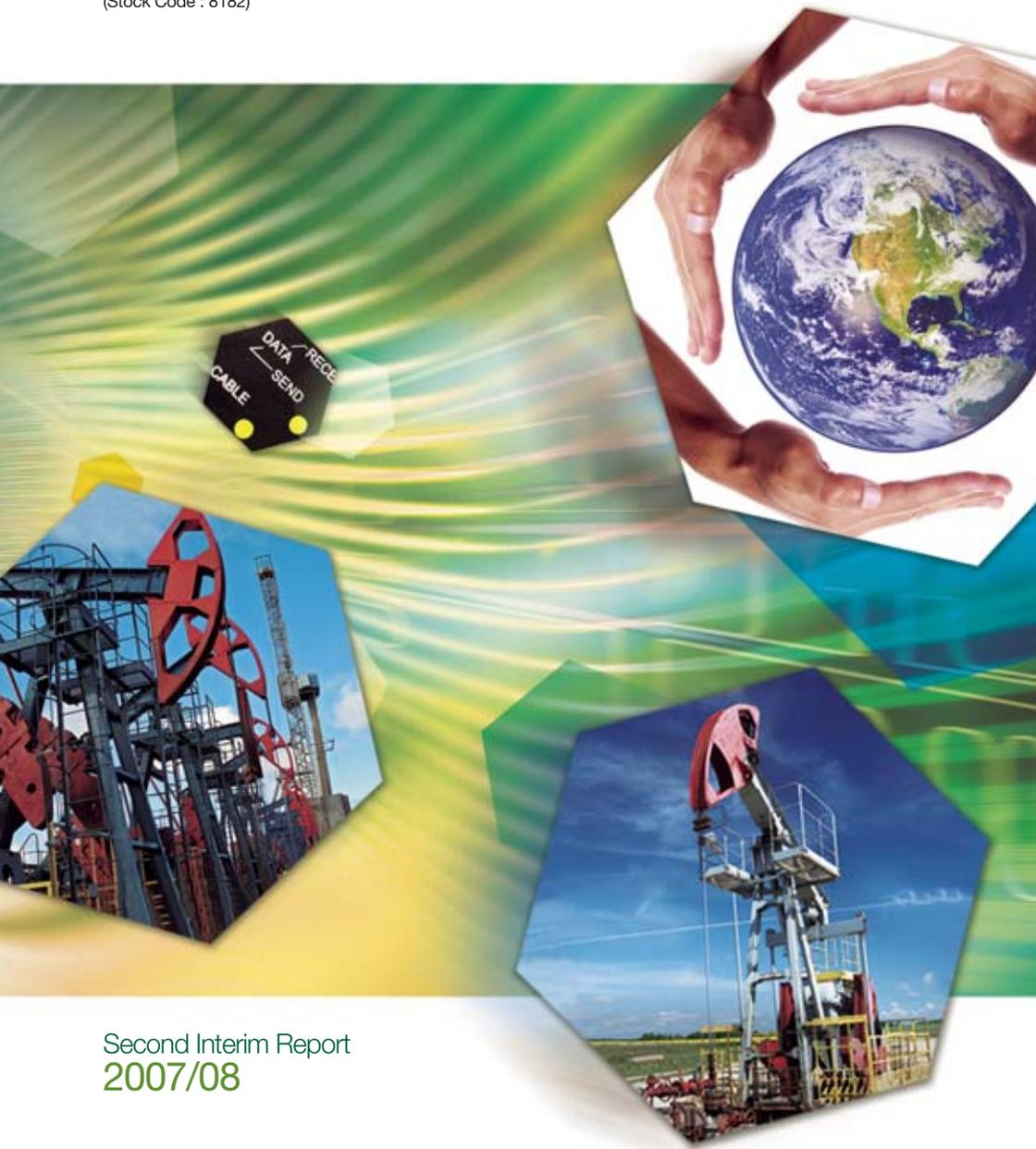




Enviro Energy International Holdings Limited 環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8182)



Second Interim Report
2007/08

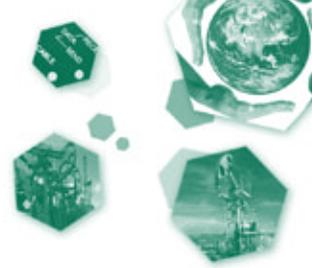
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (“**Directors**”) of Enviro Energy International Holdings Limited (“**Company**”) and together with its subsidiaries and jointly-controlled entities, “**Group**”) 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 (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.*



MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the twelve-month period under review, the Group continued to focus its resources on securing energy-related projects through acquisition and joint cooperation in enhancing shareholders' value and fulfilling the social responsibility of addressing the climate change.

The Group successfully completed the acquisition of 50% equity interest of Qian An Oil Development Co., Ltd. ("**Qian An**") through Allied Resources Limited ("**Qian An Acquisition**") on 29 February 2008. The other 50% equity interest of Qian An is beneficially held by PetroChina Company Limited ("**PetroChina**"), whose "**H**" shares and American depository shares are listed on the Stock Exchange and the New York Stock Exchange, Inc., respectively. To further develop and enhance the production of petroleum in Qian An oilfield, the Group appointed Mr. Li Yutang ("**Mr. Li**") as its exploration engineer subsequent to the period end. With over 40 years of experience and extensive knowledge in the oil and gas industry, Mr. Li will contribute his expertise and provide advice to the Group on the oilfield development, as well as on the Group's future expansion in the People's Republic of China ("**Mainland China**" or "**PRC**").

The Group has developed a strategy to respond to global concerns over climatic change and emissions of greenhouse gases by becoming involved in the sequestration and storage of carbon dioxide ("**CO₂**") and enhanced hydrocarbon production. There is a consensus amongst business forecasters that emerging market systems for valuing and trading the emission credits created by sequestration of CO₂ will eventually become as large and important as other major energy commodity market. Sequestration and emission reductions will provide additional economic value to projects that the Group undertake.

Reflecting the Group's continued emphasis on environmental protection and reduction of CO₂ emission, in January 2008, the Company won an award entitled "**Great Potential Energy Enterprise**" in the "**8th Capital Outstanding Enterprise Awards**" organized by Capital magazine, a famous financial magazine in Hong Kong. The awards are in recognition and acknowledgement of the excellent performance of listed companies in Hong Kong during 2007/08 in the areas of management and their contribution in respective industries.

On 11 July 2008, the Company announced that its wholly-owned subsidiary, namely Rich Concept Technology Limited ("**Rich Concept**"), as purchaser, entered into a conditional sale and purchase agreement dated 9 July 2008 with two independent third parties, as vendor and guarantor ("**TWE Agreement**"), pursuant to which, amongst others, the vendor agreed to sell, and Rich Concept agreed to purchase, certain interests in the capital of TerraWest Energy Corp. ("**TWE**"), a coalbed methane ("**CBM**") exploration and development company with an interest in a production sharing contract ("**PSC**") in the PRC ("**TWE Acquisition**").

Enviro Energy International Holdings Limited

Second Interim Report 2007/08



Facing a very difficult year for the information technology (“IT”) industry, the Group’s IT solutions and services segment reported discouraging results caused by high labour costs and keen price competition. After careful evaluation and assessment of the business environment and operational performance of this business segment, senior management decided to dissolve the IT solutions and services segment in July 2008. After the dissolution of this segment, the Group will retain additional working capital for the energy-related business.

Business prospects

Looking ahead, the Group’s future business development objective remains unchanged with a focus on revenue-generating, advanced yet low-risk energy development investment projects as well as opportunities to increase oil and natural gas reserves in the PRC and overseas.

As planned, the Group will participate in the drilling of certain new wells in Qianshen-12 area of the Qian An oilfield. Senior management is confident that the number of barrels of oil per day and annual revenue to be generated from these new wells will increase in Qian An.

Given the high demand for clean energy, high energy prices and environmental issues, CBM is regarded as a key source of alternative clean energy which can ease the shortage of natural gas in the world. In the PRC, forecast demand for natural gas outstrips supply by a wide margin and the development of CBM and other unconventional natural gas resources are being encouraged by the central government of the PRC. The Group is able to deliver leading CBM exploration and production technology through internal knowledge and experience as well as through strategic alliances with world-class service providers. The PRC is considered as one of the most prospective regions in the world for CBM development based on widespread, high quality coal resources. The Company’s investment in TWE reflects the strong outlook of the Group for the development of domestic energy resources in the PRC. TWE is expected to undertake drilling activity on the PSC area later in 2008.

The Group considers that CBM development is advancing rapidly in Australia and throughout the Asia-Pacific region based on strong demand for natural gas and market pricing. Through alliances with business partners and acquisitions in the PRC and ASEAN countries, the Group will be able to capture effectively the immense opportunities ahead, thus enhancing revenue and rewarding shareholders with favourable returns.



Financial review

For the twelve months ended 31 July 2008, the Group recorded an unaudited revenue arising from the provision of IT solutions and services of approximately HK\$1.9 million, representing a decrease of 44% as compared with approximately HK\$3.4 million for the corresponding period last year. The unaudited gross profit margin for the twelve months ended 31 July 2008 was 40%, up by 167%, mainly due to the completion of projects with higher profit margins.

The unaudited net profit attributable to equity holders of the Company for the twelve months ended 31 July 2008 amounted to approximately HK\$47 million, up by 203%, compared to the corresponding period last year. The increase was mainly attributable to the recognition of the unaudited discount on acquisition of a jointly-controlled entity ("**JCE**") of approximately HK\$223 million as at 29 February 2008 ("**Acquisition Date**") and share of the JCE's net profit of approximately HK\$4.7 million from the Acquisition Date to 31 July 2008.

Total operating expenses for the twelve months ended 31 July 2008 amounted to approximately HK\$159 million, representing an increase of 202% compared to the corresponding period in last year. The substantial increase is primarily due to share-based payment of approximately HK\$59.7 million arising from additional granting of share options and an increase in legal and professional fee associated with the energy-related investment projects.

Compared with last year, the unaudited EBITDA (earnings before interest, tax, depreciation and amortisation) for the twelve months ended 31 July 2008 significantly increased by approximately HK\$127 million from a loss of approximately HK\$45 million to unaudited EBITDA of approximately HK\$82 million. The unaudited net asset value of the Group as at 31 July 2008 was HK\$0.343 per share (2007: HK\$0.449 per share).

Liquidity and financial resources

For the period under review, the Group financed its operations primarily with internally generated cash flows and fund raised by previous share placings. The Group's current ratio stood at 8.7 times as at 31 July 2008 and 67.7 times as at 31 July 2007.

As at 31 July 2008, the Group had unaudited net assets of approximately HK\$801 million (2007: approximately HK\$483 million). The increase was mainly due to the recognition of contract-based intangible assets arising from the Qian An Acquisition.

As at 31 July 2008, the Group maintained a debt-free capital structure.

Significant investments and future plans for material investments

As at 31 July 2008, the Group had not authorised or contracted for any capital expenditure commitments. The Group will continue to explore new opportunities in energy-related projects and to look for potential investments.

Enviro Energy International Holdings Limited

Second Interim Report 2007/08



Material acquisitions and disposals of subsidiaries and affiliated companies

As detailed in the circular of the Company dated 31 January 2008, the completion of the Qian An Acquisition at a total consideration of approximately HK\$366 million, which was satisfied by the payment in cash of HK\$178 million and the issue of 110,000,000 new ordinary shares of HK\$0.0025 each by the Company at an issue price of HK\$1.708 per share, took place on 29 February 2008.

As at the date of this report, the TWE Acquisition has not completed yet.

Save as disclosed above, there were no other material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.

Employees' information

As at 31 July 2008, the Group had 22 full-time employees (2007: 18) working in Hong Kong and the Mainland China. The total staff costs, including directors' emoluments, amounted to approximately HK\$36.9 million for the period under review (2007: approximately HK\$18.9 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

In addition to the regular remuneration, share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

Charge on group assets

As at 31 July 2008, the Group did not have any charges on the Group's assets (2007: Nil).

Gearing ratio

As at 31 July 2008, the Group had no payables incurred which were not in the ordinary course of business and accordingly the gearing ratio was nil.

Foreign exchange exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, Renminbi and United States dollars. Risk on exposure to fluctuation in exchange rates should be minimal as there is no material fluctuation in the exchange rates between Hong Kong dollars, Renminbi and United States dollars.

Contingent liabilities

As at 31 July 2008, the Group did not have any significant contingent liabilities (2007: Nil).



CONDENSED CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the unaudited consolidated results of the Group for the three-month and twelve-month periods ended 31 July 2008, together with the comparative figures for the corresponding periods in 2007 were as follows:

	Notes	Three-month period ended 31 July		Twelve-month period ended 31 July	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
TURNOVER	2	217	349	1,937	3,374
Cost of sales		(134)	(570)	(1,160)	(2,865)
Gross profit		83	(221)	777	509
Other revenue	3	483	309	5,942	6,151
Share of results of jointly-controlled entities	9	(14,752)	–	199,741	–
Administrative and operating expenses		(11,927)	(37,903)	(158,947)	(52,634)
Profit/(loss) from operating activities	4	(26,113)	(37,815)	47,513	(45,974)
Finance costs		(2)	–	(2)	–
Profit/(loss) before taxation		(26,115)	(37,815)	47,511	(45,974)
Income tax expense	5	–	–	–	–
Net profit/(loss) attributable to equity holders of the Company		(26,115)	(37,815)	47,511	(45,974)
Earnings/(loss) per share	7				
Basic		(HK1.12) cents	(HK4.16) cents	HK2.18 cents	(HK8.44) cents
Diluted		N/A	N/A	HK2.13 cents	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		31 July 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
	Notes		
Non-current assets			
Plant and equipment	8	2,133	524
Available-for-sale financial assets		3,091	–
Investment in jointly-controlled entities	9	606,254	–
Other non-current assets		360	–
		611,838	524
Current assets			
Trade receivables	10	133	198
Deposits, prepayments and other receivables		25,510	94,546
Cash and cash equivalents		188,540	395,115
		214,183	489,859
Current liabilities			
Trade payables	11	17	50
Deposits received		11	258
Accrued liabilities and other payables		24,557	6,929
		24,585	7,237
NET CURRENT ASSETS		189,598	482,622
NET ASSETS		801,436	483,146
CAPITAL AND RESERVES			
Issued capital	12	5,842	5,373
Reserves		795,594	477,773
TOTAL EQUITY		801,436	483,146



CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 July 2008

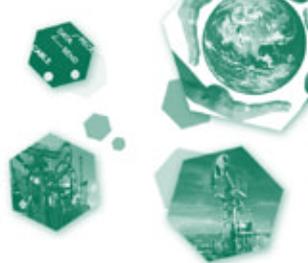
	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 August 2006 (Audited)	3,962	29,686	19,980	-	-	(57)	(57,735)	(4,164)
Net loss for the period	-	-	-	-	-	-	(45,974)	(45,974)
Translation adjustments	-	-	-	-	-	(33)	-	(33)
Issue of new shares	1,385	504,893	-	-	-	-	-	506,278
Share issue expenses	-	(10,837)	-	-	-	-	-	(10,837)
Issue of share options	-	-	-	37,228	-	-	-	37,228
Issue of new shares upon exercise of share options	26	1,208	-	(586)	-	-	-	648
As at 31 July 2007 (Audited)	<u>5,373</u>	<u>524,950</u>	<u>19,980</u>	<u>36,642</u>	<u>-</u>	<u>(90)</u>	<u>(103,709)</u>	<u>483,146</u>
As at 1 August 2007 (Audited)	5,373	524,950	19,980	36,642	-	(90)	(103,709)	483,146
Net profit for the period	-	-	-	-	-	-	47,511	47,511
Translation adjustments	-	-	-	-	-	17,390	-	17,390
Change in fair value of available-for-sale financial assets	-	-	-	-	(342)	-	-	(342)
Issue of new shares for acquisition of a subsidiary for 110,000,000 shares of nominal value of HK\$0.0025 each at HK\$1.708 per share	275	-	-	-	-	-	-	275
- Share premium	-	187,605	-	-	-	-	-	187,605
Issue of share options	-	-	-	59,705	-	-	-	59,705
Lapse of share options	-	-	-	(23)	-	-	23	-
Issue of new shares upon exercise of share options	194	11,650	-	(5,698)	-	-	-	6,146
As at 31 July 2008 (Unaudited)	<u>5,842</u>	<u>724,205</u>	<u>19,980</u>	<u>90,626</u>	<u>(342)</u>	<u>17,300</u>	<u>(56,175)</u>	<u>801,436</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the twelve months ended 31 July 2008

	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Audited)
Net cash inflow/(outflow) from operating activities	12,523	(11,474)
Net cash outflow from investing activities	(225,627)	(93,762)
Net cash inflow from financing activities	<u>6,146</u>	<u>499,900</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(206,958)	394,664
Effect of foreign exchange rates changes	384	(35)
Cash and cash equivalents at beginning of period	<u>395,114</u>	<u>486</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>188,540</u>	<u>395,115</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>188,540</u>	<u>395,115</u>



NOTES TO THE SECOND INTERIM FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The principal accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s audited financial statements for the twelve months ended 31 July 2007. The financial statements for the three-month and twelve-month periods ended 31 July 2008 are unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

Accounting standards not yet effective

The Group has not applied the following new or revised standards or interpretations that have been issued but are not yet effective:

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The Group has not applied any of these new or revised standards and interpretations, and is in the process of making an assessment on the impact that these new or revised standards or interpretations will have on the financial information.

Enviro Energy International Holdings Limited

Second Interim Report 2007/08



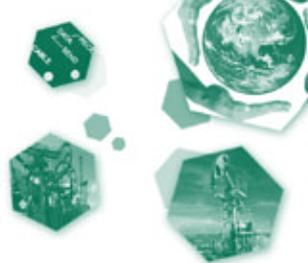
2. BUSINESS SEGMENTS

The Group's revenue is substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented during each of the twelve months ended 31 July 2007 and 2008.

An analysis of the unaudited revenue and results for the Group's business segments is as follows:

For the twelve months ended 31 July 2008

	Network infrastructure construction solutions segment <i>HK\$'000</i> (Unaudited)	Network infrastructure maintenance and reinforcement services segment <i>HK\$'000</i> (Unaudited)	Other professional value-added solutions and services segment <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue:				
Sales to external customers	375	684	878	1,937
Segment results	28	204	(465)	(233)
Unallocated income				5,942
Unallocated expenses				(157,937)
Loss from operating activities				(152,228)
Finance cost				(2)
Share of results of jointly-controlled entities				199,741
Net profit attributable to equity holders of the Company				47,511



For the twelve months ended 31 July 2007

	Network infrastructure construction solutions segment <i>HK\$'000</i> (Audited)	Network infrastructure maintenance and reinforcement services segment <i>HK\$'000</i> (Audited)	Other professional value-added solutions and services segment <i>HK\$'000</i> (Audited)	Consolidated <i>HK\$'000</i> (Audited)
Segment revenue:				
Sales to external customers	920	1,602	852	3,374
Segment results	<u>50</u>	<u>976</u>	<u>(266)</u>	760
Unallocated income				5,308
Unallocated expenses				<u>(52,042)</u>
Net loss attributable to equity holders of the Company				<u>(45,974)</u>

3. OTHER REVENUE

	Three-month period ended 31 July		Twelve-month period ended 31 July	
	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Audited)
Bank interest income	483	210	5,942	211
Consultancy fee	-	-	-	80
Waiver of amount due to a former director (<i>Note 14a</i>)	-	-	-	4,987
Sundry income	-	80	-	843
Exchange difference, net	-	19	-	30
Total	<u>483</u>	<u>309</u>	<u>5,942</u>	<u>6,151</u>



4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	Three-month period ended 31 July		Twelve-month period ended 31 July	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Cost of inventories sold	24	88	317	716
Cost of services provided	110	482	843	2,148
Depreciation	268	217	552	514
Staff costs (including directors' remuneration and share-based payment)	5,208	10,760	36,889	18,950
Share-based payment (others)	140	19,791	57,956	26,139

No cost of services was provided during the three-month period ended 31 July 2008 and cost of services of approximately HK\$334,000 was recognised for the twelve-month period ended 31 July 2008 (approximately HK\$204,000 and HK\$1,223,000 for the three-month and twelve-month periods ended 31 July 2007 respectively) relating to staff cost, which was also included in the total amount of staff costs disclosed separately above.

5. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No provision for Hong Kong profits tax rate at 17.5% (2007: 17.5%) has been made as there is no assessable profits for the subsidiaries operating in Hong Kong during the period under review.

Enterprise Income Tax ("EIT") at a rate of 25% (2007: 33%) for the Mainland China subsidiaries engaged in the provision of IT solutions and services has not been provided as they did not generate any assessable profits in Mainland China during the period under review. Jilin Hengli Industries Liability Co., Ltd. ("Jilin Hengli"), an indirect wholly-owned subsidiary of the Company in Mainland China, and Qian An are subject to EIT at a rate of 25%. Jilin Hengli has been reporting tax loss since its establishment.

6. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the twelve months ended 31 July 2008 (2007: Nil).



7. EARNINGS/(LOSS) PER SHARE

The calculation of unaudited basic earnings per share is based on the net loss attributable to equity holders of the Company of approximately HK\$26,115,000 and net profit attributable to equity holders of the Company of approximately HK\$47,511,000 for the three-month and twelve-month periods ended 31 July 2008 respectively (net losses of approximately HK\$37,815,000 and HK\$45,974,000 for the three-month and twelve-month periods ended 31 July 2007 respectively) and the weighted average number of approximately 2,336,881,000 and 2,181,270,000 ordinary shares issued during the three-month and twelve-month periods ended 31 July 2008, respectively (approximately 909,989,000 and 544,861,000 shares for the three-month and twelve-month periods ended 31 July 2007 respectively).

	Number of shares			
	Three-month period ended 31 July		Twelve-month period ended 31 July	
	2008 '000 (Unaudited)	2007 '000 (Unaudited)	2008 '000 (Unaudited)	2007 '000 (Audited)
Issued ordinary shares				
at beginning of period	2,336,881	840,360	1,074,546	396,180
Effect of share subdivision	–	–	1,005,409	120,874
Effect of issue of new shares	–	66,469	–	27,011
Effect of issue of shares for acquisition of a subsidiary	–	–	46,284	–
Effect of exercise of share options	–	3,160	55,031	796
	<u>2,336,881</u>	<u>909,989</u>	<u>2,181,270</u>	<u>544,861</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>2,336,881</u>	<u>909,989</u>	<u>2,181,270</u>	<u>544,861</u>
Basic earnings/(loss) per share (in HK cents)	<u>(1.12)</u>	<u>(4.16)</u>	<u>2.18</u>	<u>(8.44)</u>



Diluted earnings per share for the twelve-month period ended 31 July 2008 has been presented, the share options outstanding during the twelve-month period ended 31 July 2008 had a dilutive effect on the basic earnings per share for the period. Diluted earnings per share is calculated as follows:

	Three-month period ended 31 July		Twelve-month period ended 31 July	
	2008 '000 (Unaudited)	2007 '000 (Unaudited)	2008 '000 (Unaudited)	2007 '000 (Audited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	2,336,881	909,989	2,181,270	544,861
Effect of dilutive potential ordinary shares	32,858	52,301	52,269	29,327
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	2,369,739	962,290	2,233,539	574,188
Diluted earnings per share (in HK cents)	N/A	N/A	2.13	N/A

Diluted loss per share for the three-month period ended 31 July 2008 and each of the three-month and twelve-month periods ended 31 July 2007 has not been presented, as the share options outstanding during the three-month period ended 31 July 2008 and the three-month and twelve-month periods ended 31 July 2007 had an anti-dilutive effect on the basic loss per share for the respective periods.



8. PLANT AND EQUIPMENT

	<i>HK\$'000</i> (Unaudited)
Cost:	
At 1 August 2007 (Audited)	2,486
Attributable to acquisition of a subsidiary	28
Additions	2,347
Written off	(1,706)
Exchange difference	11
	<hr/>
At 31 July 2008 (Unaudited)	3,166
	<hr/>
Accumulated depreciation:	
At 1 August 2007 (Audited)	1,962
Attributable to acquisition of a subsidiary	3
Provided during the period	549
Written off	(1,490)
Exchange difference	9
	<hr/>
At 31 July 2008 (Unaudited)	1,033
	<hr/>
Net book value:	
At 31 July 2008 (Unaudited)	2,133
	<hr/> <hr/>
At 31 July 2007 (Audited)	524
	<hr/> <hr/>

9. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES

	As at 31 July 2008 HK\$'000 (Unaudited)	As at 31 July 2007 HK\$'000 (Audited)
Share of net assets, unlisted	607,712	1,458
Less: Provision for impairment	(1,458)	(1,458)
	<hr/>	<hr/>
	606,254	-
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On 29 February 2008, the Group successfully completed the acquisition of 50% equity interest of Qian An through Allied Resources Limited. The other 50% equity interest of Qian An is beneficially held by PetroChina.



Details of unaudited fair value of net assets acquired and the discount on acquisition are as follows:

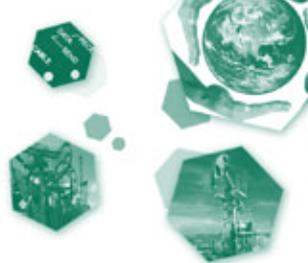
	<i>HK\$'000</i>
Total adjusted purchase consideration	371,711
Less: Net assets acquired and determined on a provisional basis	<u>(594,731)</u>
Discount on acquisition	<u><u>223,020</u></u>
Share of results of jointly-controlled entities are as follows:	
Net profit for the period	4,710
Discount on acquisition – shown as above	223,020
Amortisation of contract-based intangible assets	<u>(27,989)</u>
	<u><u>199,741</u></u>

Hangzhou JV (hereinafter defined) is a sino-foreign equity joint enterprise established by Sys Solutions System Management Limited (“**Sys Solution System Management**”) and a joint venturer (“**JV Partner**”) in the PRC for a period of 20 years commencing from the date of issuance of its business license of 10 October 2003.

Pursuant to an equity transfer agreement dated 31 October 2007 entered into between Sys Solutions System Management and the JV Partner, the JV Partner acquired a 50% equity interest in Hangzhou JV from Sys Solutions System Management for nil cash consideration. The acquisition was completed on 22 November 2007.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Principal activities
杭州軟均信息系統工程 監理有限公司 (“ Hangzhou JV ”)	Corporate	PRC	Provision of IT consulting services
Qian An	Corporate	PRC	Exploration and production of crude oil



10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

An aging analysis of the trade receivables of the Group (net of impairment losses for bad and doubtful debts) as at the balance sheet date, based on the invoice date, is as follows:

	As at 31 July	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Within 30 days	83	138
Between 31 – 60 days	32	60
Between 61 – 90 days	–	–
Between 91 – 180 days	7	–
Over 180 days	11	–
	133	198
	133	198

The carrying amounts of trade receivables approximate to their fair values.

11. TRADE PAYABLES

An aging analysis of the trade payables of the Group as at the balance sheet date, based on the invoice date, is as follows:

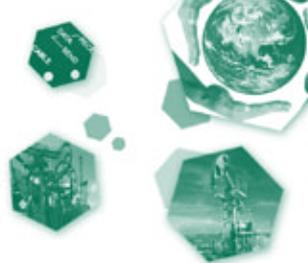
	As at 31 July	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Within 30 days	–	50
Between 31 – 60 days	5	–
Between 61 – 90 days	2	–
Between 91 – 180 days	10	–
	17	50
	17	50

The carrying amounts of trade payables approximate to their fair values.



12. SHARE CAPITAL

	Number of shares		Nominal value	
	2008 '000 (Unaudited)	2007 '000 (Audited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Authorised:				
As at beginning of period				
Ordinary shares of HK\$0.005 each for 2008 and HK\$0.01 each for 2007	10,000,000	5,000,000	50,000	50,000
Share subdivision	10,000,000	5,000,000	-	-
As at end of period				
Ordinary shares of HK\$0.0025 each for 2008 and HK\$0.005 each for 2007	20,000,000	10,000,000	50,000	50,000
Issued and fully paid:				
As at beginning of period				
Ordinary shares of HK\$0.005 each for 2008 and HK\$0.01 each for 2007	1,074,546	396,180	5,373	3,962
Share placing	-	24,000	-	240
Issue of new shares upon exercise of share options on 6 August 2007	14,152	-	70	-
	1,088,698	420,180	5,443	4,202
Share subdivision	1,088,698	420,180	-	-
Share placing and subscription	-	229,086	-	1,145
Issue of new shares upon exercise of share options	49,485	5,100	124	26
Issue of new shares for acquisition of a subsidiary on 29 February 2008	110,000	-	275	-
As at end of period				
Ordinary shares of HK\$0.0025 each for 2008 and HK\$0.005 each for 2007	2,336,881	1,074,546	5,842	5,373



13. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 July 2008 HK\$'000 (Unaudited)	As at 31 July 2007 HK\$'000 (Audited)
Within one year	2,350	505
After one year but within five years	<u>2,654</u>	<u>–</u>
	<u>5,004</u>	<u>505</u>

14. RELATED PARTY TRANSACTIONS

(a) Particulars of significant transactions between the Group and related parties during the periods are summarised below:

	Notes	Three-month period ended 31 July		Twelve-month period ended 31 July	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Pushang Management Services Limited*					
Network infrastructure construction solutions income	(i)	–	4	–	9
Network maintenance and reinforcement services income	(i)	–	27	–	163
Cash advance from Lam Chi Shing		–	–	–	1,800
Waiver of amount due to Lam Chi Shing (Note 3)		–	–	–	4,987
Cash advance from Chan Wing Him Kenny	(ii)	–	1,480	–	1,480
Repayment to Chan Wing Him Kenny		–	(1,480)	–	(1,480)
		<u>–</u>	<u>(1,480)</u>	<u>–</u>	<u>(1,480)</u>



- * *Pushang Management Services Limited is a company incorporated in Hong Kong, of which Mr. Lam Chi Shing, the former chairman and a former Director, has a beneficial interest. Mr. Lam resigned as the chairman of the Company and an executive Director on 20 December 2006.*

Notes:

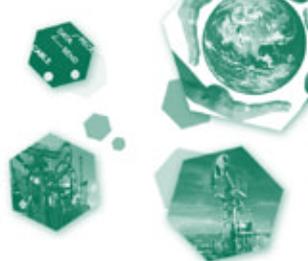
- (i) The Directors considered that the prices and terms of the sales transactions with related companies of the Company approximated to those with independent third parties.
- (ii) The cash advance is unsecured, interest-free and has no fixed terms of repayment.
- (b) Compensation of key management personnel:

	Three-month period ended 31 July		Twelve-month period ended 31 July	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Short-term employee benefits	3,746	2,509	30,767	4,316
Post-employment benefits	9	10	36	26
Share-based payments	31	8,189	1,738	10,860
	<u>3,786</u>	<u>10,708</u>	<u>32,541</u>	<u>15,202</u>

15. SHARE-BASED PAYMENT TRANSACTIONS

The fair value of share options granted under the post-IPO share option scheme adopted by the Company on 25 January 2003 ("**Share Option Scheme**"), recognised in administrative and operating expenses, amounted to approximately HK\$182,000 and HK\$59,706,000 for the three-month and twelve-month periods ended 31 July 2008 respectively (approximately HK\$27,980,000 and HK\$37,288,000 for the three-month and twelve-month periods ended 31 July 2007).

The vesting criterion of the 2nd Grant (as defined below) is that 50% of the share options granted thereunder shall be exercised in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options granted thereunder shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.



The fair values of share options were derived from Black-Scholes option pricing model by the application of the following bases and assumptions:

Date of grant <i>(dd/mm/yyyy)</i>	Dividend yield	Expected volatility (i)	Risk-free rate (ii)	Price of the Company's shares at grant date of share options <i>HK\$ per share</i>
29/10/2007 ("1st Grant")	Nil	321.37%	3.87%	2.440
19/06/2008 ("2nd Grant")	Nil	110.01%	3.60%	0.230

Notes:

- (i) The expected volatility of the share options was calculated based on the annualised historical volatility of the closing price of the shares of the Company for the 12 months immediately preceding the date of grant of the share options.
- (ii) The monthly average yield of the Hong Kong Exchange Fund Notes for a period of about 5 years and 10 years for the 1st Grant and 2nd Grant respectively, were applied as the risk-free interest rates.
- (iii) The weighted average share price of the Company's shares immediately before the date on which the share options were exercised and at the date of exercise of the share options were HK\$2.05 and HK\$2.01 respectively for the twelve months ended 31 July 2008.
- (iv) The outstanding share options as at 31 July 2008 had a weighted average remaining contractual life of 4.53 years.

16. EVENT AFTER BALANCE SHEET DATE

On 28 August 2008, the Company announced that Rich Concept, the vendor and the guarantor entered into a supplemental deed to the TWE Agreement, pursuant to which the parties thereto agreed to postpone the date of completion of the TWE Acquisition to on or before 15 October 2008.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 July 2008, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which (i) 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 and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

1. Long positions in ordinary shares of the Company

Name of Directors/ chief executives	No. of shares	Approximate percentage of shareholding	Capacity
Chan Wing Him Kenny	1,183,180,000 (Note)	50.63%	Interest in a controlled corporation
Arthur Ross Gorrell	2,625,000	0.11%	Beneficial owner
Ho Tak Yuen Peter (Resigned on 11 August 2008)	15,847,200	0.68%	Beneficial owner

Note: These shares are held by Colpo Mercantile Inc. ("Colpo"). The entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, the chairman and the chief executive officer of the Company and an executive Director, who is therefore deemed to be interested in the shares held by Colpo.

In addition to the above, Mr. Chan Wing Him Kenny has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.



2. Long positions in underlying shares of the Company

Details of share options granted to the Directors and chief executives of the Company under the Share Option Scheme since its adoption and up to 31 July 2008 were as follows:

Name of Directors/ chief executive	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Subscription price per share (HK\$)	No. of underlying shares			
				comprising the share options granted ⁽¹⁾	comprising the share options exercised	comprising the share options lapsed	comprising the share options outstanding
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	15,847,200
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	2,000,000	-	-	2,000,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000 ⁽²⁾	-	-	500,000
Arthur Ross Gorrell	22/6/2007	22/6/2007 to 24/1/2013	1.3650	1,500,000	-	-	1,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.4400	700,000	-	-	700,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000 ⁽²⁾	-	-	500,000
Poon Lai Yin Michael	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000 ⁽²⁾	-	-	500,000
Donald O Downing	19/6/2008	19/6/2010 to 19/6/2018	0.2316	350,000 ⁽²⁾	-	-	350,000
Chan Man Ching (Resigned on 12 June 2008)	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	(15,847,200)	-	-
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	2,000,000	-	-	2,000,000
Ho Tak Yuen Peter (Resigned on 11 August 2008)	18/1/2007	18/1/2007 to 24/1/2013	0.0635	15,847,200	(15,847,200)	-	-
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	2,000,000	-	-	2,000,000

Notes:

- (1) Resolution was passed at the extraordinary general meeting of the Company held on 28 August 2007 in respect of the subdivision of every issued and unissued ordinary share of HK\$0.005 each in the capital of the Company into 2 shares of HK\$0.0025 each.
- (2) 50% of the share options shall be exercised in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.



Save as disclosed above, as at 31 July 2008, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 July 2008, the following interests and short positions of 5% or more of the issued share capital of the Company held by the following parties (other than Directors or chief executives of the Company) which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Number of ordinary shares held	Capacity and nature of interest	Approximate percentage of shareholding
Substantial shareholder			
Colpo	1,183,180,000 ⁽¹⁾	Directly beneficially owned	50.63%
Other shareholder			
Fortis Investment Management Japan Ltd.	183,400,000 ⁽²⁾	Investment manager	7.85%

Notes:

- (1) The entire issued share capital of Colpo was solely and beneficially owned by Mr. Chan Wing Him Kenny, the chairman and the chief executive officer of the Company and an executive Director, who is therefore deemed to be interested in 1,183,180,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,183,180,000 shares in the Company held through Colpo have also been set out in the above section headed "**Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures**".
- (2) 183,400,000 shares were held by Fortis Investment Management Japan Ltd. in the capacity as investment manager. The entire issued share capital of Fortis Investment Management Japan Ltd. was wholly owned by Fortis Investment Management SA.

Save as disclosed above, as at 31 July 2008, no person (other than the Directors and chief executives of the Company, whose interests are set out in the section headed "**Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures**" above) had registered an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or was required to be recorded pursuant to Section 336 of the SFO.



SHARE OPTION SCHEME

On 25 January 2003, the rules of the Share Option Scheme were approved and adopted pursuant to a written resolution of the Company. The purpose of the Share Option Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant share options to any employees, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Share Option Scheme remains in force for a period of ten years with effect from 25 January 2003.

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant share option; and (iii) the nominal value of the shares on the date of grant of the share option.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue on the date of such grant and an aggregate value, based on the closing price of the shares of the Company at the date of grant in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

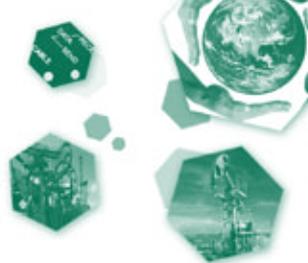
The share options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence after the date of grant of the share options and expire on such date as determined by the Board in any event no later than 10 years from the date of the grant of such share options. A nominal consideration of HK\$1 is payable on acceptance of the grant of a share option under the Share Option Scheme.



As at 31 July 2008, details of the share options granted under the Share Option Scheme (including the options granted to Directors and chief executives of the Company disclosed in the sub-section headed “**Long positions in underlying shares of the Company**” under the section headed “**Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures**”) were as follows:

Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price per share ⁽¹⁾ (HK\$)	Number of Share Options ⁽¹⁾				As at 31 July 2008
				As at 1 August 2007	Granted during the twelve-month period	Lapsed during the twelve-month period	Exercised during the twelve-month period	
Directors, chief executives, management shareholders or substantial shareholders or their respective associates:								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	-	15,847,200
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	2,000,000	-	-	-	2,000,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	500,000 ⁽²⁾	-	-	500,000
Arthur Ross Gorrell	22/6/2007	22/6/2007 to 24/1/2013	1.3650	1,500,000	-	-	-	1,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.4400	N/A	700,000	-	-	700,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	500,000 ⁽²⁾	-	-	500,000
Poon Lai Yin Michael	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	500,000 ⁽²⁾	-	-	500,000
Donald O Downing	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	350,000 ⁽²⁾	-	-	350,000
Chan Man Ching (Resigned on 12 June 2008)	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	2,000,000	-	-	-	2,000,000
Ho Tak Yuen Peter (Resigned on 11 August 2008)	18/1/2007	18/1/2007 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	2,000,000	-	-	-	2,000,000
				55,041,600	2,550,000	-	(31,694,400)	25,897,200

Enviro Energy International Holdings Limited
Second Interim Report 2007/08



Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price per share ⁽¹⁾ (HK\$)	Number of Share Options ⁽¹⁾				
				As at 1 August 2007	Granted during the twelve-month period	Lapsed during the twelve-month period	Exercised during the twelve-month period	As at 31 July 2008
Other employees:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	26/4/2007	26/4/2007 to 24/1/2013	0.5790	400,000	-	-	(200,000)	200,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	650,000 ⁽²⁾	-	-	650,000
				<u>16,247,200</u>	<u>650,000</u>	<u>-</u>	<u>(16,047,200)</u>	<u>850,000</u>
Others:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.0635	21,847,200	-	-	(20,847,200)	1,000,000
	20/3/2007	20/3/2007 to 24/1/2013	0.1125	24,840,000	-	-	(8,600,000)	16,240,000
	26/4/2007	26/4/2007 to 24/1/2013	0.5790	1,400,000	-	(40,000)	(400,000)	960,000
	22/6/2007	22/6/2007 to 24/1/2013	1.3650	13,000,000	-	-	-	13,000,000
	29/10/2007	29/10/2007 to 24/1/2013	2.4400	N/A	23,700,000	-	(200,000)	23,500,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	8,500,000 ⁽²⁾	-	-	8,500,000
				<u>61,087,200</u>	<u>32,200,000</u>	<u>(40,000)</u>	<u>(30,047,200)</u>	<u>63,200,000</u>
Total:				<u>132,376,000</u>	<u>35,400,000</u>	<u>(40,000)</u>	<u>(77,788,800)</u>	<u>89,947,200</u>
Weighted average exercise price per share (HK\$)				2.1493	0.2813	0.579	0.079	1.1288

Notes:

- (1) The exercise price and number of share options were adjusted upon the subdivision of shares of the Company which came to effect on 29 August 2007.
- (2) 50% of the share options shall be exercised in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the period under review.

COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the twelve months ended 31 July 2008, an executive Director and management shareholder, namely Mr. Chan Wing Him Kenny and an executive Director, Dr. Arthur Ross Gorrell, are also directors of Petromin Resources Limited (“**Petromin**”) and TWE. The businesses of these two companies compete, or are likely to compete, directly or indirectly, with the Group’s businesses.

Mr. Chan Wing Him Kenny is a director and co-chairman and the chief executive officer of Petromin whilst Dr. Arthur Ross Gorrell is the president and co-chairman. Petromin is engaged in the acquisition and development of oil and gas properties.

Mr. Chan Wing Him Kenny is a director and co-chairman of TWE whilst Dr. Arthur Ross Gorrell is a director and co-chairman. TWE is engaged in the exploration for oil and natural gas.

Save as disclosed above, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the twelve months ended 31 July 2008. Having made specific enquiry with all Directors, the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the twelve months ended 31 July 2008.



CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices (“**CG Code**”) set out in Appendix 15 to the GEM Listing Rules, throughout the twelve months ended 31 July 2008:

Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Wing Him Kenny, an executive Director, serves as the chairman of the Board and the chief executive officer of the Group. The Board is of the view that this has not compromised accountability and independent decision-making for the following reasons:

- The independent non-executive Directors form the majority of the Board.
- The Audit Committee composed exclusively of independent non-executive Directors.
- The independent non-executive Directors have free and direct access to the Company’s external auditors and independent professional advice when considered necessary.

REMUNERATION COMMITTEE

A remuneration committee of the Company (“**Remuneration Committee**”) was established on 20 December 2006 with written terms of reference. The Remuneration Committee comprises one executive Director, namely Mr. Chan Wing Him Kenny (chairman of the Remuneration Committee) and two independent non-executive Directors, namely, Mr. Lo Chi Kit and Mr. Tam Hang Chuen.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.



AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. David Tsoi (chairman of the Audit Committee), Mr. Lo Chi Kit and Mr. Tam Hang Chuen.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's unaudited results for the twelve months ended 31 July 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board

Chan Wing Him Kenny

Chairman and Chief Executive Officer

Hong Kong, 10 September 2008

As at the date of this report, the Directors are:

Executive Directors:

Mr. Chan Wing Him Kenny

(Chairman and Chief Executive Officer)

Dr. Arthur Ross Gorrell

Independent non-executive Directors

Mr. David Tsoi

Mr. Lo Chi Kit

Mr. Tam Hang Chuen