



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
2007/08

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 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 of Enviro Energy International Holdings Limited (“Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange 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.



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 ended 31 October 2007, together with comparative figures for the corresponding period in 2006 as follows:

		For the three months ended 31 October	
		2007 HK\$	2006 HK\$
	Notes		
Revenue	2	743,525	711,809
Cost of sales		<u>(541,862)</u>	<u>(505,783)</u>
Gross profit		201,663	206,026
Other income	2	3,133,026	8
Administrative and operating expenses	7	<u>(93,505,980)</u>	<u>(1,353,450)</u>
Loss from operating activities		<u>(90,171,291)</u>	<u>(1,147,416)</u>
Finance cost		–	–
Loss before taxation		<u>(90,171,291)</u>	<u>(1,147,416)</u>
Income tax	3	–	–
Net loss attributable to equity holders of the Company		<u><u>(90,171,291)</u></u>	<u><u>(1,147,416)</u></u>
Loss per share	5		
Basic		<u><u>(HK4.84 cents)</u></u>	<u><u>(HK0.29 cent)</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>



Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

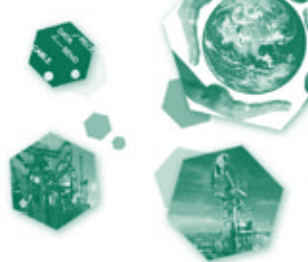
The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM 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.

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 is as follows:

	For the three months ended 31 October	
	2007 HK\$	2006 HK\$
Revenue		
Network infrastructure construction solutions – Sale of computer hardware and software and the provision of related services	53,703	231,367
Rendering of network infrastructure maintenance, reinforcement services and other professional value-added solutions and services	689,822	480,442
	743,525	711,809
Other income		
Bank interest income	3,132,977	8
Exchange gain, net	49	–
	3,133,026	8
Total	3,876,551	711,817



3. INCOME TAX

Hong Kong profits tax has not been provided (2006: Nil) as the Group did not generate any assessable profits in Hong Kong during the three months ended 31 October 2007. No provision for corporate income tax for a subsidiary and the jointly-controlled entity established and operated in Mainland China (2006: Nil) has been made as no assessable profits arose from their operations during the period. The statutory tax rate for Hong Kong profits tax is 17.5% (2006: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2006: 33%).

4. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 October 2007 (2006: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the three months ended 31 October 2007 of HK\$90,171,291 (2006: HK\$1,147,416) and the weighted average of 1,863,013,760 (2006: 396,180,000) ordinary shares in issue during the period, as adjusted to reflect the share subdivision and exercise of share options during the period.

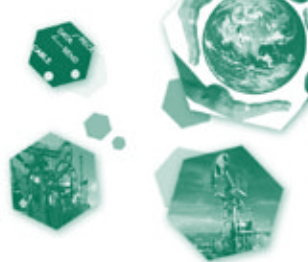
	For the three months ended 31 October	
	2007	2006
	Number of shares	Number of shares
Issued ordinary shares at beginning of the year	1,074,546,000	396,180,000
Effect of share subdivision	757,354,852	–
Effect of exercise of share options	31,112,908	–
	<hr/> 1,863,013,760 <hr/>	<hr/> 396,180,000 <hr/>
Weighted average number of ordinary shares	1,863,013,760	396,180,000

Diluted loss per share for each of the three months ended 31 October 2006 and 2007 have not been presented, as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the respective periods.



6. RESERVES (UNAUDITED)

	Share premium account HK\$	Capital reserve HK\$	Share option reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
As at 1 August 2006 (Audited)	29,685,786	19,980,000	-	(56,832)	(57,735,082)	(8,126,128)
Net loss for the three months ended 31 October 2006	-	-	-	-	(1,147,416)	(1,147,416)
Exchange differences on translation of the financial statements of an overseas subsidiary	-	-	-	(2,576)	-	(2,576)
As at 31 October 2006 (Unaudited)	<u>29,685,786</u>	<u>19,980,000</u>	<u>-</u>	<u>(59,408)</u>	<u>(58,882,498)</u>	<u>(9,276,120)</u>
As at 1 August 2007 (Audited)	524,950,112	19,980,000	36,641,865	(89,966)	(103,708,641)	477,773,370
Net loss for the three months ended 31 October 2007	-	-	-	-	(90,171,291)	(90,171,291)
Exchange differences on translation of the financial statements of an overseas subsidiary	-	-	-	(16,739)	-	(16,739)
Share-based payment	-	-	59,523,800	-	-	59,523,800
Issue of new shares upon exercise of share options	10,451,436	-	(5,097,819)	-	-	5,353,617
As at 31 October 2007 (Unaudited)	<u>535,401,548</u>	<u>19,980,000</u>	<u>91,067,846</u>	<u>(106,705)</u>	<u>(193,879,932)</u>	<u>452,462,757</u>



7. SHARE-BASED PAYMENT TRANSACTION

The fair value of options granted under the post-IPO share option scheme of the Company, recognized in administrative and operating expenses, amounted to HK\$59,523,800 (2006: Nil) for the three months ended 31 October 2007. The fair value of the outstanding options were derived from Black-Scholes option pricing model by application of the following bases and assumptions:

Date of Grant	Dividend Yield	Expected Volatility (i)	Risk-free rate (ii)	Price of the Company's shares at grant date of options HK\$ per share
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\$2.07 and HK\$2.03 respectively for the three months ended 31 October 2007.
- (iv) The outstanding share options as at 31 October 2007 had a weighted average remaining contractual life of 5.24 years.



8. ADVANCES TO AN ENTITY

Pursuant to the Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules. As at 31 October 2007, the Company's total assets were HK\$459,510,235.

On 10 April 2007, the Company entered into an exclusivity agreement (the "Exclusivity Agreement") with Global Richland Investment Limited ("Global Richland"), an independent third party, pursuant to which Global Richland had agreed to, among others, grant an exclusivity period of six months, to the Company for conducting due diligence on Allied Resources Limited ("Allied Resources"), a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources. On 19 July 2007 and 16 August 2007, the Company entered into two supplemental deeds to the Exclusivity Agreement with Global Richland (the "Supplemental Deeds"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period contained in the Exclusivity Agreement from 9 October 2007 to and including 31 December 2007. Up to 31 October 2007, an aggregate of HK\$178 million refundable deposits have been paid by the Company to Global Richland under the Exclusivity Agreement, the Supplemental Deeds and the Share Purchase Agreement.



MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, the Group had increased exploration into resources-related projects, while continuing information technology solutions and services, including consulting, and software development for e-commerce and human resources management.

A major objective of the Group is to create and add shareholders' value by identifying and enhancing petroleum and coalbed methane ("CBM") reserves around the world principally through the application of CO₂ sequestration technology. On 10 October 2007, the Company entered into a master technical services agreement (the "Agreement") with Petromin Resources Limited ("Petromin"), which shares are listed on the Toronto Stock Exchange and which is principally engaged in acquiring and developing oil and gas properties. Petromin has agreed to provide its services to the Company through, among others, the provision of its personnel, expertise, experience, contacts, technology and research services towards the development of the oil and gas business of the Company (the "Project Services"). The Board considers that the Project Services provided by Petromin to the Company will enhance the Company's diversification plans in: (a) upstream hydrocarbon development and production projects; and (b) enviro-energy projects, which have high potential for making a significant contribution to the cashflow and revenue of the Company.

On 14 September 2007, the Company entered into a conditional sale and purchase agreement with Global Richland Investment Limited ("Global Richland") in respect of the acquisition of the entire issued share capital of Allied Resources Limited ("Allied Resources") and its subsidiaries and associates at a consideration of HK\$365.88 million (the "Share Purchase Agreement"). Allied Resources owns 100% of Jilin Hangli Enterprise Limited which in turn owns 50% of Qian An Oilfield Development Company ("Qian An"). Qian An owns 50% of oilfields in the Jilin Qian An area of the People's Republic of China (the "Qian An Oilfields").

Financial review

For the three months ended 31 October 2007, the Group recorded an unaudited revenue of HK\$743,525, representing an increase of 4% as compared with HK\$711,809 in the same period last year. The unaudited gross profit margin for the three months ended 31 October 2007 was 27%, compared to 29% for the corresponding period last year. During the period, the Company's network infrastructure maintenance and reinforcement services reported a lower gross profit margin.

The unaudited loss from operating activities for the three months ended 31 October 2007 was HK\$90,171,291, up from HK\$1,147,416 in the same period last year. The main reason for this increase in loss was due to the impact of HKFRS 2 "Share-based Payment". As a result, share option payment of HK\$59,523,800 (2006: Nil) was recognized in the book of the Company for the three months ended 31 October 2007. Also, legal and professional fees increased by approximately HK\$11.5 million mainly due to legal and financial advice solicited for business development.

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Business prospects

As mentioned above, during the period under review, the Company successfully signed the Share Purchase Agreement with Global Richland, pursuant to which the Company will indirectly acquire 50% of Qian An. Completion of the Share Purchase Agreement is expected to take place in the next quarter. This acquisition represents a turning point for the Company in establishing itself into the conventional oil and gas industry in China. The acquisition of 50% of Qian An is significant since Qian An is a joint venture between the Company and PetroChina Company Limited ("PetroChina"). The financing backing of PetroChina and its vast resources in the area provides tremendous upside potential for the Company to increase its revenue and future business development. As quoted by the Qian An Oilfields management, the door is open for foreign company who has technical expertise and funding to work together in China's oil industry. Armed with superior technical expertise, the Company is poised to become one of the largest independent oil and gas producers in China and will also be the first Hong Kong listed non state-owned oil company in China.

In addition, the Company anticipated strong demand for natural gas in China. The surge in gas demand will encourage China to reduce oil imports and to develop a major natural gas market. China has vast resources of conventional and non-conventional gas. Non-conventional gas such as coalbed methane has attained much attention from the State Council recently. Several new regulations have been announced which will affect foreign companies participating in China's CBM industry. The Company is working closely with Petromin, a Canadian resource company with strong technical and management expertise, to expand business opportunities in China's CBM industry. The Company is confident that a CBM business venture will be developed in the next 12 months.

In addition, through Petromin, the Company will open up new channels in business development including potential enviro-energy projects in Kuwait and China. Such projects are receiving increasing attention from local oil companies due to prevalent concerns over climate change and energy resources depletion. However, given the complexity of the enviro-energy process, which requires multi-industry cooperation and coordination, the Group's energy projects will become more mature in the long-run. Given the early stages of this sector, the Company has the opportunity to develop a leadership position and to pioneer enviro-energy capabilities.

Overall, the Group is very pleased with the progress of the Company's activities and careful follow-through of the business plan to achieve set goals. The Company will continue to pursue growth through strategic alliances with companies which can provide technical and business edge in developing new low risk projects.



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

As at 31 October 2007, the interests and short positions of the Directors 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 were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

1. Long positions in ordinary shares of the Company

Name of director/ chief executive	Note	No. of shares	Approximate percentage of shareholding	Capacity
Chan Wing Him Kenny	(a)	1,182,540,000	53.13%	Interest in a controlled corporation
Ho Tak Yuen Peter		15,847,200	0.71%	Beneficiary owner

Note:

- (a) 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 an executive director of the Company, 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 31 October 2007 are as follows:

Name of directors/chief executive	Date of grant	Exercise period	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	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
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 31 October 2007, Mr. Chan Man Ching, an executive Director, disposed of all these shares.

Save as disclosed above, as at 31 October 2007, 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 were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



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

As at 31 October 2007, 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	Note	Number of ordinary shares held	Capacity and nature of interest	Approximate percentage of shareholding
Substantial shareholder				
Colpo Mercantile Inc.	(a)	1,182,540,000	Directly beneficially owned	53.13%
Other shareholder(s)				
JPMorgan Chase & Co.		130,114,000	Directly beneficially owned	5.85%
Legg Mason Inc		130,306,000	investment manager	5.85%

Note:

- (a) The entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, the chairman and an executive director of the Company, who is therefore deemed to be interested in 1,182,540,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,182,540,000 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 31 October 2007, 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

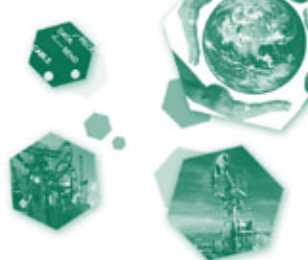
- (i) On 25 January 2003, the rules of a share option scheme (the “Pre-Scheme”) were approved and adopted pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share 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 has 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 31 October 2007, 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.

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

The 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 31 October 2007, 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 sub-section headed "Long position 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") are as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of Share Options				As at 31 October 2007
				As at 1 August 2007	Granted during the three-month period	Lapsed during the three-month period	Exercised during the three-month period	
<i>Directors, chief executive, management shareholders or substantial shareholders or their respective associates:</i>								
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	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
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
				53,541,600	-	-	(31,694,400)	21,847,200

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Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of Share Options				
				As at 1 August 2007	Granted during the three-month period	Lapsed during the three-month period	Exercised during the three-month period	As at 31 October 2007
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	-	-	(7,600,000)	17,240,000
	26/4/2007	26/4/2007 to 24/1/2013	0.579	1,400,000	-	-	(400,000)	1,000,000
	22/6/2007	22/6/2007 to 24/1/2013	1.365	14,500,000	-	-	-	14,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	N/A	24,400,000	-	-	24,400,000
				<u>62,587,200</u>	<u>24,400,000</u>	<u>-</u>	<u>(28,847,200)</u>	<u>58,140,000</u>
Total:				<u>132,376,000</u>	<u>24,400,000</u>	<u>-</u>	<u>(76,588,800)</u>	<u>80,187,200</u>
Weighted average exercise price per share (HK\$)				<u>0.5625</u>	<u>2.4400</u>	<u>-</u>	<u>0.0724</u>	<u>1.1376</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.

COMPETITION AND CONFLICT OF INTERESTS

As at 31 October 2007, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates had engaged in any business that competes or may compete with the businesses of the Group, or had any other conflict of interests with 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 three months ended 31 October 2007. 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 three months ended 31 October 2007.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules throughout the three months ended 31 October 2007.

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.

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 members who are the 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 three months ended 31 October 2007 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 December 2007

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Chan Wing Him Kenny and Mr. Chan Man Ching, one non-executive Director, namely, 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.