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)

First Quarterly Report 2009

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*This report, for which the directors ("***Directors***") of Enviro Energy International Holdings Limited ("***Company***", and together with its subsidiaries and jointly-controlled entity, "***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

The Group was originally engaged in the business of IT solutions and services. However, the Group has scaled down its IT solutions and services business due to the relatively low entry-barrier nature of this business segment. The Group has shifted its focus on environmental energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies.

Business review

Conventional oil

Subsequent to the global financial crisis, the crude oil price dropped to a historically low level of approximately US$40 per barrel in December 2008 and maintained at a relatively stable level of approximately US$50 per barrel in March 2009. Due to the low oil price, PetroChina Company Limited, as the operator of two oilfields of Qian An Oil Development Co., Ltd. ("**Qian An**"), has decided to lower production level to preserve the oil reserves of the oilfields, and thus this has affected the Group's results for the period.

Unconventional natural gas

As at 31 March 2009, the Company owned approximately 58.17% controlling interest in TerraWest Energy Corp. ("**TWE**"), a private Canadian-incorporated company engaged in the exploration and development of coalbed methane ("**CBM**"). TWE holds a 47% interest in a CBM production sharing contract ("**PSC**") located in Xinjiang, the People's Republic of China ("**PRC**"). The PSC, executed in December 2005, is in cooperation with China United Coalbed Methane Corporation Limited ("**CUCBM**") which holds 53%.

The PSC area is located adjacent to the provincial capital city of Urumqi and covers approximately 655 square kilometers of highly prospective lands in the southern Junggar Basin of Xinjiang. The southern Junggar Basin, an active hydrocarbon producing region with existing natural gas transportation infrastructure, is prospective for CBM because of extensive coal resources.

As operator of the PSC, TWE has conducted CBM exploration operations within the PSC area since 2006. Operations included geological evaluation of the coal resources, drilling and testing with a focus on the Jurassic Xishanyao ("**J2X**") and Badaowan ("**J1B**") coal formations. Drilling has shown the J2X coal seams to be 30-40 metres thick and Subbituminous A to Hi-volatile Bituminous C in rank. The J1B which underlies the J2X contains dozens of coal seams of variable thickness from 0.1 metre to 6 metres of similar rank interbedded with shale and coaly shale.

In 2008, two wide diameter wells were completed. Well LHG 08-01 tested the permeability of the J2X and provided a gas flow test. Well LHG 08-03 was drilled and cased to 1,500 metres and provided a stratigraphy test intersecting both J2X and J1B as well as downhole geophysical data. Further completion work and production testing are being contemplated at both wells.

The stratigraphy test at well LHG 08-03 showed the J1B to be approximately 600 metres below the J2X intersecting approximately 350 metres of J1B before the well reached total depth. Surface geological reconnaissance has indicated J1B may have far greater total formation thickness with multiple coals seams throughout.

The test results have laid solid ground for further CBM exploration and production testing and the Group has finalised its CBM operating plans for 2009. Operations will include further geological mapping, coal test drilling to add to the J2X gas content database and further exploration of the vast potential of the J1B multi-seam coal and shale/coaly-shale CBM play.

Seismic survey activity is also planned to assist in locating well sites and evaluating possible structural traps for natural gas.

Over the first three years of the CBM operations, TWE has outlined a multi-play type CBM project unique in the PRC. Next steps will further define the CBM resource potential and development concepts.

Environmental technologies

The Un-mineable Coal CO_2 Sequestration and Enhanced CBM Project ("**JV Project**") operated under the cooperative joint venture agreement dated 25 January 2008 ("**JV Agreement**") between the Company, CUCBM and Petromin Resources Limited ("**Petromin**") of Canada was operating smoothly during the period under review. The JV Project involves injecting CO_2 into a coal formation to test CO_2 storage and enhance CBM production. Pursuant to the JV Agreement, the Company holds a 20% participating interest in the JV Project in which CUCBM operates the pilot project and the Group's technology partner, the Alberta Research Council of Canada, will provide expert consulting services.

Business prospects

Despite the volatile global energy market in 2008, the Group remains optimistic that a recovery in energy commodity prices will occur in a timely fashion. Additionally, global concern over climatic change will ensure continuing emphasis on the development of sustainable energy and mitigation of greenhouse gas emissions from hydrocarbon use, indicating a huge growth potential for the Group's clean energy projects.

Looking ahead to the operation of Qian An in 2009, the Directors believe that with the expected return to higher petroleum prices, Qian An's production will return to planned levels. In respect of CBM, riding on the high demand for clean energy and concerns over environmental issues, CBM is regarded as a key source of alternative clean energy in various regions of the world. In the PRC, the central government is implementing various supportive policies to encourage CBM exploration and utilisation. These policies and incentives include value-added tax waiver, corporate income tax relief, preferable access to pipeline transportation and CBM gas sales price subsidy. Under the 11th Five-year Plan, the PRC aims to achieve more than 10 billion cubic metres annual CBM production by 2010. The PRC is considered as one of the most prospective regions in the world for CBM development based on its widespread and high quality coal resources. As a multi-pronged upstream resources player, the Directors have every confidence in the long-term profitability of the Group.

FINANCIAL REVIEW

IT and network infrastructure segment

As a result of the scale-down of the IT solutions and services business since July 2008, the Group recorded an unaudited revenue of approximately HK$125,000 (2008: HK$467,000) and a gross profit of approximately HK$28,000 (2008: HK$384,000), representing a decrease of 93%.

Oil and gas segment

On 9 February 2009, Rich Concept Technology Limited, a wholly-owned subsidiary of the Company, and Ms. Cheng Miu Fong signed a supplemental deed ("**Deed**") to the conditional sale and purchase agreement dated 17 September 2008 in respect of the acquisition of Chavis International Limited ("**Chavis**"). Pursuant to the Deed, the allotment date of the consideration shares of 93,600,000 shares of the Company has been postponed to on or before 31 December 2009 or such other date as is agreed in writing by the parties and the lock-up period of the consideration shares is cancelled.

On 11 February 2009, Petromin elected to exercise its warrants to acquire 16,666,667 common shares of TWE. Accordingly, the Company's controlling interest in TWE has been diluted from approximately 63.91% to approximately 58.17%.

Resulted from historical low crude oil price, the Group recognised a loss of a jointly-controlled entity in the PRC of approximately HK$2,523,000 (2008: profit of HK$1,338,000) during the period.

Under the current economic conditions, the Group continued to commit its expansion plan with a better cost control system. Administrative and operation expenses increased slightly by approximately HK$1,774,000 from approximately HK$21,874,000 to HK$23,648,000. The slight increase was mainly due to the recognition of (i) the amortisation of the PSC of approximately HK$7,305,000 (2008: Nil); and (ii) the increase of salaries (including Directors' emoluments) by approximately HK$2,039,000 to approximately HK$8,662,000 (2008: HK$6,623,000) during the period, which were mainly offset by the significant drop in (i) legal and professional fees by approximately HK$5,610,000 to HK$4,520,000 during the period, representing a decrease of 55% over last year; and (ii) corporate promotion and investor relation expense by approximately HK$937,000 to approximately HK$189,000 during the period, representing a decrease of 83% over last year.

The fluctuation in exchange rate difference between functional currency and presentation currency in translation of the foreign operation for consolidation purpose is recognised in the statement of comprehensive loss and accumulated in a separate component of equity in accordance with the new HKAS 1 (Revised) which took effect on 1 January 2009. The significant increase in the unrealised net exchange loss of approximately HK$18,832,000 (2008: unrealised net exchange gain of approximately HK$979,000) recognised during the period in other comprehensive loss was mainly due to the depreciation of the Canadian dollars (functional currency) against the Hong Kong dollars (presentation currency) by approximately 3% when translating the consolidated net assets value of Chavis and its subsidiary during the period.

As a result of the above-mentioned factors, loss before interest, tax, depreciation and amortisation ("LBITDA") decreased by approximately HK$431,000 from approximately HK$19,064,000 to HK$18,633,000 during the three months ended 31 March 2009. The net loss for the period increased by approximately 27% from approximately HK$19,165,000 to HK$24,451,000.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

The board of Directors (the "**Board**") announces that the unaudited consolidated statement of comprehensive loss of the Group for the three months ended 31 March 2009, together with comparative figures for the corresponding period in 2008 were as follows:

		For the three-month period ended 31 March	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**125**	467
Cost of sales		**(97)**	(83)
Gross profit		**28**	384
Other operating income	*2*	**24**	987
Share-based payment	*7*	**(158)**	–
Administrative and operating expenses		**(23,648)**	(21,874)
Share of results of a jointly-controlled entity		**(2,523)**	1,338
Loss from operating activities		**(26,277)**	(19,165)
Finance cost		**–**	–
Loss before taxation		**(26,277)**	(19,165)
Income tax	*3*	**1,826**	–
Net loss for the period		**(24,451)**	(19,165)
Loss attributable to:			
Equity holders of the Company		**(22,148)**	(19,165)
Non-controlling interests		**(2,303)**	–
		(24,451)	(19,165)

	Notes	For the three-month period ended 31 March 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Loss per share	*5*		
Basic		**(HK0.95 cent)**	(HK0.85 cent)
Diluted		**N/A**	N/A
Other comprehensive loss:			
Exchange differences on translating foreign operations – unrealised net changes arising during the period		**(18,832)**	979
Available-for-sale investments:			
Change in fair value		**35**	–
Deferred tax arising from change in fair value		**(11)**	–
		24	–
Other comprehensive loss for the period, net of tax		**(18,808)**	979
Total comprehensive loss for the period		**(43,259)**	(18,186)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(34,117)**	(18,186)
Non-controlling interests		**(9,142)**	–
		(43,259)	(18,186)

Notes:

1. **PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The unaudited consolidated statement of comprehensive loss of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain intangible assets and financial instruments, which are measured at fair values and are consistent with those followed in the Group's audited financial statements for the seventeen-month period ended 31 December 2008.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as "**New HKFRSs**") issued by the HKICPA, which are or have become effective for the Group's financial period beginning 1 January 2009:

HKFRSs (Amendments)	Improvement to HKFRSs
HKAS 1(Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The application of the New HKFRSs does not have any material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 39 (Amendments)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

1 Effective for annual periods ending on or after 30 June 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for transfers of assets from customers received on or after 1 July 2009.

2. REVENUE AND OTHER OPERATING INCOME

Revenue represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

An analysis of the Group's revenue and other operating income was as follows:

	For the three-month period ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Network infrastructure construction solutions	**116**	17
Network infrastructure maintenance and reinforcement services	**9**	150
Other professional value-added solutions and services	**–**	300
	125	467
Other operating income		
Bank interest income	**24**	987
Total	**149**	1,454

3. INCOME TAX

	For the three-month period ended 31 March	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax	**–**	–
Deferred tax:		
Credited to comprehensive loss	**1,826**	–
Income tax credit	**1,826**	–

The Company was 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 Act of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax had been provided as the Group did not have any assessable profits in Hong Kong for the period (2008: Nil).

PRC Enterprise Income Tax ("**EIT**") had not been provided for the PRC subsidiaries as they did not generate any assessable profits for the period (2008: Nil).

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, is subject to the Income Tax Act (Canada) at a rate of 30%. TWE has been reporting tax loss since its incorporation.

4. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2009 (2008: Nil).

5. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic loss per share is calculated as follows:

	For the three-month period ended 31 March	
	2009 (Unaudited)	2008 (Unaudited)
Loss attributable to equity holders of the Company for the purpose of calculating basic loss per share *(HK$'000)*	**(22,148)**	(19,165)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *('000)*	**2,336,881**	2,263,930
Basic loss per share *(in HK cent)*	**(0.95)**	(0.85)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share is calculated as follows:

	For the three-month period ended 31 March	
	2009 (Unaudited)	2008 (Unaudited)
Loss attributable to equity holders of the Company for the purpose of calculating diluted loss per share *(HK$'000)*	**(22,148)**	(19,165)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *('000)*	**2,336,881**	2,263,930
Effect of dilutive potential ordinary shares in respect of deferred consideration for acquisition of Chavis *('000)*[#]	**93,600**	–
Effect of dilutive potential ordinary shares in respect of share options *('000)*	**6,039**	30,998
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share *('000)*	**2,436,520**	2,294,928
Diluted loss per share (*in HK cents)*	**N/A**	N/A

Diluted loss per share for each of the three-month periods ended 31 March 2008 and 2009 has not been presented, as the share options outstanding during each of the three-month periods ended 31 March 2008 and 2009 had an anti-dilutive effect on the basic loss per share for the respective periods.

[#] Pursuant to the sales and purchase agreement dated 17 September 2008, part of the consideration will be settled by way of the issue of 93,600,000 new shares at HK$0.25 each. As at 31 March 2009, the consideration shares have not been issued yet.

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
					Other comprehensive income					
	Share capital	Share premium	Capital reserve	Share option reserve	Available-for-sale investments	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2007 and 1 January 2008 (Unaudited)	5,564	535,401	19,980	64,067	–	(70)	(192,667)	432,275	–	432,275
Total comprehensive loss attributable to equity holders of the Company	–	–	–	–	–	979	(19,165)	(18,186)	–	(18,186)
Vesting of share options	1	799	–	(510)	–	–	–	290	–	290
Forfeiture of share options	–	–	–	(23)	–	–	23	–	–	–
Issue of new shares	275	109,725	–	–	–	–	–	110,000	–	110,000
As at 31 March 2008 (unaudited)	5,840	645,925	19,980	63,534	–	909	(211,809)	524,379	–	524,379
As at 31 December 2008 and 1 January 2009 (Audited)	**5,842**	**646,103**	**19,980**	**58,551**	**(2,922)**	**(16,773)**	**(79,881)**	**630,900**	**231,302**	**862,202**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**24**	**(11,993)**	**(22,148)**	**(34,117)**	**(9,142)**	**(43,259)**
Increase in controlling stake of the Company's Canadian subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,075**	**3,075**
Recognition of equity settled share-based payment	**-**	**-**	**-**	**158**	**-**	**-**	**-**	**158**	**-**	**158**
Forfeiture of share options	**-**	**-**	**-**	**(24)**	**-**	**-**	**24**	**-**	**-**	**-**
As at 31 March 2009 (Unaudited)	**5,842**	**646,103**	**19,980**	**58,685**	**(2,898)**	**(28,766)**	**(102,005)**	**596,941**	**225,235**	**822,176**

7. SHARE-BASED PAYMENT

The fair value of 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 HK$Nil and approximately HK$158,000 for the three-month periods ended 31 March 2008 and 2009, respectively.

Regarding the share options granted on 19 June 2008, 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.

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

Date of grant (dd/mm/yyyy)	Dividend yield	Expected volatility (i)	Risk-free rate (ii)	Price of the Company's share at grant date of share options (iii) *HK$ per share*
19/06/2008	Nil	47.8%	3.73%	0.230

Notes:

(i) The expected volatility of the options was calculated based on the historical stock price of the Company and comparable companies, respectively. It is assumed that the volatility is constant throughout the option life.

(ii) The risk free rate has made reference to the yield of the Hong Kong Exchange Fund Notes ("**EFN**") as at the grant date. In this valuation, the yield of 10-year EFN has been adopted in the estimation of risk-free rate for the option.

(iii) The price of the Company's share disclosed as at the date of grant of the share options is the closing price on the trading day immediately prior to the date of grant of the option.

(iv) The values of the options are subject to the limitations of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in subjective input assumptions could materially affect the fair value estimate.

(v) The outstanding share options as at 31 March 2009 had a weighted average remaining contractual life of 3.46 years (31 December 2008: 4.76 years).

(vi) If the options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to accumulated losses of the Company.

8. CAPITAL COMMITMENTS

	As at 31 March 2009 ***HK$'000*** **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– PSC *(note (i))*	**20,280**	20,280
– JV Agreement *(note (ii))*	**1,868**	1,868
	22,148	22,148

Notes:

(i) The amount of approximately HK$20,280,000 (equivalent to US$2,600,000) represents the minimum work obligations, as required by the PSC to be incurred before the end of February 2011.

(ii) Pursuant to the JV Agreement, the Company had agreed to contribute RMB3,460,000 (approximately HK$3,737,000) jointly with Petromin for the engineering design and study, simulation technology and analysis, materials and salaries etc in the first phase. An additional RMB15,000,000 or more would be funded in the second phase. The capital contribution of each party in the second phase would be further determined.

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

As at 31 March 2009, the interests and short positions of each Director and chief executive 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 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 were as follows:

Long positions of Directors in ordinary shares and underlying shares of the Company

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Chan Wing Him Kenny	(i) Interest of a controlled corporation	(i) Corporate interest	(i) 1,185,680,000 *(Note)*	–	1,185,680,000	
	(ii) Beneficial Owner	(ii) Personal Interest	(ii) 1,756,000	(ii) 18,347,200	20,103,200	
			1,187,436,000	18,347,200	1,205,783,200	51.60%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	2,700,000	5,325,000	0.23%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	–	1,000,000	0.04%

Long positions of chief executives in ordinary shares and underlying shares of the Company

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Donald O. Downing	Beneficial owner	Personal interest	–	350,000	350,000	0.01%
Poon Lai Yin Michael	Beneficial owner	Personal interest	–	500,000	500,000	0.02%

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 solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2009, 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 corporation 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 SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the interests and short positions of 10% or more of the issued share capital of the Company held by the following party (other than a Director or chief executive of the Company) recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long Positions in the ordinary shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Colpo	Beneficially owned	1,185,680,000 *(Note)*	50.74%

Note: 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 1,185,680,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,185,680,000 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".

Save as disclosed above, as at 31 March 2009, no person (other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's 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 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 continue working for 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 option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder of the Company or an independent non-executive Director 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 March 2009, 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 section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") were as follows:

				Number of Share Options				
Name or category of participants	Date of grant *(dd/mm/yyyy)*	Exercise period *(dd/mm/yyyy)*	Exercise price per share *(HK$)*	As at 1 January 2009	Granted during the three-month period	Lapsed during the three-month period	Exercised during the three-month period	As at 31 March 2009
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[1]	15,847,200[1]	–	–	–	15,847,200[1]
	22/6/2007	22/6/2007 to 24/1/2013	1.365[2]	2,000,000[2]	–	–	–	2,000,000[2]
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000[3]	–	–	–	500,000[3]
Arthur Ross Gorrell	22/6/2007	22/6/2007 to 24/1/2013	1.365[2]	1,500,000[2]	–	–	–	1,500,000[2]
	29/10/2007	29/10/2007 to 24/1/2013	2.44	700,000	–	–	–	700,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000[3]	–	–	–	500,000[3]
Poon Lai Yin Michael	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000[3]	–	–	–	500,000[3]
Donald O Downing	19/6/2008	19/6/2010 to 19/6/2018	0.2316	350,000[3]	–	–	–	350,000[3]
				21,897,200	–	–	–	21,897,200
Other employees:								
	26/4/2007	26/4/2007 to 24/1/2013	0.579[2]	120,000[2]	–	–	–	120,000[2]
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	8,600,000[3]	–	–	–	8,600,000[3]
				8,720,000	–	–	–	8,720,000

Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price per share (HK$)	Number of Share Options: As at 1 January 2009	Granted during the three-month period	Lapsed during the three-month period	Exercised during the three-month period	As at 31 March 2009
Others:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.0635[1]	1,000,000[1]	–	–	–	1,000,000[1]
	20/3/2007	20/3/2007 to 24/1/2013	0.1125[1]	16,240,000[1]	–	–	–	16,240,000[1]
	26/4/2007	26/4/2007 to 24/1/2013	0.579[2]	1,040,000[2]	–	(40,000)[2]	–	1,000,000[2]
	22/6/2007	22/6/2007 to 24/1/2013	1.365[2]	13,000,000[2]	–	–	–	13,000,000[2]
	29/10/2007	29/10/2007 to 24/1/2013	2.44	23,500,000	–	–	–	23,500,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	550,000[3]	–	(50,000)[3]	–	500,000[3]
				55,330,000	–	(90,000)	–	55,240,000
Total:				85,947,200	–	(90,000)	–	85,857,200[4]
Weighted average exercise price per share *(HK$)*				1.010	–	0.347	–	1.010

Notes:

(1) The exercise price and number of share options were adjusted upon the first and second subdivisions of shares of the Company which came to effect on 18 April 2007 and 29 August 2007 respectively.

(2) The exercise price and number of share options were adjusted upon the second subdivision of shares of the Company which came to effect on 29 August 2007.

(3) 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.

(4) As at 31 March 2009, the Company had 85,857,200 (31 December 2008: 85,947,200) share options outstanding under the Share Option Scheme, which represented approximately 3.67% (31 December 2008: 3.67%) of the Company's shares in issue at that date.

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 three months ended 31 March 2009, Mr. Chan Wing Him Kenny, an executive Director and management shareholder of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director, is a director, the president, co-chairman and chief executive officer of Petromin. Dr. Arthur Ross Gorrell holds approximately 4% of the issued common shares of Petromin.

Petromin is engaged in the business of acquisition and development of oil and gas properties. The Board considers that the business of Petromin competes, or is likely to compete, directly or indirectly, with the Group's business.

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.

AUDIT COMMITTEE

The Audit Committee of the Company ("**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 three months ended 31 March 2009 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, 11 May 2009

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

Executive Directors
Mr. Chan Wing Him Kenny
Dr. Arthur Ross Gorrell

Independent non-executive Directors
Mr. David Tsoi
Mr. Lo Chi Kit
Mr. Tam Hang Chuen