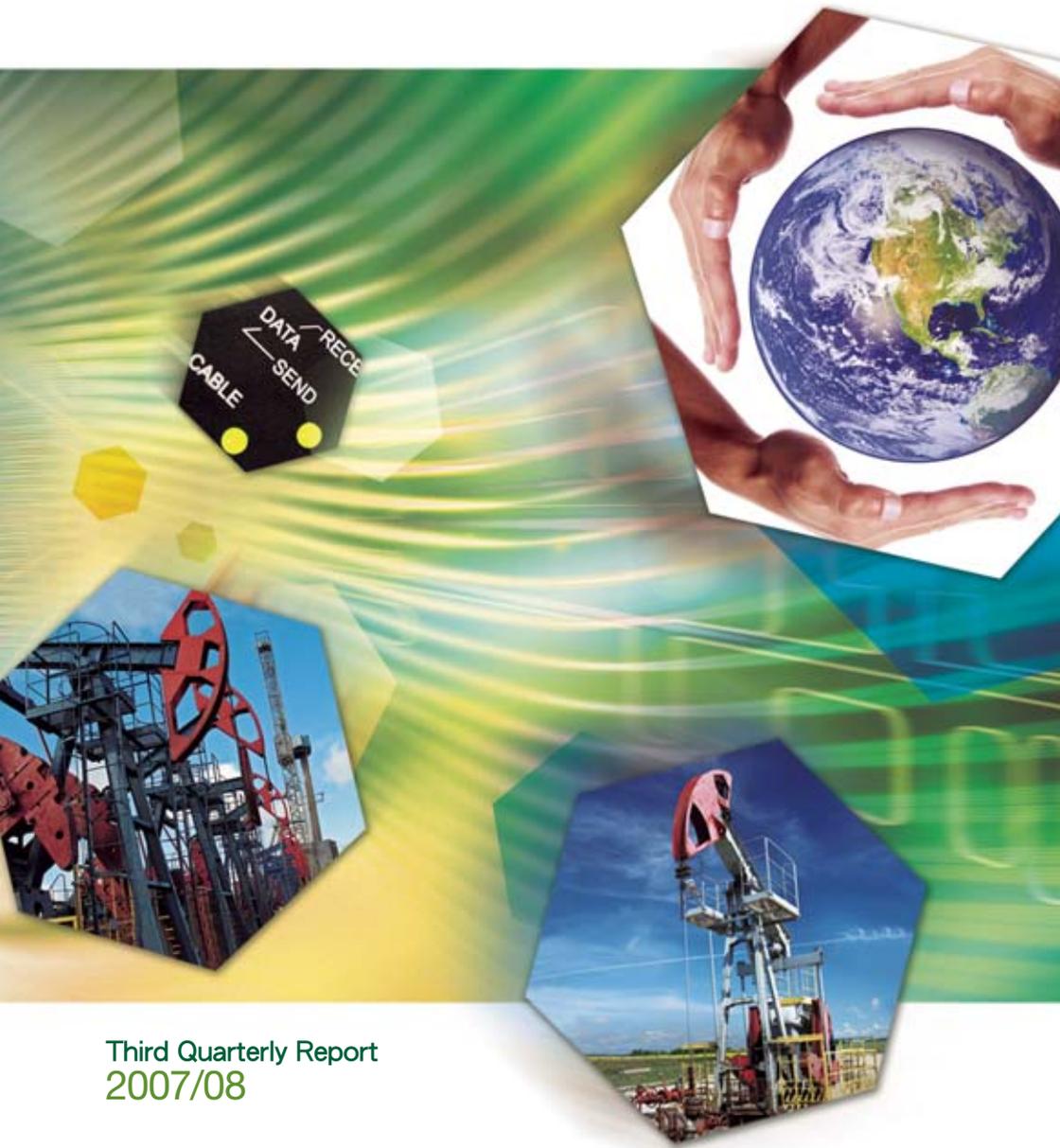




Enviro Energy International Holdings Limited 環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8182)



Third Quarterly Report
2007/08

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

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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 principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Enviro Energy International Holdings Limited. 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 period under review, the Company continued to focus its resources on securing energy-related projects through acquisition and joint cooperation in multiplying shareholders' value and fulfilling the social responsibility of addressing the climate change.

The Company entered into a co-operative agreement with China United Coal Bed Methane Corp. Ltd. ("CUCBM") and Petromin Resources Limited ("Petromin") in January 2008, pursuant to which the parties thereto agreed to contribute an aggregate of approximately RMB10 million (equivalent to approximately US\$1.4 million) in the first phase to carry out a five-year, multi-well carbon dioxide ("CO₂") injection-enhanced coalbed methane pilot project (the "Pilot Project") in the People's Republic of China (the "PRC" or "Mainland China") (the "Co-operative Agreement"). CUCBM has been the principal corporate vehicle for Chinese investment in domestic coalbed methane ("CBM") development in cooperation with foreign enterprises and is 50% owned by each of 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, and China Coal Corporation providing excellent exposure to new business opportunities with both the shareholding corporations.

The Pilot Project will build on the successful results of the single CBM well pilot project executed by the Chinese and Canadian governments in the PRC during the period from 2001 to 2006. It would be significant and could be the benchmark to future Chinese national plans to manage CO₂ emissions in response to global concerns over greenhouse gas emissions and climate change. In this regard the Ministry of Science and Technology of the PRC approved the Co-operative Agreement and attended the signing ceremony in Beijing on 25 January 2008.

The Company has a 20% working interest in the Co-operative Agreement. In addition to having direct access to the resulting sequestration and enhanced production technology, the Company will be eligible for 20% share of any enhanced CBM production. The Company and Petromin are jointly responsible for, among others, the site selection of the Pilot Project and the parties are reviewing various prospective locations in the PRC.

The results of the previous pilot project carried out by the Chinese and Canadian governments showed significant increase in CBM production from the reference well based on the injection of CO₂ as a production stimulant and which also showed that CO₂ was retained in coal seams thereby proving the concept of enhanced CBM production and CO₂ sequestration and storage.

The Company's participation in the Pilot Project provided an unprecedented opportunity to take a leadership role in the field of sequestration and enhanced hydrocarbon production in Mainland China and provided a broad range of unique investment opportunities based on the first-mover advantage developed by the Company. Being first-mover in this aspect of energy development is a competitive advantage for the Company in Mainland China, greater Asia-Pacific and globally.

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The Company completed the acquisition of 50% equity interest of Qian An Oil Development Co., Ltd. ("Qian An") through Allied Resources Limited (the "Acquisition"). At the extraordinary general meeting of the shareholders of the Company held on 18 February 2008, we obtained shareholders' approval of the Acquisition which was successfully completed on 29 February 2008 (the "Acquisition Date"). According to the technical report entitled "China Jilin Qian An Oilfield Geological & Engineering Report" prepared by the Jilin Petroleum Research Institute, Songyuan, Jilin, the PRC, dated June 2006, the original oil in place ("OOIP") in the contract area is approximately 21.67 million barrels and the expected primary recoverable reserve was 6.06 million barrels. This demonstrated the Company's first milestone progress in the oil and gas industry of the PRC.

On 11 March 2008, the Company announced that Rich Concept Technology Limited, a wholly-owned subsidiary of the Company, entered into a letter of intent with Chavis International Limited with respect to the potential acquisition of a certain percentage of the equity interest of TerraWest Energy Corp. ("TWE"), a company which currently owns a production sharing contract ("PSC") with CUCBM covering approximately 655 square kilometres (approximately 162,000 acres) in Xinjiang Junggar Basin in the PRC.

Financial review

For the nine months ended 30 April 2008, the Group recorded an unaudited revenue arising from provision of information technology solutions and services of approximately HK\$1.7 million, representing a decrease of 43% as compared with approximately HK\$3.0 million in the same corresponding period last year. The unaudited gross profit margin for the nine months ended 30 April 2008 was 40%, up by 67%, mainly due to provision of other professional value-added solutions and services generated higher gross profit margin than provision of network infrastructure construction solutions and maintenance and reinforcement services.

The unaudited negative goodwill of approximately HK\$223 million represented excess of the Company's interest in the net fair value of Qian An's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

The unaudited net profit attributable to equity holders of the Company for the nine months ended 30 April 2008 increased by approximately HK\$82 million from a loss of approximately HK\$8 million to a profit of approximately HK\$74 million. The substantial increase was mainly due to the recognition of the unaudited negative goodwill of approximately HK\$223 million at the Acquisition Date and share of Qian An's profits of approximately HK\$2.5 million for the period from the Acquisition Date to 30 April 2008.

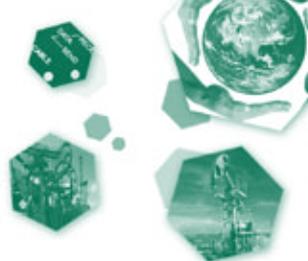
Compared with the same corresponding period last year, the unaudited EBITDA (Earnings before interest, taxation, depreciation and amortisation) for the nine months ended 30 April 2008 dramatically increased by approximately HK\$96 million from a loss of approximately HK\$8 million to EBITDA of approximately HK\$88 million.

Business prospects

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

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The Company will initiate activity on the multi-well CO₂ sequestration pilot project along with Petromin in order to advance the selection of the site for the pilot test well. Among the test well sites being evaluated is the southern Junggar Basin area of Xinjiang where the PSC area is located. A test well site located on TWE's Liuhuanggou PSC area would have the objective of testing the potential to increase CBM recovery from industry-average levels of 65% to levels as high as 90%.

The Company's investment in a Mainland China CBM reflects the strong outlook for the development of domestic energy resources in the PRC and elsewhere in Asia. 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 Company 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 one of the most prospective regions in the world for CBM development based on widespread, high quality coal resources.

There is strong and growing interest in the development of CBM resources globally following the enormous success of CBM developments in North America and Australia.

The Company has developed a strategy to respond to global concerns over climate change and emissions of greenhouse gases by becoming involved in the sequestration and storage of 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. This will provide additional economic value to the feasible projects that the Company undertakes. Given the high demand for clean energy, high energy prices and environmental issue, CBM is regarded as a key source of alternative clean energy which can ease the shortage of natural gas in the world.

Based on the outlook for the continuing high crude oil price levels, the Company will accelerate the development of Qian An oilfield project in the PRC in joint venture with PetroChina while strengthening the internal technical and management team. The Qian An oilfield has significant potential for enhanced oil production ("EOR") utilizing CO₂ as the production stimulant.

The Company's experience in CO₂ sequestration and enhanced hydrocarbon production is expected to open doors to new opportunities in all areas with hydrocarbon production throughout Asia and the Middle East countries including Kuwait have declining production in some fields as well as under-exploited heavy oil resources that are prospective for EOR technology including CO₂ injection.

The Company will consider possible acquisitions of energy-related projects and form strategic alliances for synergistic benefits. Through alliances with business partners and acquisition in Mainland China and overseas, the Company will be able to capture effectively the immense opportunities ahead and enhance revenue and bring good return to shareholders.

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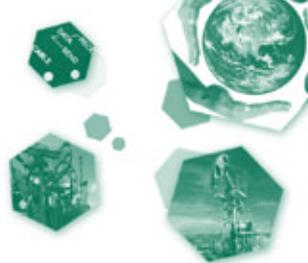
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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The Board of Directors (the "Board") of Enviro Energy International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 April 2008, together with the comparative unaudited figures for the corresponding period in 2007 were as follows:

	<i>Notes</i>	For the three months ended 30 April		For the nine months ended 30 April	
		2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)
Revenue	2	464	879	1,720	3,025
Cost of sales		(76)	(514)	(1,026)	(2,295)
Gross profit		388	365	694	730
Other income	2	188	(1)	4,924	5,842
Negative goodwill on acquisition of a jointly controlled entity		223,020	-	223,020	-
Administrative and operating expenses		(32,873)	(5,826)	(157,520)	(14,730)
Share of results of a jointly controlled entity		2,508	-	2,508	-
Profit/(loss) before taxation		193,231	(5,462)	73,626	(8,158)
Income tax expense	3	-	-	-	-
Net profit/(loss) attributable to equity holders of the Company		193,231	(5,462)	73,626	(8,158)
Earnings/(loss) per share	5				
Basic		<u>HK8.39 cents</u>	<u>(HK1.16) cents</u>	<u>HK3.46 cents</u>	<u>(HK1.94) cents</u>
Diluted		<u>HK8.29 cents</u>	<u>N/A</u>	<u>HK3.37 cents</u>	<u>N/A</u>



Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities and are consistent with those followed in the Group's audited financial statements for the year ended 31 July 2007. The consolidated results are unaudited but have been reviewed by the audit committee of the Company.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or before 1 January 2008.

HKFRS 6 Exploration for and Evaluation of Mineral Resources

Key sources of estimation uncertainties

In the application of the Group's accounting policies, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation of oil and natural gas reserves

Oil and gas reserves are key elements in the Company's investment decision-making process. They are also an important element in depletion, depreciation and amortisation calculation and in testing for impairment. Changes in proven oil and natural gas reserves will affect unit-of-production depreciation charges to the consolidated income statement. Proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the estimation of oil and gas reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes to the Group's estimates of proven reserves, may affect the amount of depletion, depreciation and amortisation recorded in the Group's financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proven reserves will increase depletion, depreciation and amortisation charges (assuming constant production) of oil and gas properties and reduce profit.

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2. REVENUE AND OTHER INCOME

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

	For the three months ended 30 April		For the nine months ended 30 April	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue				
Network infrastructure construction solutions	8	413	342	824
Network infrastructure maintenance and reinforcement services	156	466	653	2,201
Other professional value-added solutions and services	300	—	725	—
	<u>464</u>	<u>879</u>	<u>1,720</u>	<u>3,025</u>
Other income				
Bank interest income	725	—	5,459	—
Waiver of amount due to a director	—	—	—	4,987
Sundry income	—	—	—	843
Exchange (loss)/gain, net	(537)	(1)	(535)	12
	<u>188</u>	<u>(1)</u>	<u>4,924</u>	<u>5,842</u>
Total	<u>652</u>	<u>878</u>	<u>6,644</u>	<u>8,867</u>

3. INCOME TAX

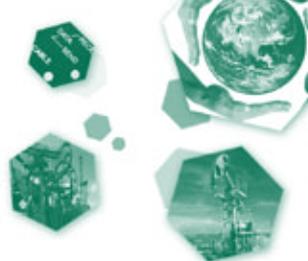
The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiary established in the British Virgin Islands is incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, is exempted 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 Mainland China subsidiaries engaged in the provision of information technology solutions and services have not been provided as they did not generate any assessable profits in Mainland China during the period under review.

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Jilin Hengli Industries Liability Co., Ltd. ("Jilin Hengli"), wholly-owned subsidiary 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.

4. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the nine months ended 30 April 2008 (2007: Nil).

5. EARNINGS/(LOSS) PER SHARE

The calculation of unaudited basic earnings per share is based on the net profit attributable to equity holders of the Company for the three months and nine months ended 30 April 2008 of approximately HK\$193,231,000 and HK\$73,626,000 respectively (net loss for the three months and nine months ended 30 April 2007 of approximately HK\$5,462,000 and HK\$8,158,000 respectively) and the weighted average number of approximately 2,302,036,000 and 2,129,022,000 ordinary shares issued during the three months and nine months ended 30 April 2008 (three months and nine months ended 30 April 2007 are approximately 470,659,000 and 420,276,000 shares respectively).

	Number of shares			
	For the three months ended		For the nine months ended	
	30 April 2008 '000	30 April 2007 '000	30 April 2008 '000	30 April 2007 '000
Issued ordinary shares at beginning of period	2,226,081	396,180	1,074,546	396,180
Effect of share subdivision	–	57,297	977,444	18,537
Effect of share placing	–	17,182	–	5,559
Effect of issue of shares for acquisition of a subsidiary	75,778	–	24,891	–
Effect of exercise of share options	177	–	52,141	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>2,302,036</u>	<u>470,659</u>	<u>2,129,022</u>	<u>420,276</u>
Basic earnings/(loss) per share (in HK cents)	<u>8.39</u>	<u>(1.16)</u>	<u>3.46</u>	<u>(1.94)</u>

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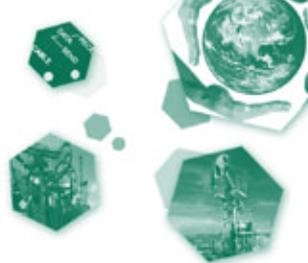
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Diluted earnings per share for each of the three months and nine months ended 30 April 2008 has been presented, as the share options outstanding during the periods had a dilutive effect on the basic earnings per share for the respective periods. Diluted earnings per share is calculated as follows:

	Number of shares			
	For the three months ended		For the nine months ended	
	30 April 2008 '000	30 April 2007 '000	30 April 2008 '000	30 April 2007 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	2,302,036	470,659	2,129,022	420,276
Effect of dilutive potential ordinary shares	<u>28,699</u>	<u>13,644</u>	<u>52,947</u>	<u>6,544</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,330,735</u>	<u>484,303</u>	<u>2,181,969</u>	<u>426,820</u>
Diluted earnings per share (in HK cents)	<u>8.29</u>	<u>N/A</u>	<u>3.37</u>	<u>N/A</u>

Diluted loss per share for each of the three months and nine months ended 30 April 2007 has not been presented, as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the respective periods.



6. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share premium 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	-	-	-	-	-	-	(8,158)	(8,158)
Translation adjustments	-	-	-	-	-	(21)	-	(21)
Share-based payment	-	-	-	7,786	-	-	-	7,786
Share placing: 24,000,000 shares of nominal value of HK\$0.1 each issued at HK\$0.40	240	-	-	-	-	-	-	240
- Share premium	-	9,600	-	-	-	-	-	9,600
- Share placing expense	-	(432)	-	-	-	-	-	(432)
As at 30 April 2007 (Unaudited)	<u>4,202</u>	<u>38,854</u>	<u>19,980</u>	<u>7,786</u>	<u>-</u>	<u>(78)</u>	<u>(65,893)</u>	<u>4,851</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	-	-	-	-	-	-	73,626	73,626
Translation adjustments	-	-	-	-	-	8,529	-	8,529
Change in fair value of investments available for sale	-	-	-	-	(297)	-	-	(297)
Issue of new shares for acquisition of a subsidiary 110,000,000 shares of nominal value of HK\$0.0025 each issue at HK\$1.708 per share	275	-	-	-	-	-	-	275
- Share premium	-	187,605	-	-	-	-	-	187,605
Share-based payment	-	-	-	59,524	-	-	-	59,524
Lapse of share options	-	-	-	(23)	-	-	23	-
Issue of new shares upon exercise of share options	194	11,650	-	(5,698)	-	-	-	6,146
As at 30 April 2008 (Unaudited)	<u>5,842</u>	<u>724,205</u>	<u>19,980</u>	<u>90,445</u>	<u>(297)</u>	<u>8,439</u>	<u>(30,060)</u>	<u>818,554</u>



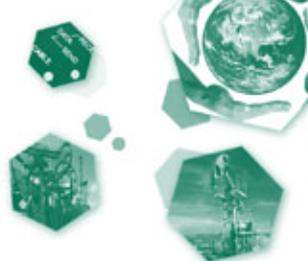
7. SHARE-BASED PAYMENT TRANSACTION

The unaudited fair value of options granted under the post-IPO share option scheme of the Company, recognised in administrative and operating expenses, amounted to approximately HK\$59,524,000 (2007: approximately HK\$7,787,000) for the nine months ended 30 April 2008. The fair value of the outstanding options was derived from Black-Scholes option pricing model by applying 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 shares at grant date of options <i>HK\$ per share</i>
29/10/2007	Nil	321.37%	3.87%	2.440

Notes:

- (i) The expected volatility of the options were calculated based on the annualized 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 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 options were exercised and at the date of exercise of the share options were HK\$2.05 and HK\$2.01 respectively for the nine months ended 30 April 2008.
- (iv) The outstanding share options as at 30 April 2008 had a weighted average remaining contractual life of 4.74 years.



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

As at 30 April 2008, 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 (the "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 executive	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	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.



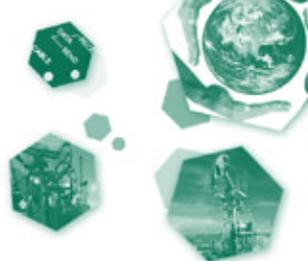
2. Long positions in underlying shares of the Company

Details of options granted to the Directors and chief executive of the Company under the post-IPO share option scheme (the "Post-Scheme") since its adoption and up to 30 April 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 options granted ⁽¹⁾	comprising the options exercised	comprising the options lapsed	comprising the 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
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) ⁽²⁾	-	-
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	2,000,000
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
Ho Tak Yuen Peter	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

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) As at 30 April 2008, Mr. Chan Man Ching, an executive Director, disposed of all these shares.



Save as disclosed above, as at 30 April 2008, none of the Directors and chief executive 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 30 April 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 executive 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 Mercantile Inc.	1,183,180,000 (Note)	Directly beneficially owned	50.63%
Other shareholder			
Fortis Investment Management SA	183,400,000	Investment manager	7.85%

Note: 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 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 Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as disclosed above, as at 30 April 2008, no person (other than the Directors and chief executive 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 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 SCHEMES

- (i) On 25 January 2003, the rules of a share option scheme (the “Pre-Scheme”) were approved and adopted pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate of 7.84% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at subscription prices ranging from HK\$0.11 to HK\$0.27 per share. Each grantee paid HK\$1 to the Company as consideration for such grant. No further options can be granted under the Pre-Scheme after the listing of the Company’s shares on GEM. All these options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than four years from the listing date. As of 30 April 2008, all share options granted under the Pre-Scheme were lapsed.
- (ii) On 25 January 2003, the rules of the Post-Scheme were approved and adopted pursuant to a written resolution of the Company. The purpose of the Post-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 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 Post-Scheme remains in force for a period of ten years with effect from 25 January 2003.

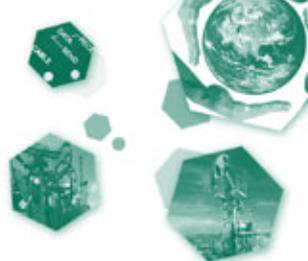
The maximum number of shares in respect of which options may be granted under the Post-Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders renew the 10% limit, from time to time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

The exercise price for shares under the Post-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 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.

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The 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 option 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 the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Post-Scheme.

As at 30 April 2008, details of the share options granted under the Post-Scheme (including the options granted to Directors and chief executive of the Company disclosed in the subsection headed "Long positions in underlying shares of the Company" under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S 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)	(Note) Exercise price per share (HK\$)	Number of Share Options (Note)				
				As at 1 August 2007	Granted during the nine-month period	Lapsed during the nine-month period	Exercised during the nine-month period	As at 30 April 2008
Directors, chief executive, 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
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	1.365	2,000,000	-	-	-	2,000,000
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
Ho Tak Yuen Peter	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
				55,041,600	700,000	-	(31,694,400)	24,047,200

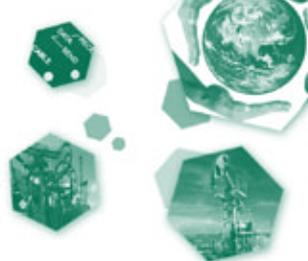
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Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	(Note) Exercise price per share (HK\$)	Number of Share Options (Note)				
				As at 1 August 2007	Granted during the nine-month period	Lapsed during the nine-month period	Exercised during the nine-month period	As at 30 April 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	0.579	400,000	-	-	(200,000)	200,000
				<u>16,247,200</u>	<u>-</u>	<u>-</u>	<u>(16,047,200)</u>	<u>200,000</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	0.579	1,400,000	-	(40,000)	(400,000)	960,000
	22/6/2007	22/6/2007 to 24/1/2013	1.365	13,000,000	-	-	-	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
				<u>61,087,200</u>	<u>23,700,000</u>	<u>(40,000)</u>	<u>(30,047,200)</u>	<u>54,700,000</u>
Total:				<u>132,376,000</u>	<u>24,400,000</u>	<u>(40,000)</u>	<u>(77,788,800)</u>	<u>78,947,200</u>
Weighted average exercise price per share (HK\$)				<u>0.281</u>	<u>2.440</u>	<u>0.579</u>	<u>0.079</u>	<u>1.147</u>

Note: 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.



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 nine months ended 30 April 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 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 of the Company (as defined in the GEM Listing Rules) 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 nine months ended 30 April 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 nine months ended 30 April 2008.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 April 2008.

Code Provision B.1.1

A remuneration committee of the Company (the "Remuneration Committee") was established on 20 December 2006 with written terms of reference. The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (chairman of the Remuneration Committee), Mr. Lo Chi Kit and Mr. Tam Hang Chuen.

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Code Provisions B.1.4 and C.3.4

Written terms of reference of the Remuneration Committee and audit committee of the Company (the "Audit Committee") have been disclosed in the Company's website. These terms of reference were also available from the secretary of the Company on request.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (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 nine months ended 30 April 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

Hong Kong, 13 June 2008

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell and three independent non-executive Directors, namely Mr. Poon Lai Yin Michael, Mr. Lo Chi Kit and Mr. Tam Hang Chuen.