



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

(Formerly known as MP Logistics International Holdings Ltd)  
(Incorporated in the Cayman Islands with limited liability)

**(Stock Code: 8239)**



## 2007/08

### Third Quarterly Report

\* For identification purposes 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.

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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.*



## FINANCIAL RESULTS

The board of directors (the "Board") 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 nine months ended 31 December 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2007

	Notes	Nine months ended 31 December 2007 (Unaudited) HK\$'000		Three months ended 31 December 2007 (Unaudited) HK\$'000	
		2006 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	4	27,875	26,796	18,132	8,229
Cost of sales		(18,187)	(24,658)	(11,002)	(7,575)
Gross profit		9,688	2,138	7,130	654
Other revenue		1,870	277	793	133
Selling and distribution expenses		(648)	(947)	(220)	(239)
Administrative expenses		(12,105)	(7,968)	(4,783)	(2,901)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(1,195)	(6,500)	2,920	(2,353)
Finance costs	5	(737)	(91)	(665)	(28)
PROFIT/(LOSS) BEFORE INCOME TAX	6	(1,932)	(6,591)	2,255	(2,381)
Income tax	7	–	(3,149)	–	–
Net profit/(loss) attributable to equity holders of the Company		(1,932)	(9,740)	2,255	(2,381)
Dividend	8	–	–	–	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
– Basic (cent)	9	HK(0.10)	HK(2.05)	HK0.11	HK(0.29)
– Diluted (cent)	9	N/A	N/A	HK0.11	N/A



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2007

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Convertible bond equity reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance as at 1 April 2006	3,000	14,946	–	–	3,867	(10,888)	10,925
Issue of new shares	12,000	–	–	–	–	–	12,000
Net (loss) for the period	–	–	–	–	–	(9,740)	(9,740)
Balance as at 31 December 2006	15,000	14,946	–	–	3,867	(20,628)	13,185

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Convertible bond equity reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance as 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 options	1,200	52,800	–	–	–	–	54,000
Issue of new shares for very substantial acquisition (the "VSA")	4,000	356,000	–	–	–	–	360,000
Issuing cost for VSA	–	(6,924)	–	–	–	–	(6,924)
Issue of convertible bonds for VSA	–	–	62,629	–	–	–	62,629
Partial conversion of convertible bonds (Note 10)	230	20,470	(4,501)	–	–	–	16,199
Exchange realignment	–	–	–	799	–	–	799
Net (loss) for the period	–	–	–	–	–	(1,932)	(1,932)
Balance as at 31 December 2007	23,430	524,633	58,128	799	3,867	(23,320)	587,537



Notes:

## 1. GENERAL INFORMATION

Ming Kei Energy Holdings Limited (formerly known as MP Logistics International Holdings Limited) (the "Company") was incorporated in the Cayman Islands on 12 June 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands and its principal place of business in Hong Kong is Room 3308-09, The Center, 99 Queen's Road Central, Hong Kong.

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

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

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the provision of various logistics services and engaged in mining, sale and distribution of coals in the People's Republic of China.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated results for the nine months ended 31 December 2007 (the "Results") have been prepared in accordance with the Hong Kong Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards, the Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The Results also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Results have been prepared under the historical convention.

The accounting policies adopted in the preparation of the Results are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2007 except for those mentioned in the note 3 "Principal Accounting Policies" as below.

The Results of the Group are unaudited but have been reviewed by the Company's Audit Committee.

All significant transactions and balances within the Group have been eliminated on consolidation.



### 3. PRINCIPAL ACCOUNTING POLICIES

#### Revenue recognition

Revenue associated with the sale of coals is recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time of delivery of goods.

### 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the net invoiced value of logistics services provided and net sale of coals, after allowances for returns and trade discounts.

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

- (a) the logistics segment represents the provision of logistics services provided by the Group consists of coordinating various logistics services in sea, road and air freight forwarding and other related logistics services;
- (b) the mining segment represents the production and sale of coals; and
- (c) the corporate segment represents the investment holding.

#### (i) Turnover

The following tables present the Group's turnover derived from various logistics services provided and sale of coals:

	Nine months ended 31 December 2007 (Unaudited) HK\$'000		Three months ended 31 December 2007 (Unaudited) HK\$'000	
		2006 (Unaudited) HK\$'000		2006 (Unaudited) HK\$'000
Turnover				
Sale of coals	14,941	—	14,941	—
Sea freight forwarding	2,159	13,018	143	4,249
Road freight forwarding	10,172	12,664	2,765	3,543
Air freight forwarding	26	480	8	268
Other related logistics services	577	634	275	169
	27,875	26,796	18,132	8,229



**(ii) Business segments**

The following tables present revenue and results information for the Group's business segments:

	Logistics		Mining		Corporate		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover for external customers	12,934	26,796	14,941	-	-	-	27,875	26,796
Segment results	(2,437)	(5,612)	5,843	-	(4,601)	(888)	(1,195)	(6,500)
Finance costs							(737)	(91)
Loss before income tax							(1,932)	(6,591)
Income tax							-	(3,149)
Net loss for the period							(1,932)	(9,740)

**(iii) Geographical segments**

The following table presents revenue information for the Group's geographical segments:

	Hong Kong		People's Republic of China (not including Hong Kong)		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Turnover for external customers	12,934	26,796	14,941	-	27,875	26,796



## 5. FINANCE COSTS

	Nine months ended 31 December 2007 (Unaudited) HK\$'000		Three months ended 31 December 2007 (Unaudited) HK\$'000	
	2006 (Unaudited) HK\$'000		2006 (Unaudited) HK\$'000	
Hire purchases interest	76	91	4	28
Interest expense on convertible bonds	329	—	329	—
Interest expense on promissory notes	332	—	332	—
	<b>737</b>	<b>91</b>	<b>665</b>	<b>28</b>

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

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

	Nine months ended 31 December 2007 (Unaudited) HK\$'000		Three months ended 31 December 2007 (Unaudited) HK\$'000	
	2006 (Unaudited) HK\$'000		2006 (Unaudited) HK\$'000	
Depreciation	727	736	365	222
Interest income	(1,645)	(8)	(674)	(8)
Operating lease rental expenses in respect of office premises	1,407	253	583	89

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the nine months ended 31 December 2007 (2006: HK\$Nil).

The indirectly wholly owned subsidiary of the Company – 木壘縣凱源煤炭有限責任公司 (Mulei County Kai Yuan Coal Company Limited)\* (the "Mulei"), operating in the People's Republic of China (the "PRC"), is subject to enterprise income tax rate of 33% on their taxable profit in accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise (中華人民共和國外商投資企業和外國企業所得稅法).

However, pursuant to a notice issued by 木壘哈薩克自治縣國家稅務局 (Mulei Hasake Autonomy County Tax Bureau)\*, Mulei is exempted from the enterprise income tax from for a period of two calendar years starting from its first profit-making year, that is, starting from the year of 2007 and followed by a 50% relief from the enterprise income tax for three calendar years thereafter.

No material deferred tax had been provided for the Group because there were no significant temporary differences at the respective period under review.





**8. DIVIDEND**

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2007 (nine months ended 31 December 2006: Nil).

**9. EARNINGS/(LOSS) PER SHARE**

The calculations of basic earnings/(loss) per share for the three months and nine months ended 31 December 2007 are based on the net profit/(loss) attributable to the equity holders of the Company for the three months and nine months ended 31 December 2007 of approximately HK\$2,255,000 and HK\$(1,932,000) respectively (three months and nine months ended 31 December 2006: approximately HK\$(2,381,000) and HK\$(9,740,000) respectively) and 2,111,706,522 and 1,883,200,730 shares in issue during the three months and nine months ended 31 December 2007 (three months and nine months ended 31 December 2006: 821,739,130 and 474,545,455 shares).

The calculation of diluted earnings per share for the three months ended 31 December 2007 is based on the net profit attributable to the equity holders of the Company for the three months ended 31 December 2007. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation for the three months ended 31 December 2007, 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.

Diluted loss per share for the nine months ended 31 December 2007 has not been disclosed as the share options and the convertible bonds outstanding during the period under review have an anti-dilutive effect. Diluted loss per share for the three months and nine months ended 31 December 2006 has not been disclosed as no diluting event existed during those periods under review.



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

	Nine months ended 31 December 2007 HK\$'000 (unaudited)		Three months ended 31 December 2007 HK\$'000 (unaudited)	
	2006 HK\$'000 (unaudited)		2006 HK\$'000 (unaudited)	
Net profit/(loss) attributable to equity holders of the Company used in the basic and diluted earnings/(loss) per share calculation	(1,932)	(9,740)	2,255	(2,381)
	Number of shares Nine months ended 31 December 2007		Three months ended 31 December 2007	
	2006		2006	
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,883,200,730	474,545,455	2,111,706,522	821,739,130
Effect of dilution – weighted average number of ordinary shares assumed to have been issued at no consideration on deemed fully exercise of outstanding share options	N/A	N/A	8,787,956	N/A
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	N/A	N/A	2,120,494,478	N/A

#### 10. CONVERTIBLE BONDS

On 19 November 2007, the Company issued an aggregate of HK\$288,000,000, interest rate of 1% per annum convertible bonds (the “Convertible Bonds”) which is due to be repaid on 18 November 2010, as part of the consideration for the acquisition of Ming Kei Kai Yuan Investment Company Limited. The Convertible Bonds holders have the right to transfer and convert the Convertible Bonds into new Company’s shares at an initial conversion price of HK\$0.9 per share during its conversion period of 3 years starting from 19 November 2007.

During the period under review, the Convertible Bonds were partially converted in 23,000,000 new shares of the Company at the conversion price of HK\$0.9 per share.



## MANAGEMENT AND DISCUSSION AND ANALYSIS

The Group is principally engaged in coordinating various logistics services for its customers and engaged in mining, sale and distribution of coals in the People's Republic of China (the "PRC").

The logistics services provided by the Group consists principally of co-ordinating various logistics services in sea, road and air freight forwarding and other related logistics services.

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

## FINANCIAL REVIEW

During the nine months ended 31 December 2007, the Group recorded a turnover of approximately HK\$27,875,000 (nine months ended 31 December 2006: approximately HK\$26,796,000), representing an increase of approximately 4.0% as compared to the corresponding period in previous year. The increase was mainly attributable to the contribution of the newly acquired coal mining business, which recorded sale of coals of approximately HK\$14,941,000 for the period under review. During the period under review, income derived from logistics services relating to sea, road, and air freight forwarding, other related logistics services and sale of coals represented approximately 7.7%, 36.5%, 0.1%, 2.1% and 53.6% respectively of the Group's total turnover (nine months ended 31 December 2006: approximately 48.6%, 47.3%, 1.8%, 2.3% and Nil respectively).

The contribution of various logistics services provided and sale of coals accounted for approximately 46.4% and 53.6% respectively for the Group's total turnover for the current period under review. The turnover for the various logistics services provided decreased dramatically as compared to with the corresponding period in previous year. During the nine months ended 31 December 2007, the Group recorded a turnover for various logistics services provided of approximately HK\$12.9 million (nine months ended 31 December 2006: approximately HK\$26.8 million), a decrease of approximately 51.9% as compared to the corresponding period in previous year. The tremendous decrease was caused by the intense competition in the logistics industry which lead to the tremendous decrease of turnover.



The Group recorded a net loss attributable to equity holders of the Company of approximately HK\$1.9 million, revealing a significant improvement when compared to the loss of approximately HK\$9.7 million in the corresponding period last year. The improvement was mainly attributable to the new business of coal mining in the People Republic of China which was acquired by the Group on 19 November 2007. The new business contributed an operating profit of approximately of HK\$5.8 million (nine months ended 31 December 2006: Nil).

On the other hand, the existing logistics business recorded an operating loss of approximately HK\$2.4 million for the nine months ended 31 December 2007 (nine months ended 31 December 2006: approximately HK\$5.6 million). The turnover decreased dramatically because of the intense competition in the logistics industry, with the entry of more new competitors into the market, the pricing for services provided are under pressure.

Net loss attributable to equity holders for the Company for the nine months ended 31 December 2007 amounted to approximately HK\$1.9 million (nine months ended 31 December 2006: approximately HK\$9.7 million).

The tremendous decrease in net loss attributable to equity holders of the Company was attributed to the new business of mining segments represents by engaged in mining, sale and distribution of coals in the People Republic of China. Administrative expenses increased by approximately 51.9% compared to the corresponding period in previous year. Selling and distribution expenses decreased by approximately 31.6%.

## **BUSINESS REVIEW AND PROSPECTS**

During the nine months ended 31 December 2007, the Group recorded an increases in its turnover of approximately 4.0% as compared to the corresponding period in previous year. The increase was mainly attributable to the contribution of the new business of coal mining acquired by the Group on 19 November 2007. The proportion of logistics services provided and sale of coals accounted for 46.4% and 53.6% respectively of the Group's turnover.

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



This acquisition constitutes a very substantial acquisition (the “VSA”) on the part of the Company under the GEM Listing Rules 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 VSA has been completed on 19 November 2007 (the “Completion Date”).

With the continue growth of the economy and a stable growth of energy demand in the People’s Republic of China (the “PRC”), the Group is optimistic of the prospects of the coal mining industry in the PRC. The Company will firmly seized the opportunity of the continue growth of demand in the coal market and strive to increase the raw coals production volume and continuously improving the growth quality.

The Company has improved the utilisation of existing mining capacity and resulting in the continued rapid growth of raw coals production. From the period of the Completion Date to 31 December 2007, the raw coals production was approximately 310,000 tons.

The Group is aware of the intense competition in the logistics industry, with the entry of new competitors into the market, the pricing for services provided are under pressure and hence the Group is trying its best efforts to work on various measures to either gradually increase the prices charged for its services by introducing some value-added services to its customers or negotiate a lower fee with its various services providers. Considering the competitive and challenging business environment in the logistics industry, the logistics business do not expect to have significant future growth nor contribution to the financial results of the Group. As a result, the Group decided to restrain from making further investments to the business of logistics.

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

## **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.

On 23 May 2007, the Company entered into the conditional placing agreement with the placing agent on a best endeavour basis for the placing of 300,000,000 new shares (the “Placement”) and 300,000,000 new shares were issued and allotted on 13 June 2007.



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

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

On 13 December, 2007, 23,000,000 new shares of the Company (the "Conversion Shares") was issued and allotted by the Company upon partial conversion of the convertible bonds by the convertible bonds' holder.

As a result of the Placement, Share Options, Consideration Shares and Conversion Shares, additional 843,000,000 new ordinary shares were allotted and issued by the Company during the period under review.

As at 31 December 2007, the total issue share capital has been enlarged to 2,343,000,000.

## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION, DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

On 3 July 2007, the Company's indirectly wholly owned subsidiary – Star Fortune International Investment Company Limited entered into the sales and purchases 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 shares, HK\$288,000,000 by convertible bonds and balance of HK\$282,000,000 by promissory note.

This acquisition constitutes a very substantial acquisition on the part of the Company under the GEM Listing Rules 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 mentioned completion, Ming Kei Kai Yuan Investment Company Limited has become an indirect wholly-owned subsidiary of the Company and their accounts will be consolidated into the financial accounts of the Group.

Save as disclosed above, there were no other significant investments held, material acquisition, disposals of subsidiaries and affiliated companies during the nine month ended held by the Group (31 December 2006: Nil).



## CHANGE OF COMPANY NAME

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2007, 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	902,000,000	38.49
Mr. Guo Xu (Note 1)	Interest of controlled corporation	902,000,000	38.49
Ms. Zhou Ya Ping (Note 1)	Interest of spouse	902,000,000	38.49

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

Save as disclosed herein, as at 31 December 2007, 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 31 December 2007, 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
Tolmen Star Limited (the "Tolmen Star") (Note 1)	Beneficial owner	902,000,000	38.49
Mr. Guo Xu (Note 1)	Interest of controlled corporation	902,000,000	38.49
Ms. Zhou Ya Ping (Note 1)	Interest of spouse	902,000,000	38.49
Ming Kei International Holding Company Limited (the "Ming Kei") (Note 2)	Beneficial owner	432,000,000	18.43
Mr. Wong Wai Sing (Note 3 and 4)	Beneficial owner Deemed	121,000,000 432,000,000	5.16 18.43
Mr. Wong Wai Ngok (Note 5 and 6)	Beneficial owner Deemed	144,000,000 432,000,000	6.14 18.43
Ms. Tsang Tsz Kwan (Note 7)	Deemed	576,000,000	24.57





*Notes:*

1. Tolmen Star is wholly and beneficially owned by Mr. Guo Xu who is the spouse of Ms. Zhou Ya Ping. Accordingly, each of Mr. Guo Xu and Ms. Zhou Ya Ping is deemed to be interested in the 902,000,000 shares in which Tolmen Star is interested.
2. Out of the 432,000,000 shares, 240,000,000 shares refers to the Company's shares in issue and 192,000,000 shares refers to the conversion shares assuming exercise in full of the convertible bonds.
3. Out of the 121,000,000 shares, 80,000,000 shares refers to the Company's shares in issue and 41,000,000 shares refer to the conversion shares assuming exercise in full of the convertible bonds.
4. 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 interested in the shares of Ming Kei.
5. Out of the 144,000,000 shares, 80,000,000 shares refers to the Company's shares in issue and 64,000,000 shares refer to the conversion shares assuming exercise in full of the convertible bonds.
6. 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 interested in the shares of Ming Kei.
7. Ms. Tsang Tsz Kwan is the wife of Mr. Wong Wai Ngok, therefore she is deemed interested in the shares of Mr. Wong Wai Ngok.

Save as disclosed above, as at 31 December 2007, 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.



## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 26 October 2002 pursuant to a written resolution of the Company. On 21 May 2007, options to subscribe for an aggregate of 120,000,000 shares at HK\$0.45 per share had been granted by the Company under the Scheme. On 11 July 2007, all the 120,000,000 share options were exercised. On 11 October 2007, options to subscribe for an aggregate of 105,000,000 shares at HK\$0.888 per share had been granted by the Company under the Scheme and none of the 105,000,000 share options were exercised during the period under review. As at 31 December 2007, 105,000,000 share options granted under the Scheme were still outstanding. Particulars and movements of the share options granted under the Scheme were as follows:

Categories of grantees	Date of grant	Exercisable Period	Exercise Price per share HK\$	Closing Price at the date of grant HK\$	Outstanding as at 01/04/2007	Granted during the period	Exercise during the period	Outstanding as at 31/12/2007
Employees	21/05/2007	21/05/2007-22/05/2017	0.450	0.355	-	68,000,000	(68,000,000 )	-
Consultants	21/05/2007	21/05/2007-22/05/2017	0.450	0.355	-	52,000,000	(52,000,000 )	-
Employees	11/10/2007	11/10/2007-12/10/2017	0.888	0.870	-	35,000,000	-	35,000,000
Consultants	11/10/2007	11/10/2007-12/10/2017	0.888	0.870	-	70,000,000	-	70,000,000
					-	225,000,000	(120,000,000 )	105,000,000

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 at this stage. 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 of the Company.



## **FOREIGN EXCHANGE EXPOSURE**

The Group's income and expenditure during the nine months ended 31 December 2007 were denominated in HK dollars and Renminbi ("RMB").

Accordingly, the Board is of the view that, to certain extent, the Group is exposed to foreign currency exchange risk. The Group is exposed to RMB foreign exchange exposure and fluctuation of exchange rates of RMB against HK dollars could affect the Group's results of operations and cash flows.

During the period under review, no hedging transaction or arrangement was made.

## **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.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from as disclosed under the sections headed "Directors' and chief executives' interests in shares", "Substantial shareholders' 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 nine months ended 31 December 2007.



## **COMPETITION AND CONFLICT OF INTERESTS**

As at 31 December 2007, 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. Wong Ming, Kerry, Mr. Tam Chak Chi and Mr. Pang Hong Tao, Peter, all are independent non-executive directors of the Company. The unaudited condensed consolidated results of the Group for the nine months ended 31 December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures have been made.

## **REMUNERATION COMMITTEE**

A remuneration committee was set up on 20 March 2006 with written terms of reference to oversee the remuneration policy and structure for all directors and senior management. The remuneration committee comprised three members, namely, Mr. Wong Ming, Kerry, Mr. Tam Chak Chi and Mr. Pang Hong Tao, Peter all are independent non-executive Directors of the Company. The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive directors.

## **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 nine months ended 31 December 2007 except that (i) no nomination committee of the Board is established and (ii) all independent non-executive directors 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**  
**Guo Xu**  
Chairman

Hong Kong, 14 February 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. Guo Xu, Mr. Cheung King Shan, Mr. Yeung Leung Kong, Mr. Li Hai and Mr. Cheung Chi Hwa, Justin and the independent non-executive Directors are Mr. Wong Ming, Kerry, Mr. Tam Chak Chi and Mr. Pang Hong Tao, Peter.*