



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8239)

Interim Report
2008/09



* For identification purpose only

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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

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This report, for which the directors of Ming Kei Energy 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of Ming Kei Energy Holdings Limited (the "Company") herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 September 2008 together with the comparative figures for the corresponding periods in 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2008

	Notes	Six months ended 30 September		Three months ended 30 September	
		2008 (unaudited) HK\$'000	2007 (restated) HK\$'000	2008 (unaudited) HK\$'000	2007 (restated) HK\$'000
Continuing operations:					
Revenue	3	26,386	–	18,770	–
Cost of sales		(14,107)	–	(9,589)	–
Gross profit		12,279	–	9,181	–
Other income and gains		906	971	722	673
Selling and distribution costs		(604)	–	(312)	–
Administrative expenses		(9,326)	(3,580)	(7,316)	(2,365)
Finance costs	4	(8,017)	–	(3,778)	–
Loss before tax	5	(4,762)	(2,609)	(1,503)	(1,692)
Income tax	6	809	–	537	–
Loss for the period from continuing operations		(3,953)	(2,609)	(966)	(1,692)
Discontinued operations:					
Profit/(loss) for the period from discontinued operations	7	(554)	(1,578)	177	(553)
Loss for the period attributable to equityholders of the Company		(4,507)	(4,187)	(789)	(2,245)
Dividend	8	–	–	–	–

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

For the three months and six months ended 30 September 2008

	Six months ended 30 September 2008 (unaudited)		Three months ended 30 September 2008 (unaudited)	
	2008 (unaudited) HK\$'000	2007 (restated) HK\$'000	2008 (unaudited) HK\$'000	2007 (restated) HK\$'000
Loss per share attributable to equityholders of the Company				
	Notes			
Loss per share attributable to equityholders of the Company		9		
Continuing and discontinued operations:				
Basic (cent)	HK(0.17)	HK(0.24)	HK(0.03)	HK(0.14)
Diluted (cent)	N/A	N/A	N/A	N/A
Continuing operations:				
Basic (cent)	HK(0.15)	HK(0.15)	HK(0.04)	HK(0.10)
Diluted (cent)	N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		40,226	18,113
Intangible assets		1,457,553	1,430,193
Available-for-sale financial assets		7,086	–
Deferred tax assets		103	180
		1,504,968	1,448,486
CURRENT ASSETS			
Inventories	10	51,117	2,877
Deposit for acquisition of an investment	11	21,500	–
Accounts and bills receivable	12	15,338	78,754
Prepayments, deposits and other receivables		13,606	36,637
Cash and cash equivalents		33,860	69,400
		135,421	187,668
CURRENT LIABILITIES			
Accounts and bills payable	13	21,541	45,184
Accrued expenses and other payables		39,679	42,067
Obligations under finance leases		–	145
		61,220	87,396
NET CURRENT ASSETS		74,201	100,272
TOTAL ASSETS LESS CURRENT LIABILITIES		1,579,169	1,548,758
NON-CURRENT LIABILITIES			
Deferred tax liabilities		362,078	355,374
Promissory notes	14	254,925	248,994
		617,003	604,368
NET ASSETS		962,166	944,390
CAPITAL AND RESERVES			
Issued capital	15	26,400	26,400
Reserves		935,766	917,990
TOTAL EQUITY		962,166	944,390

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	16,339	(5,279)
Net cash (used in) investing activities	(51,805)	(71,023)
Net cash generated from/(used in) financing activities	(145)	144,341
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(35,611)	68,039
Cash and cash equivalents at the beginning of period	69,400	8,414
Effect of foreign exchange, net	71	–
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	33,860	76,453
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	33,860	76,453

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Issued capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Statutory reserve fund (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Asset revaluation reserve (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance at 1 April 2008	26,400	841,530	3,867	862	15,360	-	63,233	(6,862)	944,390
Net loss for the period	-	-	-	-	-	-	-	(4,507)	(4,507)
Exchange realignments	-	-	-	-	-	-	23,131	-	23,131
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(848)	-	-	(848)
Transfer on disposal of subsidiaries	-	-	2,642	-	-	-	-	(2,642)	-
As at 30 September 2008	26,400	841,530	6,509	862	15,360	(848)	86,364	(14,011)	962,166

	Issued capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Statutory reserve fund (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Asset revaluation reserve (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance at 1 April 2007	15,000	14,946	3,867	-	-	-	-	(21,388)	12,425
Issue of new shares for placing	3,000	90,300	-	-	-	-	-	-	93,300
Issuing cost for placing	-	(2,959)	-	-	-	-	-	-	(2,959)
Issue of new shares for exercise of share option	1,200	52,800	-	-	-	-	-	-	54,000
Net loss for the period	-	-	-	-	-	-	-	(4,187)	(4,187)
As at 30 September 2007	19,200	155,087	3,867	-	-	-	-	(25,575)	152,579

Notes:

1. GENERAL INFORMATION

Ming Kei Energy Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands and its principal place of business in Hong Kong is Room 3308-3309, 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 principal activity of the Company is investment holding. During the current period under review, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in mining, sale and distribution of coals in the People's Republic of China (the "PRC"). During the prior period under review, the Group also engaged in other discontinued operations, details of which are set out in notes 3 and 7 below.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, except for available-for-sale financial assets, which are measured at fair values, as appropriate. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the financial statements for the year ended 31 March 2008, except for the accounting policies adopted for the available-for-sale financial assets and the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed below. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2008 are unaudited but have been reviewed by the Company's Audit Committee.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt securities that are designated as available for sale. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement. Losses arising from the impairment of such investments are recognised in the income statement and are transferred from the asset revaluation reserve.

When the fair value of unlisted equity and debt securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1 April 2008. The adoption of these new and revised HKFRSs has had no material impact on these unaudited condensed consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

Changes in accounting policies (Continued)

The Group has not early applied any of the new standards or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

3. REVENUE AND SEGMENT INFORMATION

The following table present the Group's revenue derived from invoiced value of goods sold and logistics services provided:

	Six months ended 30 September		Three months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue				
Continuing operations:				
Sale of coals	26,386	–	18,770	–
Discontinued operations:				
Sea freight forwarding	398	2,016	143	230
Road freight forwarding	5,581	7,407	2,603	4,186
Air freight forwarding	56	18	43	18
Other related logistics services	19	302	19	185
	32,440	9,743	21,578	4,619

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

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

- (a) the mining segment comprised the mining, exploration and sale of coal (the continuing operations); and
- (b) the logistics segment comprised the provision of logistic services (the discontinued operations).

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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(i) Business segments

	Six months ended 30 September 2008		
	Continuing operations	Discontinued operations	Consolidated
	Mining	Logistics	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
SEGMENT REVENUE			
External sales and services	26,386	6,054	32,440
SEGMENT RESULTS	7,558	(549)	7,009
Interest income			279
Unallocated costs and corporate expenses			(4,582)
Finance costs			(8,022)
Loss before tax			(5,316)
Income tax			809
Loss for the period			(4,507)

	Six months ended 30 September 2007		
	Continuing operations	Discontinued operations	Consolidated
	Mining	Logistics	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
SEGMENT REVENUE			
External services	–	9,743	9,743
SEGMENT RESULTS	–	(1,506)	(1,506)
Interest income			971
Unallocated costs and corporate expenses			(3,580)
Finance costs			(72)
Loss before tax			(4,187)
Income tax			–
Loss for the period			(4,187)

3. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Geographical segments

An analysis of the Group's revenue by geographical segment is as follow:

	Hong Kong		Six months ended 30 September PRC (excluding Hong Kong)		Consolidated	
	2008	2007	2008	2007	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue	6,054	9,743	26,386	-	32,440	9,743

4. FINANCE COSTS

	Six months ended 30 September		Three months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
For continuing operations:				
Interest expenses on trade financing wholly repayable within five years	(676)	-	(70)	-
Interest expenses on promissory notes wholly repayable within five years	(7,341)	-	(3,708)	-
	(8,017)	-	(3,778)	-
For discontinued operations:				
Interest expenses on finance lease wholly repayable within five years	(5)	(72)	-	(43)
	(8,022)	(72)	(3,778)	(43)

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after (crediting)/charging:

	Six months ended 30 September		Three months ended 30 September	
	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) (restated) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>	2007 (Unaudited) (restated) <i>HK\$'000</i>
For continuing operations:				
Interest income	(279)	(971)	(115)	(673)
Depreciation	1,301	-	742	-
Cost of inventories sold	14,107	-	9,589	-
Amortisation of intangible assets*	4,111	-	2,664	-
Loss on disposal of property, plant and equipment	844	-	844	-
For discontinued operations:				
Depreciation	198	363	51	187
Cost of services provided	4,250	7,185	1,945	3,162

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

6. INCOME TAX

The amount of income tax in the unaudited condensed consolidated income statement of the Group represents:

	Six months ended 30 September		Three months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Deferred tax credit and tax for the period	809	–	537	–

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 the six months ended 30 September 2008 (six months ended 30 September 2007: HK\$nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

In accordance with the approval from the relevant tax authorities, Mulei County Kai Yuan Coal Company Limited (the “Kai Yuan Coal”), an indirectly wholly owned subsidiary of the Group operating in the PRC, is entitled to two years’ exemption from the PRC corporate income tax (the “CIT”) followed by three years’ 50% relief from the CIT. The year ended 31 December 2007 is the first profit-making year of the Kai Yuan Coal for the purpose of CIT exemption. Accordingly, no CIT was provided for the six months ended 30 September 2008.

7. DISCONTINUED OPERATIONS

On 8 July 2008, the Company entered into a disposal agreement (the “Disposal”) for the disposal of the entire equity interests in the Precious Logistics Limited (the “Precious Logistics”) for an aggregate cash consideration of HK\$1,500,000. Precious Logistics and its subsidiaries was principally engaged in coordinating various logistics services for its customers.

The Disposal constitutes a major transaction on the part of the Company under the GEM Listing Rules and is subject to the shareholders’ approval at an extraordinary general meeting of the Company. The respective resolutions were passed by the shareholders on 29 August 2008 and the Disposal was completed on 3 September 2008.

After the completion of the Disposal, Precious Logistics and its subsidiaries ceased to be subsidiaries of the Company and the Company will no longer have any interests in the Precious Logistics and its subsidiaries engaged in the logistics business.

In accordance with Hong Kong Financial Reporting Standard 5 “Non-Current Assets Held For Sale and Discontinued Operations” issued by the HKICPA, the business segment of logistics services was required to be presented as discontinued operations in the prior interim period. For the six months ended 30 September 2008, the Group recorded a gain on disposal of subsidiaries of approximately HK\$0.4 million, which represented the net gain on disposal of the Group’s logistics business (or the Group’s discontinued operations).

7. DISCONTINUED OPERATIONS *(Continued)*

The results of the discontinued operations for the current and prior interim periods, which have been included in the unaudited condensed consolidated income statement, were as follows:

	Six months ended 30 September		Three months ended 30 September	
	2008	2007	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	6,054	9,743	2,808	4,619
Cost of sales	(4,250)	(7,185)	(1,945)	(3,162)
Gross profit	1,804	2,558	863	1,457
Other income and gains	80	106	-	65
Gain on disposal of subsidiaries	444	-	444	-
Selling and distribution costs	(20)	(428)	(19)	(164)
Administrative expenses	(2,857)	(3,742)	(1,111)	(1,868)
Finance costs	(5)	(72)	-	(43)
Profit/(loss) before tax	(554)	(1,578)	177	(553)
Income tax	-	-	-	-
Profit/(loss) for the period from discontinued operations	(554)	(1,578)	177	(553)

The cash flows of the discontinued operations were as follows:

	For the six months ended 30 September	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash used in operating activities	(779)	(2,675)
Net cash generated from investing activities	815	-
Net cash used in financing activities	(145)	(751)
	(109)	(3,426)

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: HK\$nil).

9. LOSS PER SHARE

Basic loss per share is calculated based on the net loss attributable to the equityholders of the Company and the weighted average number of ordinary shares in issue during the period under review.

	Six months ended 30 September		Three months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
For continuing and discontinued operations:				
Loss attributable to equityholders of the Company	(4,507)	(4,187)	(789)	(2,245)
For continuing operations:				
Loss attributable to equityholders of the Company	(3,953)	(2,609)	(966)	(1,692)
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	2,640,000,000	1,768,524,590	2,640,000,000	1,639,751,553

Diluted loss per share for the three months and six months ended 30 September 2008 for loss attributable to equityholders of the Company of both continuing and discontinued operations and continuing operations respectively has not been disclosed as the share options outstanding during the period under review have an anti-dilutive effect. No diluted loss per share for loss attributable to equityholders of the Company of both continuing and discontinued operations and continuing operations respectively has been presented for the three months and six months ended 30 September 2007 as no dilutive events existed.

10. INVENTORIES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Coals	51,117	2,507
Ancillary materials, spare parts and small tools	-	370
	51,117	2,877

11. DEPOSIT FOR ACQUISITION OF AN INVESTMENT

The amount represented a deposit paid for the proposed acquisition of the entire issued share capital of the Upper Rich Resources Limited. For further details, please refer to the Company's announcement dated 18 July 2008 and the heading titled "PROPOSED ACQUISITION".

12. ACCOUNTS AND BILLS RECEIVABLE

The Group's sales to coal customers are mainly on cash basis, or with advanced receipts. For certain well-established customers with good repayment history and creditworthiness, the Group allows an average credit period of 60 – 90 days.

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within 90 days	2,291	10,822
Accounts receivable	2,291	10,822
Bills receivable	13,047	67,932
	15,338	78,754

13. ACCOUNTS AND BILLS PAYABLE

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within 90 days	8,948	3,917
Between 91 and 180 days	-	197
Accounts payable	8,948	4,114
Bills payable	12,593	41,070
	21,541	45,184

14. PROMISSORY NOTES

On 19 November 2007, the Company issued HK\$282,000,000 unsecured redeemable promissory notes in connection with the acquisition of 100% equity interest in the Ming Kei Kai Yuan Investment Company Limited. The promissory notes are repayable in one lump sum on maturity of three years. The promissory notes bear coupon interest at 1% per annum payable monthly. Taking into account the accrued effective interest of HK\$10,186,000 (31 March 2008: HK\$4,255,000), the carrying amount of promissory notes amounted to HK\$254,925,000 as at 30 September 2008 (31 March 2008: HK\$248,994,000).

15. SHARE CAPITAL

	As at 30 September 2008		As at 31 March 2008	
	Number of shares	Amount (Unaudited)	Number of shares	Amount (Audited)
	'000	HK\$'000	'000	HK\$'000
Authorised				
10,000,000,000 ordinary shares of HK\$0.01 each	10,000,000	100,000	10,000,000	100,000
Issue and fully paid				
Ordinary shares of HK\$0.01 each	2,640,000	26,400	2,640,000	26,400

During the six months ended 30 September 2008 under review, no new ordinary share was issued by the Company.

16. COMPARATIVE FIGURES

As mentioned in note 7, certain comparative figures have been re-classified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in mining, sale and distribution of coals in the People's Republic of China (the "PRC").

The two coal mines which are currently operated and managed by the Group are namely as 凱源露天煤礦 (Kaiyuan Open Pit Coal Mine)[#] and 澤旭露天煤礦 (Zexu Open Pit Coal Mine)[#] and are located in 北塔山 (Bei Ta Mountain)[#], 奇台縣 (Qi Tai County)[#], 新疆維吾爾自治區 (Xinjiang Uygur Autonomous Region)[#] of the PRC.

FINANCIAL REVIEW

During the six months ended 30 September 2008, the Group recorded a turnover of approximately HK\$26.4 million which was derived from the continuing operations of coal mining business. The raw coal production was approximately 0.3 million tones during the period under review. Details of the breakdown of revenue are disclosed in note 3 to the section headed "REVENUE AND SEGMENT INFORMATION" of this interim report.

The Group's gross profit was approximately HK\$12.3 million or 46.6% for the six months ended 30 September 2008.

For the six months ended 30 September 2008, the Group recorded a gain on disposal of subsidiaries of approximately HK\$0.4 million, which represented the net gain on disposal of the Group's logistics business (or the Group's discontinued operations).

During the six months ended 30 September 2008, the Group's selling and distribution costs were approximately HK\$0.6 million. The administrative expenses of the Group was increased by approximately 160.5% from approximately HK\$3.6 million to approximately HK\$9.3 million, the tremendous increment was mainly attributed by the increase in numbers of employees, depreciation charge for the period and operating lease rentals for land and buildings.

For the six month ended 30 September 2008, the Group recorded a net loss attributable to the equityholders of the Company from the continuing operations of approximately HK\$4.0 million, which represented the net loss contributed from the coal mining business. Net loss attributable to the equityholders of the Company from the discontinuing operations for the six month ended 30 September 2008 was approximately HK\$0.6 million (six months ended 30 September 2007: approximately HK\$1.6 million). The decrement of approximately 62.5% was solely due to less months of contribution from the logistics business (and the logistics segment) which was entirely disposed on 3 September 2008 and the recognition of a gain on the disposal of the logistics segment of approximately HK\$0.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the Group had net current assets of approximately HK\$74.2 million (31 March 2008: approximately HK\$100.3 million) including cash and bank balances of approximately HK\$33.9 million. (31 March 2008: approximately HK\$69.4 million).

The Group had no bank overdraft facilities and bank borrowings as at 31 March 2008 and 30 September 2008 respectively. The debt ratio (defined as total liabilities over total assets) of the Group as at 30 September 2008 was approximately 0.4 (31 March 2008: approximately 0.4) which remains steady during the period under review.

The Group principally finances its operations and investing activities with its operating revenue and internal resources. 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 requirement.

Most 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 2008, the Group had no foreign exchange contracts, interest or currency swaps, financial derivatives or hedging or other arrangements for hedging purposes to reduce the currency risk that have been implemented.

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated either in Hong Kong dollars or 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 2008, the Group had no foreign exchange contracts, interest or currency swaps, financial derivatives or hedging or other arrangements for hedging purposes to reduce the currency risk that have been implemented.

CAPITAL STRUCTURE

The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“GEM”) since 15 November 2002. There is no material change in the capital structure of the Company during the six months ended 30 September 2008 under review. As at 30 September 2008, the total issued share capital is 2,640,000,000 shares.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 8 July 2008, the Company entered into a disposal agreement (the “Disposal”) for the disposal of the entire equity interests in the Precious Logistics Limited (the “Precious Logistics”) for an aggregate cash consideration of HK\$1,500,000.

The Disposal constitutes a major transaction on the part of the Company under the GEM Listing Rules and is subject to the shareholders’ approval at an extraordinary general meeting of the Company. The respective resolutions were passed by the shareholders on 29 August 2008 and the Disposal was completed on 3 September 2008.

After the completion of the Disposal, Precious Logistics and its subsidiaries ceased to be subsidiaries of the Company and the Company will no longer have any interests in the Precious Logistics and its subsidiaries engaged in the logistics business.

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

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

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

The Subscription was completed on 14 August 2008.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2008 held by the Group (31 March 2008: On 3 July 2007, the Company’s indirect wholly owned subsidiary – Star Fortune International Investment Company Limited entered into the sale and purchase agreement to acquire the entire issued share capital of Ming Kei Kai Yuan Investment Company Limited with a consideration of HK\$1 billion as HK\$70,000,000 by cash, HK\$360,000,000 by Company’s shares, HK\$288,000,000 by convertible bonds and balance of HK\$282,000,000 by promissory notes.

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

Following the above completion, Ming Kei Kai Yuan Investment Company Limited became an indirect wholly-owned subsidiary of the Company. Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2008 held by the Group.)

OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease commitments, with leases negotiated for terms ranging from one to two years.

As at 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Within one year	2,750	2,916
In the second to fifth years, inclusive	1,286	2,860
	4,036	5,776

CONTINGENT LIABILITIES

Environmental contingencies

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

As at the date of this interim report, the Group has not incurred any significant expenditures for environmental remediation, and is currently not involved in any environmental remediation, and has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group and therefore, no provision was made therefor as at 30 September 2008. The PRC government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the

ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The exact amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

The Group had no other material contingent liabilities as at 30 September 2008 (31 March 2008):

Environmental contingencies

Same as above.

Legal contingencies

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

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

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

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

PROPOSED ACQUISITION

On 18 July 2008, the Company's indirectly wholly subsidiary – Star Energy International Investment Company Limited (the "Star Energy") entered into a non-legal binding memorandum of understanding (the "MOU") with independent third parties (the "Vendors") in relation to the possible acquisition of the entire equity interest of a company incorporated in the British Virgin Islands (the "BVI Company").

Upon completion of the reorganization of the BVI Company and its subsidiaries, the BVI Company will own 99% of a company incorporated in the PRC (the "PRC Company").

The PRC Company is a company engaged in coal mining and sales of coal, which has been granted a mining exploitation permit issued by the Department of Land and Resources of Guizhou Province, and such mining exploitation permit is valid until June 2018.

A refundable deposit (the "Deposit") of HK\$21,500,000 was paid by the Star Energy to the Vendors upon the signing of the MOU. In return for the payment of the Deposit by Star Energy, the Vendors pledged all their interests in the entire issued shares of the BVI Company to the Star Energy as security. If no legal binding formal agreement has been entered into on or before 14 January 2009, the Vendors shall return the Deposit without any accrued interest to Star Energy within three business days.

Details of the MOU have been set out in the announcement of the Company dated 18 July 2008.

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 11 October 2007, options to subscribe for an aggregate of 105,000,000 shares at HK\$0.888 per share and on 10 March 2008, options to subscribe for an aggregate of 20,000,000 Shares at HK\$0.718 had been granted by the Company under the Scheme. As at 30 September 2008, 125,000,000 share options granted under the Scheme were still outstanding. The detail number of share options outstanding, their respective exercise price and exercise period was 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 01/04/2008	Granted during the period	Exercise during the period	Outstanding as at 30/09/2008
Employees	11/10/2007	11/10/2007-12/10/2017	0.888	0.870	35,000,000	-	-	35,000,000
Consultants	11/10/2007	11/10/2007-12/10/2017	0.888	0.870	70,000,000	-	-	70,000,000
Employees	10/3/2008	10/03/2008-11/03/2018	0.718	0.670	20,000,000	-	-	20,000,000
					125,000,000	-	-	125,000,000

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

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

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

- (a) the mining segment comprised the mining, exploration and sale of coal (the continuing operations); and
- (b) the logistics segment comprised the provision of logistic services (the discontinued operations)

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.

Details of the segment information is presented in note 3 to the section headed "REVENUE AND SEGMENT INFORMATION" of this report.

NEW SERVICES

The Group did not introduce any new services during the six months ended 30 September 2008.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 September 2008, the Group have a plan for material investments in the PRC. Further details, please refer to the Company's announcement dated 18 July 2008 and heading of "PROPOSED ACQUISITION".

The Group is capable and will continue to actively looking for any attractive mining acquisition targets. The Group will strategically continue to increase its coals based assets. Addition, the Group will constantly looking for any other business opportunities elsewhere for investments or capital assets to improve its shareholders' value.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2008, the Group had 116 (31 March 2008: 89) employees. Total staff costs were approximately HK\$3.7 million for the six months ended 30 September 2008 under review. The tremendous increase in the number of employees was resulted from the acquisition of the indirect wholly owned subsidiary – Ming Kei Kai Yuan Investment Company Limited. 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.

BUSINESS REVIEW AND PROSPECTS

During the six month ended 30 September 2008, the Group recorded a revenue derived from continuing operations of the coal mining business of approximately HK\$26.4 million.

During the period under review, the business of coal mining recorded a revenue of approximately HK\$26.4 million and the raw coals production was approximately 0.3 million tons.

On 8 July 2008, the Company entered into a disposal agreement (the "Disposal") for the disposal of the entire equity interests in the Precious Logistics Limited for an aggregate cash consideration of HK\$1,500,000. Following the completion of the Disposal on 3 September 2008, the Group will focus on its existing principal business of mining, sale and distribution of coals in the PRC.

The Group expects the coal mining industry and its environment to be continuously improving due to the continuous robust growth of the economy and driven by an increasing growth of energy demand in the PRC due to unsustainable nature of the mineral resources.

In addition, according to the national coal industry policy published by the PRC's National Development and Reform Commission (中華人民共和國國家發展和改革委員會) recently, the PRC's mining industry is set to experience increased consolidation. The PRC's government has started a nationwide campaign to close small coal mines, the targeted small coal mines target to be closed down which accounted for approximately one-third of the entire PRC's coal's production. The PRC's government will further develop coal projects in central region while accelerating the exploration and development of coal resources in the western region.

The Group will seize this opportunity to merger and acquisition of the above mentioned small coal mines by fully realising the synergies effects between different coal markets and spreading operational risks into different regions among the PRC in order to enlarge its market shares and enlarge the Group's coal reserves.

On 18 July 2008, the Company's indirectly wholly subsidiary, Star Energy International Investment Company Limited, entered into a non-legal binding memorandum of understanding (the "MOU") in relation to the possible acquisition of the entire equity interest of a company incorporated in the British Virgin Islands (the "BVI Company"). Upon completion of the reorganization of the BVI Company and its subsidiaries, the BVI Company will own 99% of a company incorporated in the PRC (the "PRC Company"). The PRC Company is principally engaged in coal mining and sale of coal. For further details of the MOU, please refer to the heading "PROPOSED ACQUISITION".

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

On 4 August 2008, the Company entered into a placing letter with the placing agent of Wing Hing International (Holdings) Limited – a company incorporated in Bermuda with limited liability, the shares of which is listed on the main board of the Stock Exchange (stock code: 621) (the "Wing Hing"). The Company has agreed, as one of the subscribers, to subscribe in cash for the 1,600,000 subscription shares (the "Subscription") for a total subscription price of HK\$2,288,000, i.e. HK\$1.43 per new Wing Hing share. The Subscription was completed on 14 August 2008.

The Group considers that the Subscription provides (i) an opportunity to enjoy any potential capital gain in the value of the Wing Hing Shares (ii) the Subscription represents an opportunity for the Company to create a synergy effect with Wing Hing as both of them have participated or are going to participate in the coal mining industry; and (iii) a good investment channel for the Company, which is in the interests of the shareholders and the Company as a whole.

While looking at ways to improve its existing business further, the Group is looking for any other business opportunities elsewhere to improve its standard performance and improve shareholders' return.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2008, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name	Capacity of interests	Number of shares held	Approximate percentage of shareholding in the Company (Note 1)
Tolmen Star Limited (the "Tolmen Star") (Note 1)	Beneficial owner	99,500,000(L) (Note 4)	3.77
Mr. Guo Xu (Note 1)	Interest of controlled corporation	99,500,000(L) (Note 4)	3.77
Ms. Zhou Ya Ping (Note 1)	Interest of spouse	99,500,000(L) (Note 4)	3.77
Lonestar Group Limited (the "Lonestar") (Note 2)	Beneficial owner	260,000,000(L) (Note 4)	9.85
Mr. Tsang Ho Ka, Eugene	Beneficial owner	13,000,000(L) (Note 4)	0.49
	Interest of controlled corporation (Note 3)	260,000,000(L) (Note 4)	9.85

Notes:

1. Tolmen Star is wholly and beneficially owned by Mr. Guo Xu who is the spouse of Ms. Zhou Ya Ping. Accordingly, each of Mr. Guo Xu and Ms. Zhou Ya Ping is deemed to be interested in the 99,500,000 shares in which Tolmen Star is interested.
2. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, a sole executive director of Lonestar.
3. Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, therefore, Mr. Tsang Ho Ka, Eugene is deemed to be interested in the 260,000,000 Shares in which Lonestar is interested.
4. The letter "L" denotes a long position in Shares.

Save as disclosed herein, as at 30 September 2008, none of the Directors had any interests or short positions in the share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2008, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in shares and underlying shares

Name	Capacity of interests	Number of shares held	Approximate percentage of shareholding in the Company
Ming Kei International Holding Company Limited (the "Ming Kei")	Beneficial owner	339,000,000(L) (Note 7)	12.84
Mr. Wong Wai Sing	Beneficial owner	80,000,000(L) (Note 7)	3.03
	Interested of controlled corporation (Note 1)	339,000,000(L) (Note 7)	12.84
Mr. Wong Wai Ngok	Beneficial owner	80,000,000(L) (Note 7)	3.03
	Interested of controlled corporation (Note 2)	339,000,000(L) (Note 7)	12.84
Ms. Tsang Tsz Kwan (Note 3)	Interest of spouse	419,000,000(L) (Note 7)	15.87
Lonestar Group Limited (the "Lonestar") (Note 4)	Beneficial owner	260,000,000(L) (Note 7)	9.85

Name	Capacity of interests	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Tsang Ho Ka, Eugene	Beneficial owner	13,000,000(L) (Note 7)	0.49
	Interest of controlled corporation (Note 5)	260,000,000(L) (Note 7)	9.85
Well Star Enterprises Limited (the "Well Star") (Note 6)	Beneficial owner	250,000,000(L) (Note 7)	9.47
Mr. Li Hai (Note 6)	Interest of controlled corporation	250,000,000(L) (Note 7)	9.47
Ms. Zhao Yang (Note 6)	Interest of spouse	250,000,000(L) (Note 7)	9.47

Notes:

- Ming Kei is owned as to 50% by Mr. Wong Wai Sing and as to 50% by Mr. Wong Wai Ngok. Therefore Mr. Wong Wai Sing is deemed to be interested in the shares in Ming Kei.
- Ming Kei is owned as to 50% by Mr. Wong Wai Sing and as to 50% by Mr. Wong Wai Ngok, therefore Mr. Wong Wai Ngok is deemed to be interested in the shares in Ming Kei.
- Ms. Tsang Tsz Kwan is the wife of Mr. Wong Wai Ngok, therefore she is deemed to be interested in the shares of Mr. Wong Wai Ngok.
- Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, an executive Director of the Company and a sole executive director of Lonestar.
- Lonestar is wholly and beneficially owned by Mr. Tsang Ho Ka, Eugene, therefore, Mr. Tsang Ho Ka, Eugene is deemed to be interested in the 260,000,000 Shares in which Lonestar is interested.
- Well Star is wholly and beneficially owned by Mr. Li Hai and who is the spouse of Ms. Zhao Yang. Accordingly, Mr. Li Hai and Ms. Zhao Yang is deemed to be interested in the 250,000,000 Shares in which Well Star is interested.
- The letter "L" denotes a long position in Shares.

Save as disclosed above, as at 30 September 2008, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES" and the "SHARE OPTION SCHEME" above, at no time during the period under review 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.

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 2008.

COMPETITION AND CONFLICT OF INTERESTS

As at 30 September 2008, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

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. Fung Ho Yin and Mr. Chung Ho Tung, all are independent non-executive Directors of the Company. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made.

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 2008 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.

PRE-EMPTIVE RIGHTS

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

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

Hong Kong, 14 November 2008

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

As at the date of this report, the executive Directors are Mr. Cheung King Shan, Mr. Li Qing, Ms. Yick Mi Ching, Dawnibilly, Mr. Tsang Ho Ka, Eugene and Mr. Wong Wai Sing and the independent nonexecutive Directors are Mr. Sung Wai Tak, Herman, Mr. Fung Ho Yin and Mr. Chung Ho Tung.