are variables such as the expected volatility and interest rate, which cannot be reasonably determined during the period under reviewed. As per the HKFRS 2 is applied where the grant date is the date when that approval is obtained. As such, the granting of the share options has been approved by Shareholders at the SGM 2 on 5 November 2010, it does not have any adjusting effect on the balance sheet date of the Interim Financial Statements.

Any valuation of the share options based on speculation assumptions in respect of these variables would not be meaningful and would be misleading to the Shareholders.

## **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.

## **SEGMENT INFORMATION**

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

- The trading segment comprised the business of general trading;
- The property investment segment comprised investment in various properties for rental income purposes; and
- The mining segment comprised the mining exploration and sale of coal in the PRC and the operation had been disposed of by the Group in the current period. Accordingly, the mining segment was classified as discontinued operation and the comparative figures of this segment were re-classified from continuing operations to discontinued operation during the current period, details of which are presented in note 8 to the section headed "DISCONTINUED OPERATION" of this interim results' announcement.

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.

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those business segment.

Details of the segment information are presented in note 4 to the section headed "TURNOVER AND SEGMENT INFORMATION" of this interim results' announcement.

## **NEW SERVICES**

During the six months ended 30 September 2010, the Group has no new services introduced. (30 September 2009: The Group engaged in the new business of property investment).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at 30 September 2010, the Group have a future plan for potential possible investments. Further details, please refer to the Company's announcements dated 26 August 2010, 16 September 2010, 22 September 2010, 30 September 2010 and 29 October 2010, and circular dated 14 October 2010 respectively and heading of titled "PROPOSED ACQUISITION".

The Directors will continue to explore opportunities to invest in good quality properties in both Hong Kong and the PRC to strengthen its property investment business and the investment properties hold by the Group will continue provide a stable source of rental income to the Group and the potential possible of the appreciation of the properties, the future prospect of the property marketing in HK and PRC is promising. Addition, the Directors might consider to dispose certain of the properties of the Group which held for investment properties or property held for own use respectively when the properties can be disposed for profits.

In view of the global economy and with the recent announced of the second round of the quantitative easing by the federal government of the United States of America, the commercial environment and the widely violation of the financial market and economic atmosphere will all become more complicated and unpredictable. However, as usual and with available funds on hand, the Group is capable to actively looking for possible future investments with or within the coal mining, property investment, general trading sectors and coal trading sectors or other sector(s) with growth potential to improve its Shareholders' value.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2010, the Group had 26 (31 March 2010: 27) employees.

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.

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 Scheme where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group. Share options have been granted to the eligible participants during the current period under reviewed.

## **BUSINESS REVIEW AND PROSPECTS**

For the six months ended 30 September 2010, the Group achieved revenue of approximately HK\$14.4 million (six months ended 30 September 2009: approximately HK\$0.3 million (restated)) for the business of property investment and general trading respectively, representing an increased by approximately HK\$14.1 million or 4,700% over the corresponding prior period ended. The increment was mostly contributed by the revenue stream which derived from the general trading business which commenced on October 2009 as well as an increased of the received of the rental income from its investments properties.

Pursuant to a management review of the business environment and the comparative landscape for the Group's mining business, taking into account the limited prospects as well as the limited financial contribution from this investment, the residual 49% equity interests in the SFII held by the Group was disposed during the current period under reviewed.

On 20 May 2010, the SFID entered into a Disposal 2 with the Purchaser for the Disposal Shares 2 for a total cash consideration of HK\$50 million. The Disposal 2 was completed on 16 August 2010 and the SFII ceased to be the associate of the Group.

For the six months ended 30 September 2010, the Group achieved revenue of approximately HK\$13.81 million for the general trading business in the PRC (six months ended 30 September 2009: HK\$Nil). The trading business of the Group commenced in October 2009, the Group has entered into three letters of intent with one new and two different existing customers respectively for long term acquisition contracts with the aggregate amounts of RMB28 million starting from the period of 1 July 2010 to 30 June 2011 for different electronic appliances. For the six months ended 30 September 2010, approximately RMB8.2 million (six months ended 30 September 2009: RMBNil) was recorded for the trading business out of the RMB28 million long terms acquisition contract signed since on 1 July 2010. The Directors are optimistic about the prospect of the trading business due to the facts that (i) Beijing's economy continue to grow rapidly after the Olympics Games in year 2008, (ii). many new multinational corporations and local corporations' headquarter have been established and are expanding in Beijing, (iii) the frequent communication between the government departments/businesses/households in Beijing and other cities, (iv) rapid modernization and urbanization of rural area around Beijing which increase the demand of the telecommunication equipments, (v) continuous infrastructure and construction projects in Beijing, and (vi) the prior announced of the 3 net combined (三網融合) policy by the PRC Government will stimulate the demand of large scale telecommunication equipments and expect that the trading business will contribute more revenue stream to the Company in the near future.

For the six months ended 30 September 2010, the Group achieved revenue of approximately HK\$0.62 million for the rental income from the Group's investment properties in HK and the PRC respectively (six months ended 30 September 2009: approximately of HK\$0.28 million). The increment of the received of the rental income was contributed by one of the Group's investment properties from Sorrento, 1 Austin Road West, Kowloon which acquired on 7 August 2009. Further, the rising trend of the property market in HK and the PRC has been slowed down and price of the properties in HK and the PRC has been adjusted downward slightly recently due to the regulations and policies adopted by HK and the PRC government towards the property market. The Directors will continue to explore opportunities to invest in good quality properties in both Hong Kong and the PRC to strengthen its property investment business and the investment properties hold by the Group will continue provide a stable source of rental income to the Group and the potential possible of the appreciation of the properties, the future prospect of the property marketing in HK and PRC is promising. Addition, the Directors might consider to dispose certain of the properties of the Group which held for investment properties or property held for own use respectively when the properties can be disposed for profits.

For the six months ended 30 September 2010, the Group recorded a surplus of approximately HK\$1.0 million (six months ended 30 September 2009: approximately of HK\$Nil million) for the change in fair value of available for sale financial assets. The surplus reflected the change in fair value during the current period under reviewed of the Fund subscribed by the Group on 2 November 2009. The Board views the stocks and debts' markets in Hong Kong and PRC will continue to fluctuate, challenging and widely violation, as with the recent announced of the second round of the quantitative easing by the federal government of the United States of America and continuity free flow in and out of the global hot money to HK.

In the future, the Company will closely monitor with respective fund administrator for its investments portfolio and strategy and might potential possibly redeem back the Fund when can be redeemed for a profit.

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

On 26 August 2010, Star Coal entered into the Conditional S&P with Vendor David, pursuant to which Star Coal agreed to acquire and the Vendor David agreed to sell its entire share capital of the CIFIC and the sale loan for a total consideration of HK\$70 million. The CIFIC is currently an investment holding company and its subsidiaries which will soon commence the business of coal trading.

The Conditional S&P constituted a major transaction on the part of the Company pursuant to Rule 19.06(3) of the GEM Listing Rules. Accordingly, the Conditional S&P is subject to the approval of the Shareholders at the SGM 1. Under the GEM Listing Rules, no Shareholders will be required to abstain from voting on the resolution to approve the Conditional S&P at the SGM 1 and any vote exercised by the Shareholders at the SGM shall be taken by way of poll. The respective resolution was passed by the Shareholders on 29 October 2010 in the SGM 1 and the Conditional S&P was completed on the same day simultaneously. As the business of coal trading is still in its development and initial stage, hence the Group will put extra resources to pursuit its growth.

Despite of the net loss of the Group for the six months ended 30 September 2010, the Board considers that the Group's overall financial positions are healthy and the Board remains positive on the prospects of the Group. Notwithstanding the foregoing, as at 30 September 2010, the Board confirms that the Group makes no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedgings or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the counter contingent forward transactions. The Board would like to emphasize that the Group's financial positions remain stable and has sufficient cash resources to meet its present and future cash flow requirements.

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

The warrants entitle the subscribers to subscribe for the new shares at the subscription price of HK\$0.92 per new share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share.

The Directors are of the view that additional funding will strengthen the financial position of the Group for any future investment and development, which will be beneficial and in the interest of the Group and the Shareholders as a whole.

The Board considered that the present warrant placing is appropriate as (i) it does not have any immediate dilution effect on the shareholding of the existing shareholders while capital will be raised upon completion; (ii) non-interest bearing nature of Warrants; and (iii) favorable market sentiment for equity fund raising. In addition, further capital will be raised upon the exercise of the subscription rights attaching to the warrants by the holder of the warrants during the subscription period.

The Placing completed on 14 September 2010.

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

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

As at 30 September 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### **(i) Interest in shares**

<b>Name</b>	<b>Capacity of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding in the Company</b>
Ming Kei International Holding Co. Limited (the "Ming Kei") (Note 1)	Beneficial owner	10,360,838(L) (Note 2 and 6)	13.05
Mr. Wong Wai Sing (the "Mr. Wong")	Beneficial owner	252,200(L) (Note 6)	0.32
	Interest of controlled corporation	10,360,838(L) (Note 2 and 6)	13.05
Lonestar Group Limited (the "Lonestar") (Note 3)	Beneficial owner	200,000(L) (Note 6)	0.25
Mr. Tsang Ho Ka, Eugene (the "Mr. Tsang") (Note 4)	Interest of controlled corporation	200,000(L) (Note 6)	0.25
Ms. Lau Kimberly Siu Yan Kaiulani (the "Ms. Lau") (Note 5)	Interest of spouse	200,000(L) (Note 6)	0.25

## (ii) Interest in share options

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options granted	Approximate percentage of shareholding in the Company
Ms. Yick Mi Ching, Dawnibilly	3 September 2010	3 September 2010 to 2 September 2020	HK\$1.51	3,970,052 (L) (Note 6)	5.00
Mr. Tsang Ho Ka, Eugene	3 September 2010	3 September 2010 to 2 September 2020	HK\$1.51	3,970,052 (L) (Note 6)	5.00

### Notes:

1. Ming Kei is wholly and beneficially owned by Mr. Wong, a non-executive Director and a sole executive director of Ming Kei.
2. Ming Kei is wholly and beneficially owned by Mr. Wong, therefore, Mr. Wong, is deemed to be interested in the 10,360,838 Shares in which Ming Kei is interested.
3. Lonestar is wholly and beneficially owned by Mr. Tsang, an executive Director and a sole executive director of Lonestar.
4. Lonestar is wholly and beneficially owned by Mr. Tsang, therefore, Mr. Tsang is deemed to be interested in the 200,000 Shares in which Lonestar is interested.
5. Lonestar is wholly and beneficially owned by Mr. Tsang and who is the spouse of Ms. Lau. Accordingly, Mr. Tsang and Ms. Lau is deemed to be interested in the 200,000 Shares in which Lonestar is interested and Ms. Lau is deemed to be interested in the Shares beneficially owned by Mr. Tsang in his own capacity.
6. The letter "L" denoted a long position in shares.

Save as disclosed above, as at 30 September 2010, none of the Directors nor the chief executives of the Company had any other interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.



## DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES" above and the share option scheme disclosures to this interim results' announcement, at no time during the period 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.

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

As at 30 September 2010, the interests and short positions of persons, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### (i) Interest in shares:

Name of shareholders	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Ming Kei ( <i>Note 1</i> )	Beneficial owner	10,360,838(L) ( <i>Note 2 and 6</i> )	13.05
Mr. Wong	Beneficial owner	252,200(L) ( <i>Note 2 and 6</i> )	0.32
	Interest of controlled corporation	10,360,838(L) ( <i>Note 2 and 6</i> )	20.61
Ms. Wong Ka Man	Beneficial owner	5,200,000(L) ( <i>Note 6</i> )	6.55

### (ii) Interest in underlying shares – non-listed warrants

Triumph Star Enterprises Limited (the "Triumph") ( <i>Note 3</i> )	Beneficial owner	5,000,000(L) ( <i>Note 6</i> )	6.30
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Name of shareholders	Capacity of interests	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Chan Francis Ping Kuen ("Mr. Chan") (Note 3)	Interested of controlled corporation	5,000,000(L) (Note 6)	6.30
Lofty Star Limited (the "Lofty") (Note 4)	Beneficial owner	5,000,000(L) (Note 6)	6.30
Mr. Ip Shu Wai (Note 4)	Interested of controlled corporation	5,000,000(L) (Note 6)	6.30
Glorious Smart International Investment Limited (the "Glorious") (Note 5)	Beneficial owner	5,000,000(L) (Note 6)	6.30
Ms. Wang Hong (Note 5)	Interested of controlled corporation	5,000,000(L) (Note 6)	6.30

### (iii) Interest in underlying shares – share options

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options granted	Approximate percentage of shareholding in the Company
Ms. Yick Mi Ching, Dawnibilly	3 September 2010	3 September 2010 to 2 September 2020	HK\$1.51	3,970,052 (L) (Note 6)	5.00
Mr. Tsang Ho Ka, Eugene	3 September 2010	3 September 2010 to 2 September 2020	HK\$1.51	3,970,052 (L) (Note 6)	5.00

Notes:

1. Ming Kei is wholly and beneficially owned by Mr. Wong, a non-executive Director and a sole executive director of Ming Kei.
2. Ming Kei is wholly and beneficially owned by Mr. Wong, therefore, Mr. Wong, is deemed to be interested in the 10,360,838 shares in which Ming Kei is interested.
3. Triumph is a subscriber of 5,000,000 non-listed warrants under the private placing of non-listed warrants which confer rights to Triumph to subscribe for 5,000,000 Shares. Triumph is wholly and beneficially owned by Mr. Chan, therefore, Mr. Chan is deemed to be interested in the 5,000,000 Shares in which Triumph is interested.

4. Lofty is a subscriber of 5,000,000 non-listed warrants under the private placing of non-listed warrants which confer rights to Lofty to subscribe for 5,000,000 Shares. Lofty is wholly and beneficially owned by Mr. Ip, therefore, Mr. Ip is deemed to be interested in the 5,000,000 Shares in which Lofty is interested.
5. Glorious is a subscriber of 5,000,000 non-listed warrants under the private placing of non-listed warrants which confer rights to Glorious to subscribe for 5,000,000 Shares. Glorious is wholly and beneficially owned by Ms. Wang, therefore, Ms. Wang is deemed to be interested in the 5,000,000 Shares in which Glorious is interested.
6. The letter "L" denotes a long position in Shares.

Save as disclosed above, as at 30 September 2010, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2010.

## **DIRECTORS' INTERESTS IN CONTRACTS**

As at 30 September 2010, 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.

## **DIRECTORS' INTEREST IN COMPETING INTERESTS**

As at 30 September 2010, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

## **MANAGEMENT CONTRACTS**

As at 30 September 2010, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

## **CODE ON CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Securities Code”). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard set out in the Securities Code.

## **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. The audit committee comprises three members, namely, Mr. Sung Wai Tak, Herman, Mr. Kwok Kam Tim and Mr. Kinley Lincoln James Lloyd, all are independent non-executive Directors of the Company. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30 September 2010 except that (i) no nomination committee of the Board is established and (ii) all independent non-executive Director of the Company are not appointed for a specific term.

In order to maintain high standard of disclosure, an announcement of “PROFIT WARNING” dated 27 October 2010 was announced by the Company that the Group is expected that the net loss of the Group for the six months ended 30 September 2010 is expected to increase significantly as compared with that for the corresponding period in 2009.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this results’ announcement, there is sufficient public float of the Company’s issued shares as required under the Listing Rules through out the period ended 30 September 2010.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the Bye-laws of Bermuda which would oblige the Company to offer new shares on a pro rate basis to existing shareholders.

## **PUBLICATION OF INFORMATION ON WEBSITES**

This interim results' announcement is available for viewing on the website of Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.mingkeiholdings.com](http://www.mingkeiholdings.com).

By order of the Board of  
**Ming Kei Holdings Limited**  
**Mr. Wong Wai Sing**  
*Chairman*

9 November 2010  
Hong Kong

*As at the date of this announcement, the executive Directors are Ms. Yick Mi Ching, Dawnibilly and Mr. Tsang Ho Ka, Eugene, the non-executive Director is Mr. Wong Wai Sing and the independent non-executive Directors are Mr. Sung Wai Tak, Herman, Mr. Kwok Kam Tim and Mr. Kinley Lincoln James Lloyd.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for seven days from the date of its publication and on the website of the Company at <http://www.mingkeiholdings.com>.*