Genesis Energy Holdings Limited
創新能源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 702)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of Genesis Energy Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007, together with the comparative figures for the last year as follows:

Consolidated income statement
For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations			
Turnover	3	31,405	27,490
Direct costs		(34,109)	(30,090)
Gross loss		(2,704)	(2,600)
Other revenue		4,653	237
Distribution costs		(4,569)	(3,481)
Administrative expenses		(39,719)	(15,179)
Other operating expenses		(3,300)	(32,777)
Loss from operations		(45,639)	(53,800)
Finance costs	4(a)	(171)	(559)
Gain on disposal of a subsidiary		-	832
Loss before taxation		(45,810)	(53,527)
Income tax	5	(959)	(820)
Loss for the year from continuing operations		(46,769)	(54,347)
Discontinued operations			
Gain/(loss) for the year from discontinued operations	10	38,833	(50,703)
Loss for the year		(7,936)	(105,050)
Attributable to:			
Continuing and discontinued operations			
Equity shareholders of the Company		(7,936)	(85,187)
Minority interests			
- Continuing operations		-	(9,722)
- Discontinued operations		-	(10,141)
		-	(19,863)
Loss for the year		(7,936)	(105,050)

(Loss)/earnings per share - Basic	6		
From continuing and discontinued operations		HK(0.19) cents	HK(2.69) cents
From continuing operations		HK(1.14) cents	HK(1.41) cents
From discontinued operations		HK0.95 cents	HK(1.28) cents
(Loss)/earnings per share - Diluted	6		
From continuing and discontinued operations		N/A	N/A
From continuing operations		N/A	N/A
From discontinued operations		N/A	N/A

Consolidated balance sheet
At 31 December 2007

	Notes	2007		2006	
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment			144,275		554,265
Prepaid lease payments			3,612		4,117
Intangible assets			43,362		-
Goodwill			-		-
			191,249		558,382
Current assets					
Inventories		125		982	
Trade and other receivables	7	5,314		17,071	
Cash and cash equivalents		111,224		51,269	
		116,663		69,322	
Current liabilities					
Trade and other payables	8	(46,559)		(60,692)	
Bank loans		-		(297,900)	
Other loan, secured		-		(5,000)	
Current taxation		(504)		-	
		(47,063)		(363,592)	
Net current assets/(liabilities)			69,600		(294,270)
Total assets less current liabilities			260,849		264,112
Non-current liabilities					
Bank loans			-		(160,000)
NET ASSETS			260,849		104,112
CAPITAL AND RESERVES					
Share capital			42,249		35,851
Reserves			218,600		68,261
Total equity attributable to equity shareholders of the Company			260,849		104,112
Minority interests			-		-
TOTAL EQUITY			260,849		104,112

Notes

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures*, and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. BASIS OF PREPARATION

The financial statements are presented in Hong Kong dollars which is the functional currency of the Company. All financial information presented in Hong Kong dollars is rounded to the nearest thousand unless otherwise stated. Subsidiaries established/incorporated in The People's Republic of China (the "PRC") and the United States of America (the "USA") have their functional currencies in Renminbi and United States dollars respectively. The Group changed its presentation currency from Renminbi to Hong Kong dollars in 2007. During the year ended 31 December 2007, the Group acquired oil exploitation right in USA. Following the increase in foreign operations, the directors of the Company consider Hong Kong dollars, being an internationally well-recognised currency, can provide more meaningful information to the Company's investors and cater for the need of the Group's global customers. The comparative figures in these audited financial statements are translated from Renminbi to Hong Kong dollars using the rates that approximate the closing rates for balance sheet items and average rates for the year under review for income statement items. The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2006 and 2007, or the results and cash flows of the Group for the year ended 31 December 2006 and 2007.

The measurement basis used in the preparation of the financial statements is the historical cost basis except stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. TURNOVER AND SEGMENT REPORTING

Turnover represents the revenue from provision of crude oil transportation, storage and unloading services, sales of natural gas and LPG, and sales of crude oil.

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group is currently engaged in the businesses of (i) the operation of natural gas pipeline network and refilling supplying natural gas and liquefied petroleum gas ("LPG") for vehicle use and sale of LPG in cylinder operations, and (ii) exploitation and sale of crude oil:

Natural gas and LPG:	Operation of (i) natural gas pipeline network and (ii) gas refilling stations supplying natural gas and LPG for vehicle use and sale of LPG in cylinder.
Oil exploitation:	Exploitation and sale of crude oil.

The Group was also involved in the operation of crude oil transportation storage and unloading facilities investment which were discontinued as set out in note 10.

Crude oil transportation, storage: and unloading services	Provision of crude oil transportation, storage and unloading facilities.

There are no sales or trading transactions between the business segment. These segments are the basis on which the Group reports its primary segment information.

Segment information about these businesses is set out as follows:-

For the year ended 31 December 2007

	Continuing operations			Discontinued operations	
	Natural gas and LPG HK$'000	Oil exploitation HK$'000	Total HK$'000	Crude oil transportation, storage and unloading services HK$'000	Consolidated HK$'000
Revenue from external customers	31,111	294	31,405	44,661	76,066
Segment results	(2,001)	(714)	(2,715)	5,711	2,996
Unallocated operating income and expenses			(42,924)	(5,952)	(48,876)
Loss from operations			(45,639)	(241)	(45,880)
Finance costs			(171)	(27,835)	(28,006)
Gain on disposal of subsidiaries			-	66,909	66,909
(Loss)/profit before taxation			(45,810)	38,833	(6,977)
Taxation			(959)	-	(959)
(Loss)/profit after taxation			(46,769)	38,833	(7,936)
Assets and liabilities					
Segment assets	130,054	63,803	193,857	-	193,857
Unallocated assets	-	-	114,055	-	114,055
Total assets	130,054	63,803	307,912	-	307,912
Segment liabilities	7,835	156	7,991	-	7,991
Unallocated liabilities	-	-	39,072	-	39,072
Total liabilities	7,835	156	47,063	-	47,063
Other segment information					
Depreciation and amortisation	15,120	1,028	16,148	30,488	46,636
Unallocated	-	-	368	-	368
	15,120	1,028	16,516	30,488	47,004
Capital expenditure incurred during the year	2,592	63,539	66,131	300	66,431
Unallocated	-	-	2,145	-	2,145
	2,592	63,539	68,276	300	68,576

For the year ended 31 December 2006

	Continuing operations			Discontinued operations	
	Natural gas and LPG	Oil exploitation	Total	Crude oil transportation, storage and unloading services	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover from external customers	27,490	-	27,490	44,710	72,200
Segment results	(2,599)	-	(2,599)	(2,035)	(4,634)
Unallocated operating income and expenses			(49,537)	(14,538)	(64,075)
Loss from operations			(52,136)	(16,573)	(68,709)
Finance costs			(559)	(34,130)	(34,689)
Gain on disposal of a subsidiary			(832)	-	(832)
Loss before taxation			(53,527)	(50,703)	(104,230)
Taxation			(820)	-	(820)
Loss after taxation			(54,347)	(50,703)	(105,050)
Assets and liabilities					
Segment assets	134,379	-	132,379	437,180	569,559
Unallocated assets	-	-	58,145	-	58,145
Total assets	134,379	-	190,524	437,180	627,704
Segment liabilities	1,704	-	1,704	4,006	5,710
Unallocated liabilities	-	-	-	517,882	517,882
Total liabilities	1,704	-	1,704	521,888	523,592
Other segment information					
Depreciation and amortisation	14,938	-	14,938	35,533	50,471
Unallocated	-	-	212	-	212
	14,938	-	15,150	35,533	50,683
Capital expenditure incurred during the year	4,242	-	4,242	998	5,240
Unallocated	-	-	205	-	205
	4,242	-	4,447	998	5,445

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The Group segment assets and capital expenditure are based on the geographical location of the assets. The Group mainly operates in the PRC (including Hong Kong) and the United States of America ("USA").

For the year ended 31 December 2007

	The PRC HK$'000	The USA HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers attributable to:			
- Continuing operations	31,111	294	31,405
- Discontinued operations	44,661	-	44,661
	75,772	294	76,066
Segment assets			
- Continuing operations	244,109	63,803	307,912
	244,109	63,803	307,912
Segment liabilities			
- Continuing operations	46,907	156	47,063
	46,907	156	47,063
Capital expenditure incurred during the year			
- Continuing operations	4,737	63,539	68,276
- Discontinued operations	300	-	300
	5,037	63,539	68,576

For the year ended 31 December 2006

	The PRC HK$'000	The USA HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers attributable to:			
- Continuing operations	27,490	-	27,490
- Discontinued operations	44,710	-	44,710
	72,200	-	72,200
Segment assets			
- Continuing operations	190,524	-	190,524
- Discontinuing operations	437,180	-	437,180
	627,704	-	627,704
Segment liabilities			
- Continuing operations	1,704	-	1,704
- Discontinuing operations	521,888	-	521,888
	523,592	-	523,592
Capital expenditure incurred during the year			
- Continuing operations	4,447	-	4,447
- Discontinued operations	998	-	998
	5,445	-	5,445

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2007 HK$'000	2006 HK$'000
a) Finance costs		
Continuing operations:		
Interest expense on financial liabilities not at fair value through profit or loss		
- Interest on bank advances and other borrowings wholly repayable within five years	171	559
Discontinued operations:		
Interest expense on financial liabilities not at fair value through profit or loss		
- Interest on bank advances and other borrowings wholly repayable within five years	27,835	34,130
	28,006	34,689
b) Staff costs (including directors' remuneration)		
Continuing operations:		
Salaries, wages and other benefits	9,422	12,117
Equity-settled share-based payment expenses	17,627	3,822
Contributions to defined contribution retirement plan	164	449
	27,213	16,388
Discontinued operations:		
Salaries, wages and other benefits	5,577	6,844
Contributions to defined contribution retirement plan	358	407
	5,935	7,251
	33,148	23,639
c) Other items		
Continuing operations:		
Cost of inventories	22,405	18,055
Auditors' remuneration	816	600
Depreciation of property, plant and equipment		
- assets held for use under operating leases	11,704	3,009
- other assets	4,509	12,062
Amortisation of		
- prepaid land lease payments	283	79
- intangible assets	20	-
Operating lease charges: minimum lease payments		
- property rentals	940	977
Impairment losses		
- other receivables	-	29,950
Loss on disposals of property, plant and equipment	71	77
Net foreign exchange loss	3,229	2,794
Discontinued operations:		
Cost of services	38,950	46,745
Depreciation of property, plant and equipment	30,465	35,506
Amortisation of prepaid land lease payments	23	27
Impairment losses		
- trade receivables	-	9,123

5. TAXATION

a) Continuing operation

(i) Taxation in the consolidated income statement represents:

	2007 HK$'000	2006 HK$'000
Current tax - PRC income tax		
Provision for the year	885	412
Under-provision in prior years	74	408
	959	820

No provision for Hong Kong profits tax has been made as the companies comprising the continuing operations does not have estimated assessable profits subject to Hong Kong profits tax during the years ended 31 December 2007 and 2006. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 33% of the assessment profit of the Group. During the year, Lejion Gas Co., Ltd. ("Lejion Gas"), a Company's subsidiary established in the PRC, is entitled to a preferential tax treatment that Lejion Gas is taxed at a preferential rate of 30% (2006: 15%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008, The PRC income tax rate is unified to 25% for all enterprises.

The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations and financial position of the Group as at 31 December 2007.

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2007 HK$'000	2006 HK$'000
Loss before taxation	(45,810)	(53,527)
Notional tax on loss before taxation, calculated at the applicable rates	(9,998)	(9,367)
Tax effect of non-deductible expenses	15,794	11,282
Tax effect of non-taxable income	(6,589)	(1,503)
Tax effect of unused tax losses not recognised	1,678	-
Under-provision in prior years	74	408
Actual tax expense	959	820

***b) Discontinued operation*s** (note 10)

No provision for Hong Kong profits tax or PRC enterprise income tax was made for the entities as the entities comprising the discontinued operations either have no assessable profit during the year or have unrelieved tax losses carried forward which are not likely to be crystallised in the future.

6. (LOSS)/EARNINGS PER SHARE

a) Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$7,936,000 (2006: HK$85,187,000) and the weighted average number of 4,105,506,000 ordinary shares (2006: 3,164,845,000 ordinary shares) in issue during the year, calculated as follow:-

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company

	2007	2006
	HK$'000	HK$'000
Continuing operations	(46,769)	(44,625)
Discontinued operations	38,833	(40,562)
	(7,936)	(85,187)

(ii) Weighted average number of ordinary shares

	2007	2006
	'000	'000
Issued ordinary shares at 1 January	3,585,134	3,051,584
Effect of shares issued under the placing	320,718	62,838
Effect of share options exercised	199,654	50,423
Weighted average number of ordinary shares at 31 December	4,105,506	3,164,845

b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the years ended 31 December 2007 and 31 December 2006 are not presented as the Company's outstanding options during that year had an antidilutive effect on the basic loss per share from continuing operations.

7. TRADE AND OTHER RECEIVABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade debtors	-	37,030
Less: allowances for doubtful debts	-	(29,880)
	-	7,150
Consideration receivable	-	800
Refund of investment deposit	-	-
Other debtors	-	1,950
Interest receivables	219	83
Loans and receivables	219	2,833
Deposit for an investment project	-	5,148
Deposit for an oil exploitation project	2,084	-
Deposit for acquisition of motor vehicles	106	-
Utility and other deposits	1,541	6
Prepayments	928	1,201
Prepaid lease payments	292	301
Others	144	432
	5,095	7,088
	5,314	17,071

All of the trade and other receivables including amounts due from subsidiaries are expected to be recovered or recognised as expense within one year.

8. TRADE AND OTHER PAYABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Accrued charges and other creditors	3,620	12,597
Interest payables	-	43,846
Amount due to minority equity holder of a subsidiary	6,591	3,573
Amount due to controlling shareholder	36,348	676
Financial liabilities measured at amortised cost	46,559	60,692

All of the trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

9. DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the year ended 31 December 2007 (2006: Nil).

10. DISCONTINUED OPERATIONS

On 24 October 2007, the Group's crude oil transportation, storage and unloading facilities operations were discontinued following the disposal of two subsidiaries, namely Bamber Resources Limited and Xinjiang Xingmei Oil-Pipeline Co., Ltd. (collectively known as "Bamber Group").

The profit/(loss) for the year from the discontinued operations is analysed as follows:

	2007 HK$'000	2006 HK$'000
Gain on disposal of Bamber Group	66,909	-
Loss for the year on crude oil transportation, storage and unloading services operations	(28,076)	(50,703)
	38,833	(50,703)

The results of the discontinued operations for the period from 1 January 2007 to 24 October 2007 and for the year ended 31 December 2006 are as follows:

	Note	2007 HK$'000	2006 HK$'000
Turnover	3	44,661	44,710
Cost of sales		(38,950)	(46,745)
Gross profit/(loss)		5,711	(2,035)
Other revenue		186	601
Administrative expenses		(6,138)	(6,013)
Other operating expenses		-	(9,126)
Loss from operations		(241)	(16,573)
Finance costs	4(a)	(27,835)	(34,130)
Loss before taxation	4	(28,076)	(50,703)
Income tax	5	-	-
Loss for the period / year		(28,076)	(50,703)

EXTRACT OF INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GENESIS ENERGY HOLDINGS LIMITED

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

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

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

Basis for qualified opinion
As detailed in our auditor's report dated 25 April 2007 on the consolidated financial statements for the year ended 31 December 2006, we disclaimed our opinion because of the significance of the possible effects of the limitation in evidence made available to us that, in particular, we were unable to obtain sufficient and appropriate evidence to satisfy ourselves as to (i) as detailed in note 32(a) to the financial statements, whether the Group has an obligation to pay the bank loans of approximately RMB240 million alleged to have been borrowed by a subsidiary in previous years and interest thereon of approximately RMB24 million and whether the alleged loans and interest thereon were fairly stated in the financial statements, and (ii) as detailed in note 20(f) to the financial statements, whether any impairment loss is required on the other debtors of approximately RMB1,950,000. Any adjustments that might have been found to be necessary in respect thereof had we obtained sufficient and appropriate evidence would have had a consequential effect on the financial position of the Company and the Group as at 31 December 2006, and the Group's loss for the current year and the prior year and the related disclosures thereof in the financial statements. In respect of the limitation of scope in prior year in the areas as described above, we were not able to express our opinion as to whether the balances brought forward as at 1 January 2007 and the comparative figures for 2006 were fairly stated in the financial statements.

Qualified opinion arising from limitation of audit scope
In our opinion, except for the effects of such adjustments on the opening balances and comparative figures, if any, as might have been determined to be necessary had we been able to obtain sufficient and appropriate evidence to satisfy ourselves as to the fairness of the Group's obligations relating to the alleged loans and interest thereon and the fair value of other debtors as at 1 January 2007, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2007, Genesis Energy Holdings Limited (the "Company" or "Genesis Energy") and its subsidiaries (collectively known as the "Group") recorded an increase of total turnover by 5.4% to HK$76.1 million (2006: HK$72.2 million), among which, there was turnover generated form oil transportation business, a discontinued operation during the year, amounts HK$44.7 million (2006: HK$44.7 million). Merely taking into account of the continuing operation, the Group recorded a turnover of HK$31.4 million (2006: HK$27.5 million). Loss attributable to shareholders was substantially narrowed down by 91% to HK$7.9 million (2006: loss of HK$85.1 million).

2007 has been an exciting year. In September 2007, the Group entered into a disposal agreement with the Company's controlling shareholder which acquired the Group's entire interest in Xinjiang Xingmei Oil-pipeline Co. Ltd. (that engaged in the oil transportation business in Xinjiang). As a result of this disposal, the Group has had the loss making business disposed of, and made a clean break against any potential liabilities arising from the bank loans.

More important, we have tapped the investment opportunities in the upstream oil business. In January 2007, the Group entered into an acquisition agreement, and pursuant to which the Group acquired the exploitation rights of a 26km² oil field in Utah, the United States. Further in August 2007, the Group entered into a legally binding cooperation agreement in relation to the oil exploitation project in Shaanxi Province, the PRC. This transaction also signifies our first move into the upstream oil business in the PRC. Subsequently in February 2008, the Group has entered into another legally binding operating agreement and the Group is commissioned to be the operator of the E Tuo Ke Oil & Gas Field.

The Group is encouraged by this steady and solid growth it has achieved this year. In addition to the oil field in the United States, our investment in the oil project in Shaanxi Province is our first move in the region, and being an oil field operator in E Tuo Ke oil field will bring a low risk opportunity for the Group to enjoy returns from a project of great potential. The Group has now assembled a diversified asset portfolio, combining both short term and long term growth opportunities. Despite the sub-prime crisis in the United States and the tightening of macro-economic control measures in mainland China will have certain impacts on the regional economy, we are still committed to build our Group into one of the leading independent oil and gas businesses in the Greater China region with a portfolio of quality assets and to grow the business by developing these assets efficiently.

Upstream Operation

Grassy Trails oil field, Utah, the United States

In January 2007, Genesis Petroleum US Inc., a subsidiary of the Company, entered into an agreement to acquire the exploitation rights of Grassy Trails oil field at a total consideration of US$6.6 million (approximately HK$51.3 million). The transaction was completed in June 2007. Grassy Trails oil field located in both Emery County and

Carbon County, Utah, with an area of approximately 26km². It was discovered in 1962 and it has yielded approximately 600,000 barrels of golden-colored, light, sweet crude oil since then. Subsequent in February 2008, we have successful completed the first horizontal drilling on Federal 12-13, which is expected to produce an additional 200 barrels per day. A recent independent technical report revealed that the proven reserve of crude oil on Grassy Trails has been revised up to about 1.36 million barrels. With our experienced and dedicated technical team and drilling crews, we were able to overcome the glacial weather with fruitful results while doing the first horizontal. Currently, our team is working on a second and third horizontal drilling and we expect to elevate the daily production of oil.

Xun Yi oil field, Shaanxi, the PRC

In August 2007, the Group entered into a legally binding cooperation agreement with a PRC partner in relation to an oil exploration project in Shaanxi Province, the PRC. It covers a site area of over 500 km². Pursuant to the cooperation agreement, the PRC partner shall provide the use of the oil development zone, while the Group shall carry out exploration works. The Group and the PRC partner shall each share 95% and 5% respectively of profits generated from the project. The oil field is located in Shaanxi Province and stretches across the northern part of Xun Yi County, Zhi Tian Town, Qiu Po Tou Town, Ma Lan Town, Qi Li Chuan in the eastern part of Xun Yi County and Cheng Guan Town. According to a preliminary technical report by our geologists, petroleum initially in place is approximately 510 million barrels of crude oil. We are currently preparing a detailed drilling plan and this project will spearhead our oil exploitation business in the PRC. It will become the business model to drive our further developments in the fuel-producing Shaanxi-Gansu-Ningxia area.

E Tuo Ke oil and gas field, Inner Mongolia, the PRC

In February 2008, subsequent to the year end, the Group entered into a legally binding operating agreement with another PRC partner, pursuant to which the Group is commissioned to be the operator of the E Tuo Ke Oil & Gas Field (內蒙古鄂托克油田, "E Tuo Ke"). As the operator of the project, the Group will provide related investigation, exploration and operating services for a number of prospects in E Tuo Ke to which our PRC partner holds the exploitation right together with the ownership. The owner will fund the operating costs of our team for E Tuo Ke. The Group will receive a 7% management fee based on the net sales revenue of E Tuo Ke, after deducting depreciation as well as certain direct expenses. Pursuant to the agreement, Genesis Energy will commission a new geological study of the E Tuo Ke block in order to draw up a detailed drilling scheme. Genesis Energy will also take reference from a previous geological report undertaken by Canadian petroleum consulting firm Sproule International Ltd. ("Sproule"). With reference to this preliminary technical report prepared by Sproule, the estimated total production of natural gas is upto 4,900 million M³ in five years time. Our PRC partner in Inner Mongolia will enjoy strong leverage of our experience in oil and gas exploration and production while this agreement will open up for us a new stream of management fee revenues. This collaboration model will bring a low risk opportunity for the Group to enjoy returns from a project of great potential.

Downstream Operation

Natural Gas Pipeline Network

The natural gas pipeline network is operated by our subsidiary Lejion Gas Co. Ltd. ("Lejion Gas"), which the Group owns as to 72% of its equity interest. Last year, Lejion

Gas entered into a short term contracting agreement with the local government that the business of sale of piped natural gas would be operated by the local government while Lejion could focus its resources to the business of refilling stations which supply natural gas and LPG for vehicle use. This reallocation of resources has brought improvement to the sales of natural gas at refilling stations.

FINANCIAL REVIEW

Turnover and Loss Attributable to Shareholders

Turnover for the Group for the year ended 31 December 2007 increased by 5.4% to HK$76.1 million (2006: HK$72.2 million), among which, there was turnover generated form oil transportation business, a discontinued operation during the year, amounted HK$44.7 million (2006: HK$44.7 million). Only taking into account of the continuing operation, the Group recorded a turnover of HK$30.3 million (2006: HK$27.5 million). Loss attributable to shareholders was substantially narrowed down by 91% to HK$7.9 million (2006: loss of HK$85.1 million)

Turnover was mainly sourced from natural gas pipeline network that recorded a turnover of HK$31.1 million for the year ended 31 December 2007, representing a 13% increase comparing with that of last year (2006: HK$27.5 million). The revenue of HK$0.3 million was contributed by the oil exploitation in Utah, which just commenced operation by end of 2007.

Apart from the discontinued operation, , the disposal of oil transportation business during the year not only had the loss making operation disposed of, but also registered a gain on the disposal of HK$38.8 million.

Liquidity, Financial Resources and Capital Structure

In February 2007, the Group raised approximately HK$120 million, net of related expenses, from issue of 374,000,000 new shares of the Company which is intended to be used for general working capital and possible investment in energy sector, in particular the up stream oil business. Further, the disposal of the oil transportation operation has also brought a positive impact to the financial position of the Group. As at 31 December 2007, the net assets of the Group have increased to HK$260.8 million (31 December 2006: HK$104.1 million) while its total assets were HK$307.9 million (31 December 2006: HK$627.7 million). As at 31 December 2007, the Group’s gross borrowings net of cash and bank balances was nil as compared to HK$411.6 million as at 31 December 2006. Gearing ratio based on total assets was 0% (31 December 2006: 65.5%). The current ratio as at balance sheet date was 2.5 (31 December 2006: 0.19). In terms of the gearing ratio and current ratio, the balance sheet of the Group as at 31 December 2007 was sound and healthy, together with the anticipating strong cash flow from the upstream operation, it will place the Group in a strong financial position to take advantage of new attractive oil and gas investment opportunities that may arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed approximately 155 employees. The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises all Independent Non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2007.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year except regarding Code Provision A.4.1, none of the existing non-executive Directors (including independent non-executive Directors) of the Company is appointed for a specific term since all of them are subject to the retirement provisions of the Bye-laws of the Company.

By Order of the Board
Genesis Energy Holdings Limited
Kong Siu Tim
Executive Director

Hong Kong, 22 April 2008

As at the date of this announcement, the Board comprises three executive Directors namely Ms. Xing Xiao Jing, Mr. Ma Ji and Mr. Kong Siu Tim; and three independent non-executive Directors namely Mr. Ni Zhenwei, Mr. Yip Ching Shan and Mr. Wong Kwok Chuen Peter.