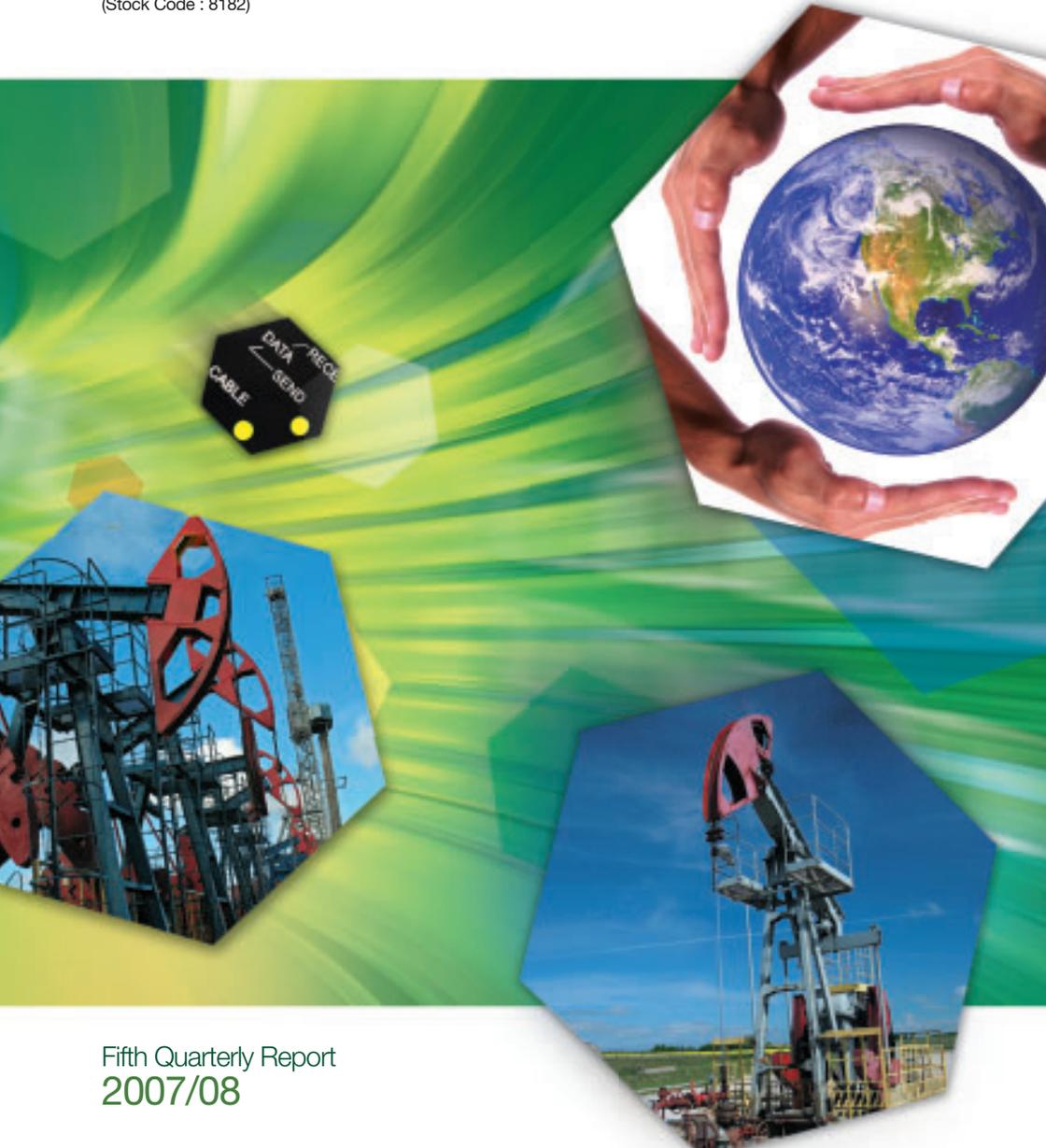




Enviro Energy International Holdings Limited 環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8182)



Fifth Quarterly Report
2007/08

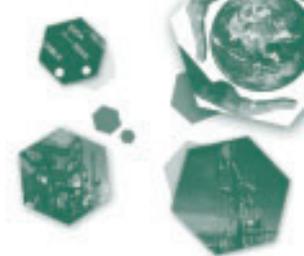
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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

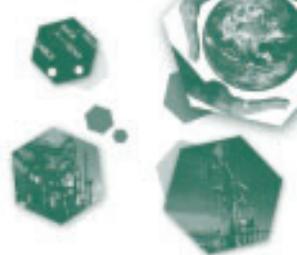
The Group continued to focus its resources on securing energy-related projects through acquisition and joint cooperation in enhancing shareholders' value and fulfilling the social responsibility of addressing the climate change.

In 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, namely Chavis International Limited ("**Chavis**") as vendor and Ms. Cheng Miu Fong ("**Ms. Cheng**") as guarantor ("**TWE Agreement**"), in relation to the acquisition of certain equity interests in TerraWest Energy Corp. ("**TWE**").

On 18 September 2008, the Company announced that Rich Concept had on 17 September 2008 entered into (i) a deed of cancellation with Chavis and Ms. Cheng pursuant to which the parties thereto agreed to cancel the TWE Agreement; and (ii) a conditional agreement with Ms. Cheng in relation to the acquisition of the entire issued share capital of Chavis by Rich Concept at a total consideration of US\$4.031 million (equivalent to approximately HK\$31.44 million), which shall be satisfied by (a) a cashier's order in the amount of US\$1.031 million (equivalent to approximately HK\$8.042 million); and (b) the allotment and issue of 93,600,000 new shares of the Company at HK\$0.25 per consideration share on the allotment date as defined therein. The acquisition of Chavis was completed on 13 October 2008.

TWE is a coalbed methane ("**CBM**") exploration and development company with an interest in a production sharing contract dated 30 December 2005 with China United Coalbed Methane Corporation Limited ("**CUCBM**") in the People's Republic of China ("**PRC**") ("**PSC**"). The Directors believe that acquiring the entire issued share capital of Chavis, which results in acquiring the equity interests in TWE indirectly through Chavis, will present a more beneficial structure for the Group, taking into account business and tax considerations.

In the beginning of October 2008, TWE has undertaken a 2-3 well program of drilling activity and testing in the PSC area.



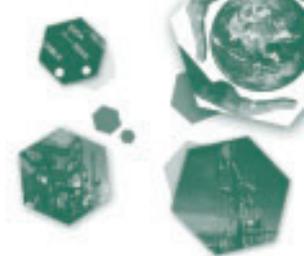
Business prospects

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.

Looking at CBM, given the high demand for clean energy and concerns over environmental issues, CBM is regarded as a key source of alternative clean energy which can ease the shortage of natural gas in various regions of the world. In the PRC, the central government has set out a number of favourable policies and incentives to encourage CBM exploration and utilisation. Under the 11th Five-year Plan, the PRC aims to achieving 10 billion cubic meters annual CBM production by 2010. With the 11th Five-year Plan, 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. The Company's investment in TWE reflects the strong outlook of the Group for the development of domestic energy resources in the PRC. TWE holds a 47% interest in the PSC with CUCBM, which holds a 53% interest in the PSC on a 655 square kilometers area in the Junggar Basin of Xinjiang, the PRC. The Junggar Basin is an active hydrocarbon producing area containing extensive coal resources which represent significant CBM potential.

Follow up with the joint venture agreement dated 25 January 2008, the Company, Petromin Resources Limited ("**Petromin**") of Canada and CUCBM, will continue to participate in the Un-mineable Coal CO₂ Sequestration and Enhanced CBM Production joint venture pilot project in the PRC with the support of the Ministry of Science and Technology of the PRC. Site selection and CO₂ injection program design are expected to be undertaken before end of 2008. CUCBM will operate the pilot project and the Group's technology partner, the Alberta Research Council, Canada, will provide expert consulting services.

Recent economic factors, such as lower demand for crude oil, increase in crude oil inventories and global economic slowdown, have caused a dramatic decline in international crude oil price compared to 2007. The Group has carried out a technical feasibility study in developing both Qian-209 and Qianshen-12 oilfields of Qian An Oil Development Co., Ltd. ("**Qian An**") after the period under review. Senior management of the Company is confident that the crude oil proven reserve and the oil recovery in the oilfields of Qian An will increase.



Financial review

Information technology and network infrastructure segment

For the fifteen months ended 31 October 2008, the Group recorded an unaudited revenue of approximately HK\$2.1 million, representing a decrease of 48.2% compared with the same corresponding fifteen-month period of year 2007. The unaudited gross profit margin for the fifteen months ended 31 October 2008 was approximately 38.0%, up by approximately 123.5%, mainly due to the completion of network infrastructure projects with higher profit margins.

Oil and gas segment

Share of profit of Qian An totaling approximately HK\$188.9 million comprised net profit of approximately HK\$11.0 million, discount on acquisition of approximately HK\$223.0 million and amortisation of contract-based intangible assets of approximately HK\$45.1 million for the period from 29 February 2008 ("**Date of Acquisition**") to 31 October 2008.

Total operating expenses for the fifteen months ended 31 October 2008 amounted to approximately HK\$176.4 million, representing an increase of 20.7% compared with the same corresponding fifteen-month period in 2007. The increase was primarily due to share-based payment expense arising from additional granting of share options, legal and professional fees associated with the energy-related investment projects, net exchange loss arising from the depreciation of Canadian dollars and other related costs that resulted from larger scale of operation of the Group.

The unaudited net profit attributable to equity holders of the Company for the fifteen months ended 31 October 2008 amounted to approximately HK\$20.0 million, up by 114.7%, compared with the same corresponding fifteen-month period in year 2007. The increase was mainly attributable to the recognition of the unaudited share of profit of Qian An of approximately HK\$188.9 million from the Date of Acquisition to 31 October 2008.

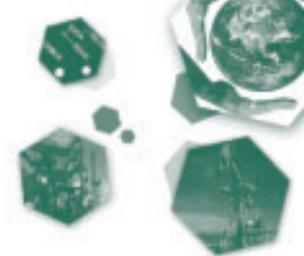
Compared with the same corresponding fifteen-month period in year 2007, the unaudited EBITDA (earnings before interest, tax, depreciation and amortisation) for the fifteen months ended 31 October 2008 significantly increased by approximately HK\$211.7 million, from a loss of approximately HK\$135.5 million to EBITDA of approximately HK\$76.2 million.



CONDENSED CONSOLIDATED INCOME STATEMENT

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

	Notes	Three-month period ended 31 October		Fifteen-month period ended 31 October		Twelve-month period ended 31 July	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)	
TURNOVER	2	195	744	2,132	4,118	3,374	
Cost of sales		(163)	(542)	(1,323)	(3,407)	(2,865)	
Gross profit		32	202	809	711	509	
Other revenue	2	734	3,133	6,676	9,284	6,151	
Share of results of jointly-controlled entities		(10,857)	-	188,884	-	-	
Administrative and operating expenses		(17,409)	(93,506)	(176,358)	(146,140)	(52,634)	
Profit / (loss) from operating activities		(27,500)	(90,171)	20,011	(136,145)	(45,974)	
Finance costs		-	-	-	-	-	
Profit / (loss) before income tax		(27,500)	(90,171)	20,011	(136,145)	(45,974)	
Income tax expense	3	-	-	-	-	-	
Net profit / (loss) attributable to equity holders of the Company		(27,500)	(90,171)	20,011	(136,145)	(45,974)	
Earnings / (loss) per share	5						
Basic (in HK cents)		(1.18)	(4.84)	0.90	(16.80)	(8.44)	
Diluted (in HK cents)		N/A	N/A	0.88	N/A	N/A	



Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Accounting Standard 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 results are consistent with those followed in the preparation of the Group's audited financial statements for the twelve-month period ended 31 July 2007. The financial statements for the three-month and fifteen-month periods ended 31 October 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 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

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 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

The Group has not adopted 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.

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2. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered. The Group's unaudited turnover and unaudited other income are as follows:

	Three-month period ended 31 October		Fifteen-month period ended 31 October		Twelve-month period ended 31 July
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Turnover					
Network infrastructure construction solutions	101	54	476	974	920
Network infrastructure maintenance and reinforcement services	94	265	778	1,867	1,602
Other professional value-added solutions and services	-	425	878	1,277	852
	195	744	2,132	4,118	3,374
Other income					
Bank interest income	734	3,133	6,676	3,344	211
Consultancy fee	-	-	-	80	80
Waiver of amount due to a former director	-	-	-	4,987	4,987
Sundry income	-	-	-	843	843
Exchange difference, net	-	-	-	30	30
	734	3,133	6,676	9,284	6,151
Total	929	3,877	8,808	13,402	9,525

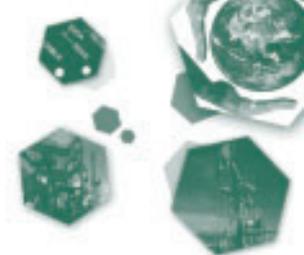
3. INCOME TAX EXPENSE

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 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.

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Enterprise Income Tax (“EIT”) at a rate of 25% (2007: 33%) for Sys Solutions (Guangzhou) Limited has not been provided as it ceased business and did not generate any assessable profits in the PRC during the period under review. Jilin Hengli Industries Liability Co., Ltd. (“Jilin Hengli”), an indirect wholly-owned subsidiary of the Company in the PRC, and Qian An are subject to EIT at a rate of 25%. Jilin Hengli has been reporting tax loss since its establishment.

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, is subject to Income Tax Act (Canada) at a maximum rate of 31.5%. TWE has been reporting tax loss since its incorporation.

4. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the fifteen-month period ended 31 October 2008 (2007: Nil).

5. EARNINGS / (LOSS) PER SHARE

(a) Basic

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

Basic earnings / (loss) per share is calculated as follows:

	Three-month period ended 31 October		Fifteen-month period ended 31 October		Twelve-month period ended 31 July
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)	2007 (Audited)
Profit / (loss) attributable to equity holders of the Company (HK\$'000)	(27,500)	(90,171)	20,011	(136,145)	(45,974)
Issued ordinary shares at beginning of period ('000)	2,336,881	1,074,546	1,074,546	396,180	396,180
Effect of share subdivision ('000)	-	757,355	1,022,139	333,593	120,874
Effect of issue of new shares ('000)	-	-	-	72,523	27,011
Effect of issue of shares for acquisition of a subsidiary ('000)	-	-	59,083	-	-
Effect of exercise of share options ('000)	-	31,113	56,760	7,926	796
Weighted average number of ordinary shares in issue ('000)	2,336,881	1,863,014	2,212,528	810,222	544,861
Basic earnings / (loss) per share (in HK cents)	(1.18)	(4.84)	0.90	(16.80)	(8.44)

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(b) Diluted

Diluted earnings / (loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's share options are dilutive potential ordinary shares.

Diluted earnings / (loss) per share is calculated as follows:

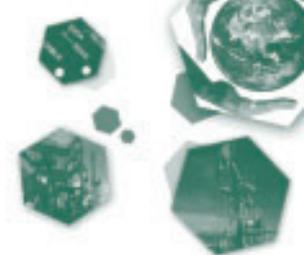
	Three-month period ended 31 October		Fifteen-month period ended 31 October		Twelve-month period ended 31 July
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)	2007 (Audited)
Profit / (loss) attributable to equity holders of the Company (HK'000)	(27,500)	(90,171)	20,011	(136,145)	(45,974)
Weighted average number of ordinary shares in issue ('000)	2,336,881	1,863,014	2,212,528	810,222	544,861
Adjustments for share options ('000)	26,982	62,824	50,503	49,486	29,327
Weighted average number of ordinary shares for diluted earnings / (loss) per share ('000)	2,363,863	1,925,838	2,263,031	859,708	574,188
Diluted earnings / (loss) per share (in HK cents)	N/A	N/A	0.88	N/A	N/A

Diluted earnings per share for the fifteen-month period ended 31 October 2008 has been presented as the share options outstanding during the fifteen-month period ended 31 October 2008 had a dilutive effect on the basic earnings per share for the period.

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

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6. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Capital reserve	Share option reserve	Available – for – sale investments	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 August 2006 (Audited)	3,962	29,686	19,980	-	-	(57)	(57,735)	(4,164)
Net loss for the twelve-month 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)	5,373	524,950	19,980	36,642	-	(90)	(103,709)	483,146
Net loss for the three-month period ended 31 October 2007	-	-	-	-	-	-	(90,171)	(90,171)
Translation adjustments	-	-	-	-	-	(17)	-	(17)
Issue of share options	-	-	-	59,524	-	-	-	59,524
Issue of new shares upon exercise of share options	191	10,451	-	(5,098)	-	-	-	5,544
As at 31 October 2007 (Unaudited)	5,564	535,401	19,980	91,068	-	(107)	(193,880)	458,026
As at 1 August 2007 (Audited)	5,373	524,950	19,980	36,642	-	(90)	(103,709)	483,146
Net profit for the fifteen-month period	-	-	-	-	-	-	20,011	20,011
Translation adjustments	-	-	-	-	-	2,405	-	2,405
Revaluation	-	-	-	-	(1,541)	-	-	(1,541)
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 – Share premium	275	187,605	-	-	-	-	-	187,605
Issue of share options	-	-	-	59,645	-	-	-	59,645
Lapse of share options	-	-	-	(2,753)	-	-	2,753	-
Issue of new shares upon exercise of share options	194	11,650	-	(5,698)	-	-	-	6,146
As at 31 October 2008 (Unaudited)	5,842	724,205	19,980	87,836	(1,541)	2,315	(80,945)	757,692



7. SHARE-BASED PAYMENTS TRANSACTION

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\$59,645,000 for the three-month and fifteen-month periods ended 31 October 2008, respectively (approximately HK\$59,524,000 and HK\$96,752,000 for the three-month and fifteen-month periods ended 31 October 2007, respectively and HK\$37,228,000 for the twelve-month period 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:

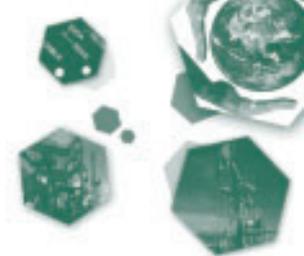
Date of grant <i>(dd/mm/yyyy)</i>	Dividend yield	Expected volatility (i)	Risk-free rate (ii)	Price of the Company's shares at grant date of options <i>HK\$ per share</i>
29/10/2007 (" 1st Grant ")	Nil	321.37%	3.87%	2.440
19/06/2008 (" 2nd Grant ")	Nil	110.01%	3.60%	0.230

Notes:

- (i) The expected volatility of the 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 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 fifteen-month period ended 31 October 2008.
- (iv) The outstanding share options as at 31 October 2008 had a weighted average remaining contractual life of 4.28 years.

8. CAPITAL COMMITMENTS

As at 31 October 2008, the Group's capital commitments contracted but not provided for was approximately HK\$7,867,000 (2007: HK\$Nil).

**9. SUBSEQUENT EVENTS**

The Company, through Rich Concept, completed the acquisition of 63.91% of the existing issued and outstanding common voting and preference shares of TWE on 13 October 2008. Approximately HK\$8,042,000 (equivalent to approximately US\$1,031,000) of the consideration will be settled by the allotment and issue of 93,600,000 new ordinary shares of the Company at an issue price of HK\$0.25 per share subsequent to the period ended 31 October 2008.

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

As at 31 October 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	No. of shares	Approximate percentage of shareholding	Capacity
Chan Wing Him Kenny	1,183,180,000 <i>(Note)</i>	50.63%	Interest in a controlled corporation
Arthur Ross Gorrell	2,625,000	0.11%	Beneficial owner
Name of chief executive			
Ho Tak Yuen Peter <i>(Resigned on 11 August 2008)</i>	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.

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2. Long positions in underlying shares of the Company

As at 31 October 2008, details of share options granted to the Directors and chief executives of the Company under the Share Option Scheme were as follows:

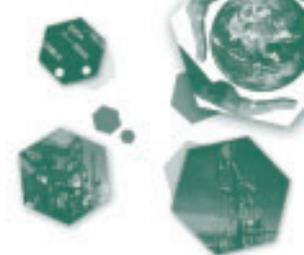
Name of Directors	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Subscription price per share (HK\$)	No. of underlying shares			
				comprising the share options granted ⁽¹⁾	comprising the share options exercised	comprising the share options lapsed	comprising the share options outstanding
Chan 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	1.365	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	1.365	1,500,000	-	-	1,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	700,000	-	-	700,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000 ⁽²⁾	-	-	500,000
Name of chief executives							
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
Ho Tak Yuen Peter (Resigned on 11 August 2008)	22/6/2007	22/6/2007 to 24/1/2013	1.365	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.

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Save as disclosed above, as at 31 October 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 October 2008, the following interests and short positions of 5% or more of the issued share capital of the Company were 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 October 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

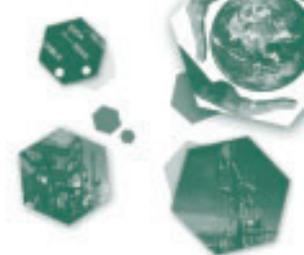
On 25 January 2003, the rules of the Share Option Scheme were approved and adopted pursuant to a written resolution of the Company. The purpose of the Share Option Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continue 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.

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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.

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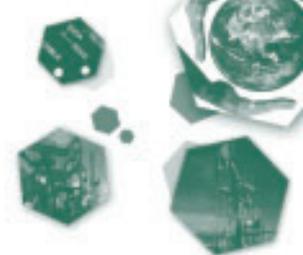


As at 31 October 2008, details of the share options granted under the Share Option Scheme (including the options granted to Directors and chief executives of the Company disclosed in the sub-section headed “Long position in underlying shares of the Company” under the section headed “**Directors’ and 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 1 August 2007	Granted during the fifteen-month period	Lapsed during the fifteen-month period	Exercised during the fifteen-month period	As at 31 October 2008
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	1.365	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	1.365	1,500,000	-	-	-	1,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	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
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	1.365	2,000,000	-	-	-	2,000,000
				37,194,400	2,550,000	-	(15,847,200)	23,897,200
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	0.579	400,000	-	-	(200,000)	200,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	8,650,000 ⁽²⁾	-	-	8,650,000
				16,247,200	8,650,000	-	(16,047,200)	8,850,000

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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 October 2008	
				As at 1 August 2007	Granted during the fifteen-month period	Lapsed during the fifteen-month period		Exercised during the fifteen-month period
Others:								
In aggregate	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	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	0.579	1,400,000	-	(40,000)	(400,000)	960,000
	22/6/2007	22/6/2007 to 24/1/2013	1.365	15,000,000	-	(2,000,000)	-	13,000,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	N/A	23,700,000	-	(200,000)	23,500,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	N/A	500,000 ⁽²⁾	-	-	500,000
				78,934,400	24,200,000	(2,040,000)	(45,894,400)	55,200,000
Total:				132,376,000	35,400,000	(2,040,000)	(77,788,800)	87,947,200
Weighted average exercise price per share (HK\$)				0.2813	1.7732	1.3496	0.0790	1.0359

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 fifteen months ended 31 October 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 and TWE. The businesses of these two companies compete, or are likely to compete, directly or indirectly, with the Group's businesses.

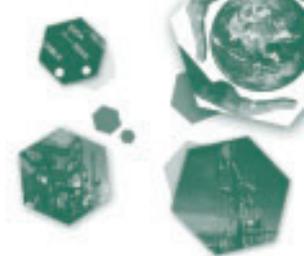
Mr. Chan Wing Him Kenny is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell is the president, co-chairman and chief executive officer. Petromin is engaged in the acquisition and development of oil and gas properties.

Mr. Chan Wing Him Kenny is a director and co-chairman of TWE whilst Dr. Arthur Ross Gorrell is a director, co-chairman, president and chief executive officer. 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 fifteen months ended 31 October 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 fifteen months ended 31 October 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 fifteen months ended 31 October 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 fifteen months ended 31 October 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 December 2008

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