



Information Technology Integrations and Solution

e-Commerce

Human Resources Management

Technology Consultations

Third Quarterly Report **2006 / 07**



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

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.

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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 (formerly known as Sys Solutions Holdings Limited) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to Enviro Energy International Holdings Limited. The directors of Enviro Energy International Holdings Limited, 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 PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the three months and nine months ended 30 April 2007

The board of directors (the “Board”) of Enviro Energy International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 April 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

	Notes	Three months ended 30 April		Nine months ended 30 April	
		2007 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2007 HK\$ (Unaudited)	2006 HK\$ (Unaudited)
TURNOVER	2	879,163	1,652,507	3,025,158	5,646,043
Cost of sales		(514,092)	(1,233,580)	(2,294,873)	(4,411,137)
Gross profit		365,071	418,927	730,285	1,234,906
Other revenue		(1,054)	797	5,842,260	22,904
Administrative and operating expenses		(5,826,219)	(1,838,386)	(14,730,535)	(6,594,318)
LOSS FROM OPERATING ACTIVITIES		(5,462,202)	(1,418,662)	(8,157,990)	(5,336,508)
Finance costs		-	-	-	-
Share of loss of a jointly-controlled entity		-	(46,595)	-	(212,016)
LOSS BEFORE TAX		(5,462,202)	(1,465,257)	(8,157,990)	(5,548,524)
Tax	3	-	-	-	-
NET LOSS FOR THE PERIOD		(5,462,202)	(1,465,257)	(8,157,990)	(5,548,524)
Attributable to: Equity holders of the Company		(5,462,202)	(1,465,257)	(8,157,990)	(5,548,524)
LOSS PER SHARE	5				
- basic		HK0.66 cent	HK0.37 cent	HK1.01 cents	HK1.40 cents
- diluted		HK0.64 cent	HK0.37 cent	HK1.00 cents	HK1.40 cents

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) which include Hong Kong Accounting Standards (“HKASs” and interpretations) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The adoption of HKFRS 2 requires an expense to be recognised where the Group buys good and services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The main impact of HKFRS 2 on the unaudited operating results of the Group for the nine months ended 30 April 2007 was the share options expense of HK\$7,786,912 recognised in administrative and operating expenses. The share option expense is the fair value of the option granted which is estimated at the date of share option granted using Black-Scholes option pricing model with the following assumptions:

Date of grant	Dividend Yield	Expected volatility	Risk-free* rate	Share option expense HKD
29 December 2006	Nil	186.91%	3.73%	1,759,613
18 January 2007	Nil	309.78%	3.88%	3,663,308
20 March 2007	Nil	210.78%	4.06%	1,333,764
26 April 2007	Nil	190.24%	4.06%	1,030,227
				<u>7,786,912</u>

* Being the yield of the Hong Kong Exchange Fund Notes for a period of about 5 years.

The accounting policies and method of computation used in the preparation of the unaudited consolidated results are consistent with those adopted by the Group in its annual accounts for the year ended 31 July 2006.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered. All significant transactions among the companies now comprising the Group have been eliminated on consolidation.

3. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the three months and nine months ended 30 April 2007 (three months and nine months ended 30 April 2006: Nil). 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 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. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the nine months ended 30 April 2007 (2006: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 April 2007 is based on the unaudited net loss attributable to equity holders of the Company of HK\$5,462,202 and HK\$8,157,990 respectively (three months and nine months ended 30 April 2006: HK\$1,465,257 and HK\$5,548,524, respectively) and the weighted average of 826,876,854 and 805,054,215 ordinary shares in issue for the three months and nine months ended 30 April 2007 respectively (three months and nine months ended 30 April 2006: 396,180,000 ordinary shares in issue respectively).

Diluted loss per share amount for the three months and nine months ended 30 April 2007 has been presented, as the share options outstanding during the periods had a dilutive effect on the basic loss per share for the respective periods. The calculation of basic loss per share for the three months and nine months ended 30 April 2007 is based on the unaudited net loss attributable to equity holders of the Company of HK\$5,462,202 and HK\$8,157,990 respectively (unaudited net loss attributable to equity holders of the Company for the three months and nine months ended 30 April 2006: HK\$1,465,257 and HK\$5,548,524, respectively) and the weighted average plus free shares of 849,174,315 and 813,924,869 ordinary shares in issue for the three months and nine months ended 30 April 2007 respectively (only weighted average of 396,180,000 ordinary shares in issue for the three months and nine months ended 30 April 2006).

As the exercise price for the Company's outstanding share options were higher than the average market price of the shares of the Company for 2006, the conversion of the share option would not have any dilutive effect on the loss per share.

The weighted average of 396,180,000 ordinary shares in issue for the three months and nine months ended 30 April 2006 ignores any retrospective adjustments of share subdivision for every one share into two shares in calculation of basic and diluted loss per share.

6. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$	Share premium account HK\$	Capital reserve HK\$	Share option reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
(Audited) At 1 August 2005	3,961,800	29,685,786	19,980,000	-	-	(49,948,953)	3,678,633
Exchange difference on translation of PRC operations	-	-	-	-	(42,594)	-	(42,594)
Net loss for the nine months ended 30 April 2006	-	-	-	-	-	(5,548,524)	(5,548,524)
(Unaudited) At 30 April 2006	<u>3,961,800</u>	<u>29,685,786</u>	<u>19,980,000</u>	<u>-</u>	<u>(42,594)</u>	<u>(55,497,477)</u>	<u>(1,912,485)</u>
(Audited) At 1 August 2006	3,961,800	29,685,786	19,980,000	-	(56,832)	(57,735,082)	(4,164,328)
Exchange difference on translation of PRC operations	-	-	-	-	(21,347)	-	(21,347)
Share option expense	-	-	-	7,786,912	-	-	7,786,912
Share placing: 24,000,000 shares of nominal value of HK\$0.01 each issued at HK\$0.40	240,000	-	-	-	-	-	240,000
- Share premium	-	9,600,000	-	-	-	-	9,600,000
- Share placing expenses	-	(432,171)	-	-	-	-	(432,171)
Net loss for the nine months ended 30 April 2007	-	-	-	-	-	(8,157,990)	(8,157,990)
(Unaudited) At 30 April 2007	<u>4,201,800</u>	<u>38,853,615</u>	<u>19,980,000</u>	<u>7,786,912</u>	<u>(78,179)</u>	<u>(65,893,072)</u>	<u>4,851,076</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the period under review, the Group continued its information technology solutions and services, software development for e-commerce and human resources management, as well as information technology services and consultations, while in the mean time, the Group had explored into more resources related projects.

Financial review

For the nine months ended 30 April 2007, the Group recorded an unaudited turnover of HK\$3,025,158, representing a decrease of 46% as compared with HK\$5,646,043 of the same period last year. The unaudited gross profit margin for the nine months ended 30 April 2007 was 24%, while it was 22% for the corresponding period last year. During the period, the Company focused on more profitable network infrastructure maintenance and reinforcement services, which contributed a higher gross profit margin.

The unaudited loss from operating activities for the nine months ended 30 April 2007 was HK\$8,157,990, while in the same period last year, the Group made an unaudited loss from operating activities of HK\$5,548,524. The main reason for this increase in loss was due to the impact of newly adopted HKFRS 2 "Share – based Payment". As a result, share option expense of HK\$7,786,912 (2006: Nil) was recognised in the book of the Company for the nine months ended 30 April 2007. Also, the other revenue had been increased by HK\$5,819,356 which was mainly due to the waiver of loan of a resigned director of HK\$5,000,000, a waiver of deposit received of HK\$843,148 during the nine months ended 30 April 2007.

Business prospects

Follow up with last quarter's discussion, the management of the Company is happy to announce major re-organization of the business of the Group which has been on going since last quarter. This re-organization will streamline the existing network service operation and maintain our previous work commitment. Meantime, the exploration into more climate change related technology especially in Geological sequestration of CO₂ is on going and also getting more intensified. This involves more discussion with China and international parties on future joint venture projects related to CO₂ sequestration. The intent to acquire an adequate oilfield for enviro-energy projects is also announced and evaluation is currently on going to support further decision making. Management is confident that a major transaction will be imminent in the upcoming quarter which will pave the road for the Company into a new era and rewarding to the shareholders in the participation of this lucrative emerging market. Also, additional financing activities are proceeding to provide the Company with adequate resources to fulfill its goal to go into this new enviro-energy sector. The management will continue to provide the shareholders with information on the progress of our activities through our new website at www.enviro-energy.com.hk and other media.

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

As at 30 April 2007, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares 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")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	<i>Note</i>	Corporate interests	Approximate Percentage of the Company's issued share capital	Capacity and nature of interest
Mr. Chan Wing Him Kenny	(a)	591,270,000	70.36	Through a controlled corporation
		<u>591,270,000</u>	<u>70.36</u>	

Note:

- (a) These shares are held by Colpo Mercantile Inc. The entire share capital of Colpo Mercantile Inc. is beneficially owned by Mr. Chan Wing Him Kenny, who is therefore deemed to be interested in the shares held by Colpo Mercantile Inc.

Save as disclosed above, as at 30 April 2007, none of the directors and chief executive had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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

At 30 April 2007, the following interests and short positions of 5% or more of the issued share capital and share options of the Company held by the following parties (other than directors or chief executive of the Company) were recorded in the register of interests 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 holding
Substantial shareholder				
Colpo Mercantile Inc.	(a)	591,270,000	Directly beneficially owned	70.36

Note:

- (a) The entire issued share capital of Colpo Mercantile Inc. 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 591,270,000 shares held by Colpo Mercantile Inc.. Mr. Chan Wing Him Kenny's indirect interests in 591,270,000 shares in the Company held through Colpo Mercantile Inc. have also been set out in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures".

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

On 25 January 2003, a share option scheme (the "Post-Scheme") was approved 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.

Details of the options granted to the directors and chief executive of the Company under the Post-Scheme since its adoption and up to 30 April 2007 are as follows:

Name	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Subscription price per share	No. of underlying shares comprising the options granted	No. of underlying shares comprising the options exercised	No. of underlying shares comprising the options lapsed	No. of underlying shares comprising the options outstanding
Mr Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	HK\$0.127	7,923,600	-	-	7,923,600
Mr Ho Tak Yuen Peter	18/1/2007	18/1/2007 to 24/1/2013	HK\$0.127	7,923,600	-	-	7,923,600
Mr Chan Man Ching	29/12/2006	29/12/2006 to 24/1/2013	HK\$0.127	7,923,600	-	-	7,923,600
				23,770,800	-	-	23,770,800

Save as disclosed above, as at 30 April 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 and underlying shares and debentures" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

On 25 January 2003, a pre-IPO share option scheme (the "Pre-Scheme") was approved 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 approximately 7.84% of the then issued share capital of the Company immediately following the completion of the share placing on 25 January 2003 and the capitalisation issue, at a subscription price ranged from HK\$0.11 each to HK\$0.27 each. 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. Each grantee has paid HK\$1 to the Company as consideration for such grant.

The following share options were outstanding under the Pre-Scheme during the period:

Name or category of participant	Number of share options granted on 25 January 2003			Exercise period of share options	Exercise price per share HK\$
	At 1 August 2006	Lapsed during the period	At 31 January 2007		
Employees of the Group	270,000	(270,000)	-	18 February 2004 to 17 February 2007	0.27
	<u>270,000</u>	<u>(270,000)</u>	<u>-</u>		

During the period, 270,000 share options lapsed following the resignation of an employee. As at 31 January 2007, there was no outstanding share options under the Pre-Scheme.

As stated above, on 25 January 2003, the Post-Scheme was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is as summarised above.

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 associates, in excess of 0.1% of the shares of the Company in issue at any time and with 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 on 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 options. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Post-Scheme.

EMPLOYEE SHARE OPTIONS

As at 30 April 2007, details of the share options granted under the Post-Scheme (including the options granted to the directors and chief executive of the Company disclosed in the sub-section headed "Long positions in underlying shares of the Company" under the section headed "DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES") are as follows:

Class of optionees	Date of grant	Exercise period	Subscription price per share	Beginning of year	Number of underlying shares			Balance as at 30 April 2007	
					Granted during the nine-month period	Lapsed during the nine-month period	Exercised during the nine-month period		
Directors, chief executive, management shareholders or substantial shareholders or their respective associates	29/12/2006	29/12/2006 to 24/1/2013	HK\$0.127	-	15,847,200	-	-	15,847,200	
	18/1/2007	18/1/2007 to 24/1/2013	HK\$0.127	-	7,923,600	-	-	7,923,600	
Employees working under continuous employee contracts	18/1/2007	18/1/2007 to 24/1/2013	HK\$0.127	-	7,923,600	-	-	7,923,600	
	26/4/2007	26/4/2007 to 24/1/2013	HK\$1.158	-	200,000	-	-	200,000	
All other optionees	18/1/2007	18/1/2007 to 24/1/2013	HK\$0.127	-	16,023,600	-	-	16,023,600	
	20/3/2007	20/3/2007 to 24/1/2013	HK\$0.225	-	12,420,000	-	-	12,420,000	
	26/4/2007	26/4/2007 to 24/1/2013	HK\$1.158	-	700,000	-	-	700,000	
					<u>-</u>	<u>61,038,000</u>	<u>-</u>	<u>-</u>	<u>61,038,000</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 18 April 2007. The Company's Independent Financial Advisor, VXL Financial Services Limited, had issued a letter on 3 May 2007 to confirm the adjustments as stated above.

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 30 April 2007, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete with the businesses of the Group, or have any other conflict of interests with the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.48 to 5.67 of the GEM Listing Rules concerning securities transactions by directors of the Company throughout the nine months ended 30 April 2007 and all directors of the Company have complied with the required standard of dealings set out therein.

CORPORATE GOVERNANCE

Code of Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 April 2007:

Code Provision B.1.1

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

Code Provisions B.1.4 and C.3.4

Written terms of reference of the remuneration committee and audit committee have been disclosed in the Company's new 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 of the Company. Mr. Poon Lai Yin Michael is the chairman of the audit committee. On 14 March 2007, the Company adopted new terms of reference for the audit committee to include such duties as stipulated in Code Provision C.3.3 of the CG Code.

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 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.

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

By order of the Board
Chan Wing Him Kenny
Chairman

Hong Kong, 14 June 2007