



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 2010

*Green Energy  
Changing The World*



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*This report, for which the directors (“**Directors**”) of Enviro Energy International Holdings Limited (“**Company**”, and together with its subsidiaries and jointly-controlled entity, “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in investment holding and development of environmental energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies.

### BUSINESS REVIEW

#### *Conventional crude oil business*

The Company indirectly owns 50% of Qian An Oil Development Co., Ltd. ("**Qian An**"), an equity joint venture company established in the People's Republic of China ("**PRC**"). The other 50% of the equity interest of Qian An is beneficially owned by 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. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

During the three months ended 31 March 2010, the crude oil price in the PRC maintained at a level ranging between approximately US\$70 to US\$80 per barrel. PetroChina, being the operator of the two oilfields of Qian An, maintained the crude oil production levels at an average monthly production of approximately 10,000 barrels, as compared to an average monthly production of approximately 5,000 barrels for the corresponding period last year.

#### *Unconventional natural gas business*

As at 31 March 2010, the Company held approximately 61.07% of the current issued common shares and preferred shares in the capital of TerraWest Energy Corp. ("**TWE**"), or approximately 65.67% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis, respectively. TWE and China United Coalbed Methane Corporation Limited ("**CUCBM**") hold an interest of 47% and 53%, respectively, in a production sharing contract dated 30 December 2005 ("**PSC**"), which is located in Xinjiang Uygur Autonomous Region ("**Xinjiang**") in the far west of the PRC. The administration of the PSC has been transferred to PetroChina Coalbed Methane Company Ltd. Under the terms of the PSC, TWE has the right to explore for, develop, produce and sell coalbed methane ("**CBM**") or liquid hydrocarbons, extracted from CBM. CBM is defined in the PSC as gas stored in certain named geological formations of Jurassic age to a depth of 1,500 metres. The PSC has a term of 30 years, with a production period of up to 20 years and an initial exploration period of five years.

As previously reported, TWE completed a drilling program in December 2009 and core samples taken during the drilling campaign were sent to laboratories in Xinjiang and Canada. Analysis of the gas content of the samples as well as various other characteristics continued during the reporting period and will be announced in due course.

TWE also initiated steps towards completing a resource evaluation of the area of the PSC, which has been drilled and tested to a formal reporting standard. TWE plans to utilise an independent third party expert and have the resource estimate completed to a standard adopted by stock exchanges in North America to guide public disclosure of resource figures.

TWE also initiated the first steps in planning the 2010 exploration and pilot production program.

#### *Environmental technologies*

The Deep Un-mineable Coal Carbon Dioxide ("**CO<sub>2</sub>**") Sequestration and Enhanced CBM ("**ECBM**") Production Project ("**JV Project**") operated under the cooperative joint venture agreement dated 25 January 2008 ("**JV Agreement**") between the Company, CUCBM and Petromin Resources Ltd. ("**Petromin**") continued to move ahead smoothly during the three months ended 31 March 2010. The JV Project is a single-well pilot project that involves injecting CO<sub>2</sub> into target coal seams to test the CO<sub>2</sub> sequestration and storage capacity of the coal seams and then testing ECBM production. Pursuant to the JV Agreement, CUCBM, as operator, holds 60% participating interest in the JV Project, while the Company and Petromin each holds a 20% participating interest. The JV Project is located in CUCBM's Shizhuang North block in the Qinshui Basin of Shanxi Province, the PRC. The Qinshui Basin is one of the most prolific CBM producing regions in the PRC and the coal seams in the basin are prospective for ECBM production.

On 10 March 2010, the parties entered into a supplemental agreement which formally (i) expanded the pilot test area to 1,152 acres (466 hectares or 5 square kilometers); and (ii) extended the term of their joint venture from 5 years to 5.5 years. The expanded JV Project area provides sufficient land area to test the CO<sub>2</sub> storage capacity of coal seams as well as the effectiveness of CO<sub>2</sub> as a driver of ECBM production and the extended term provides sufficient time to complete planned activities. The three participating companies have begun discussions relating to a potentially larger area for Phase Two of the JV Project.

As previously reported, CUCBM initiated well operations at the JV Project site during December 2009. The CO<sub>2</sub> injection phase including well monitoring, and a well workover commenced during the first quarter and injection took place in April 2010. The CO<sub>2</sub> injection is the first ever such activity in the PRC undertaken under leadership of state-owned and private enterprises while being assisted by support and funding from the Chinese and Canadian governments.

As announced by the Company on 9 December 2009, the JV Project has received matching funding support from the Canadian government under the auspices of the Asia-Pacific Partnership on Clean Development and Climate ("**APP**"), a seven-country effort to encourage clean energy developments in the region. The APP includes Canada, China, Australia, United States, India, Japan and Korea and the funding support clearly reflects the international significance of the JV Project. As an international collaboration that includes the Company from Hong Kong, Petromin from Canada and CUCBM from the PRC, the JV Project fully reflects the cooperative principles of the APP.

The JV Project has also received significant support from the Ministry of Science and Technology of the PRC.

## BUSINESS PROSPECTS

### *Conventional crude oil business*

The conventional crude oil business in the PRC ended 2009 on a high note after creeping positive news during the year. According to the US Energy Information Administration, the PRC's apparent liquid fuels consumption in December 2009 increased by approximately 0.9 million barrels per day, or approximately 12% above earlier levels in 2009, as China's economic stimulus package continued to help push up both oil consumption and economic growth. Market prices for crude oil remained above US\$70 per barrel (West Texas Intermediate, WTI) at year-end reflecting generally positive economic news globally.

Looking ahead there are signs that the global recovery will be sustained although probably not without some dynamic movements. In light of circumstances, the Group continues to review opportunities for further development that could result in increases in proven reserves, oil recovery and production at the Qian An oilfield and discussions with the field operator, PetroChina, can be expected to continue.

### *Unconventional natural gas business*

The dynamics of the Asia Pacific natural gas industry were reflected in the public announcements during the quarter whereby PetroChina and Royal Dutch Shell ("**Shell**") made a bid to acquire all the shares of publicly-traded company Arrow Energy Ltd. of Australia for a reported US\$3.1 billion. Arrow Energy Ltd. is an Australian CBM producer with plans to develop an export liquefied natural gas ("**LNG**") project based on CBM. The corporate valuation and participation of PetroChina in the deal reflects the significant and growing demand for natural gas in the PRC which could be a long-term destination for LNG from Australia. Arrow Energy Ltd. had previously announced a pending production sharing contract deal with PetroChina in the eastern Junggar Basin in Xinjiang, the PRC.

To date, TWE, the Company's non wholly-owned subsidiary, holds the only CBM PSC in the Junggar Basin. Within the PRC, the Junggar Basin is considered to be among the most prospective regions for CBM and other unconventional natural gas such as shale gas, and is connected to the national natural gas pipeline grid of the PRC via both the 1st and 2nd West-East pipelines.

### *International shale gas developments*

Unconventional natural gas exploration and production remains a hot topic in the international energy world and the Group is closely following developments because of the significant value being created by parties active in the field. In addition to the ongoing rapid advance of shale gas development in North America where international major ExxonMobil recently announced a multi-billion dollar acquisition of a shale gas producing company in the United States, it was reported that both Shell and ExxonMobil have launched shale gas exploration efforts in Western Europe. In addition, Shell announced a shale gas study in the Sichuan Basin in the PRC in cooperation with PetroChina.

The Group considers the continued international expansion of such activity to be an acknowledgement of the early mover and leading edge attributes of the Group's strategy in unconventional natural gas in the PRC.

### *Strategic financial initiative with Cheung Kong Infrastructure Holdings Limited ("**CKI**")*

As announced by the Company on 13 April 2010, Mr. Chan Wing Him Kenny, an executive Director, the Chairman and Chief Executive Officer of the Company, through his investment vehicle, Colpo Mercantile Inc., being the Company's controlling shareholder, as issuer and he as issuer's guarantor, executed an exchangeable note instrument ("**Note**") dated 12 April 2010 with Green Island Cement Company, Limited ("**Green Island**"), a subsidiary of CKI which shares are listed on the Main Board of the Stock Exchange.

The Note entitles Green Island to exchange for up to 200,000,000 shares of the Company, representing up to approximately 8.2% of the issued share capital of the Company at an exercise price of HK\$0.88 per share of the Company, subject to adjustment, within an exercise period of three (3) years commencing from 12 April 2010 to 12 April 2013. The aggregate consideration payable by Green Island upon full exercise of its right under the Note shall be HK\$176 million, subject to adjustment.

CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure and infrastructure related businesses. Operating in Hong Kong, Mainland China, Australia, New Zealand, the United Kingdom, Canada and the Philippines, CKI is a leading player in the global infrastructure arena.

The Group welcomes this financial initiative and the cooperation with CKI. The business case for environmental sustainability is imperative and this transaction serves as an endorsement of the Group's corporate business model and long-term strategic plan which further validates the underlying value of the Company. In addition, the Group is delighted to commence this relationship with CKI through the Note investment which sees the Company entering an exciting new chapter of value creation for shareholders. The transaction results in an alignment of strengths within each company, namely CKI's operational capabilities, financial capacity and global scale with the Company's proven skills of project identification, development along the energy value chain and advancement of environmental technology. Together with its partners, the Group looks forward to building the leading clean energy company in this market.

## FINANCIAL REVIEW

### Oil and gas segment

#### *Conventional crude oil business*

With average monthly production of approximately 10,000 barrels and crude oil price in the PRC maintaining at a level above US\$70 per barrel, results of Qian An, a jointly-controlled entity, improved during the three months ended 31 March 2010. The Group's overall share of profit of Qian An for the three months ended 31 March 2010 amounted to approximately HK\$1.8 million (2009: loss of approximately HK\$1.6 million).

#### *Non-conventional natural gas business*

During the three months ended 31 March 2010, the Group's non-conventional natural gas businesses were still in exploration and evaluation phases.

### **Information technology (“IT”) and network infrastructure segment**

During the three months ended 31 March 2010, the Group continued focusing its resources on energy-related business and scaled-down its IT solutions and services business. As a result of the Group’s change in business model, the Group’s revenue generated from IT related businesses for the three months ended 31 March 2010 amounted to approximately HK\$30,000 (2009: approximately HK\$125,000).

### **Administrative and operating expenses**

For the three months ended 31 March 2010, administrative and operating expenses amounted to approximately HK\$13.6 million (2009: approximately HK\$12.0 million).

For the three months ended 31 March 2010, administrative and operating expenses mainly comprised remuneration and employee compensation costs, including Directors’ emoluments, of approximately HK\$4.9 million, share-based payments of approximately HK\$3.7 million, consultancy fees of approximately HK\$1.1 million and rental expenses of approximately HK\$0.9 million.

As stated in the Company’s annual report for the year ended 31 December 2009, the Group has made some correction of prior period errors. As a result, administrative and operating expenses for the three months ended 31 March 2009 have been restated, to take into account of (i) a reversal amortisation of intangible assets and the related deferred tax impact amounting to approximately HK\$5.5 million; and (ii) a downward adjustment for bonus which should have been recognised in prior periods amounting to approximately HK\$4.6 million.

### **Other comprehensive income**

During the three months ended 31 March 2010, exchange gain arising on translation of Canadian operation amounted to approximately HK\$15.4 million (2009: unrealised net exchange loss of approximately HK\$18.8 million), because the Canadian dollars as a functional currency, against the Hong Kong dollars as a presentation currency, increased by approximately 3.1% when translating the carrying value of Group’s Canadian subsidiary.

### **Loss attributable to equity holders of the Company**

As a result of the above-mentioned factors, loss attributable to equity holders of the Company for the three months amounted to approximately HK\$11.3 million (2009: approximately HK\$11.2 million).

## CONSOLIDATED INCOME STATEMENT

The board of Directors (“**Board**”) is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2010, together with the restated comparative figures for the corresponding period in 2009 as follows:

		For the three months ended 31 March	
	<i>Notes</i>	<b>2010 HK\$'000 (Unaudited)</b>	2009 (as restated) HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>30</b>	125
<b>Cost of sales</b>		<b>(17)</b>	(97)
<b>Gross profit</b>		<b>13</b>	28
Other income		<b>279</b>	24
Administrative and operating expenses		<b>(13,596)</b>	(11,950)
Share of profits less losses of jointly-controlled entity		<b>1,782</b>	(1,578)
<b>Loss before taxation</b>		<b>(11,522)</b>	(13,476)
Income tax	3	–	–
<b>Loss for the period</b>		<b>(11,522)</b>	(13,476)
Attributable to:			
Equity holders of the Company		<b>(11,260)</b>	(11,173)
Minority interests		<b>(262)</b>	(2,303)
		<b>(11,522)</b>	(13,476)
<b>Loss per share attributable to equity holders of the Company (expressed in HK cents per share)</b>	5		
Basic		<b>(0.46)</b>	(0.48)
Diluted		<b>(0.46)</b>	(0.48)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	<b>2010</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2009 (as restated) HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(11,522)</b>	(13,476)
<b>Other comprehensive income/(loss)</b>		
Gain/(loss) on fair value changes of available-for-sale investment	<b>(221)</b>	24
Exchange differences arising from translation of foreign operations	<b>15,408</b>	(18,832)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>15,187</b>	(18,808)
<b>Total comprehensive income/(loss) for the period</b>	<b>3,665</b>	(32,284)
Attributable to:		
Equity holders of the Company	<b>(5,343)</b>	(23,142)
Minority interests	<b>9,008</b>	(9,142)
<b>Total comprehensive income/(loss) for the period</b>	<b>3,665</b>	(32,284)

Notes:

## 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited consolidated income statement and statement of comprehensive income/(loss) of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

## 2. REVENUE

Revenue represents amount receivable for goods sold and services provided in the normal course of business.

An analysis of the Group’s revenue is as follows:

	For the three months ended 31 March	
	<b>2010</b> <b>HK\$’000</b> <b>(Unaudited)</b>	2009 HK\$’000 (Unaudited)
Sale of computer hardware and software	<b>30</b>	116
Network infrastructure maintenance and other services	–	9
	<b>30</b>	125

## 3. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company’s subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly are exempted from the payment of the British Virgin Islands income taxes.

No Hong Kong profits tax has been provided as the Group did not have any assessable profits in Hong Kong for the three months ended 31 March 2010 (2009: Nil).

PRC Enterprise Income Tax has not been provided for the subsidiaries in the PRC as they did not generate any assessable profits during the three months ended 31 March 2010 (2009: Nil).

Tax under the Income Tax Act (Canada) has not been provided as TWE, the Company’s non wholly-owned subsidiary incorporated under the laws of British Columbia, Canada, has been reporting tax loss since its incorporation.

#### 4. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2010 (2009: Nil).

#### 5. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the three months ended 31 March 2010 and the three months ended 31 March 2009. The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	For the three months ended 31 March	
	2010 HK\$'000 (Unaudited)	2009 (as restated) HK\$'000 (Unaudited)
Loss attributable to equity holders of the Company for the purpose of basic loss per share (HK\$'000)	<b>(11,260)</b>	(11,173)
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	<b>2,431,961</b>	2,336,881
Basic loss per share (in HK cents)	<b>(0.46)</b>	(0.48)

The Group had share options and warrants (issued by TWE) outstanding as at 31 March 2010 and 31 March 2009. The share options and warrants did not have a dilutive effect on loss per share for the three months ended 31 March 2010 (2009: anti-dilutive).

## 6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Capital reserve	Share option reserve	Available-for-sale investment reserve	Translation reserve	Other reserve/ losses	Total	Minority interests	Total
As at 31 December 2008 and 1 January 2009 (Audited)	5,842	654,527	19,980	58,551	(2,922)	(16,884)	(109,373)	609,721	231,302	841,023
Total comprehensive loss for the period	-	-	-	-	24	(11,993)	(11,172)	(23,141)	(9,155)	(32,296)
Dilutive effect on the Company's shareholding in a subsidiary	-	-	-	-	-	-	-	-	3,075	3,075
Recognition of equity settled share-based payment	-	-	-	158	-	-	-	158	-	158
Forfeiture of share options	-	-	-	(24)	-	-	24	-	-	-
As at 31 March 2009 (Unaudited)	5,842	654,527	19,980	58,685	(2,898)	(28,877)	(120,521)	586,738	225,222	811,960
As at 31 December 2009 and 1 January 2010 (Audited)	6,080	654,589	19,980	62,860	(2,170)	48,013	(233,816)	555,536	299,118	854,654
Loss for the period	-	-	-	-	-	-	(11,260)	(11,260)	(262)	(11,522)
Exchange differences arising from translation of foreign operation	-	-	-	-	-	15,408	-	15,408	9,270	24,678
Recognition of equity settled share-based payment	-	-	-	3,749	-	-	-	3,749	-	3,749
Change in fair value of available-for-sale investment	-	-	-	-	(221)	-	-	(221)	-	(221)
As at 31 March 2010 (Unaudited)	6,080	654,589	19,980	66,609	(2,391)	63,421	(245,076)	563,212	308,126	871,338

## 7. SHARE-BASED PAYMENTS TRANSACTION

On 4 February 2010, a total of 63,630,000 share options to subscribe for ordinary shares at par value of HK\$0.0025 each of the Company were granted by the Company under the share option scheme adopted by the Company on 25 January 2003 (“**Share Option Scheme**”) to certain eligible participants of the Share Option Scheme, with an exercise price of HK\$0.514 per Share and a validity period from 4 February 2010 to 4 February 2020. 50% of these share options are exercisable in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.

For the three months ended 31 March 2010, the fair value of options granted under the Share Option Scheme, recognised in administrative and operating expenses, amounted to approximately HK\$3,749,000 (2009: approximately HK\$158,000).

## 8. CAPITAL COMMITMENTS

	As at 31 March	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Other commitments contracted for but not provided in the unaudited consolidated financial statements in respect of:		
– PSC (Note (i))	10,140	20,280
– JV Agreement (Note (ii))	1,325	1,868
	<b>11,465</b>	22,148

### Notes:

- (i) The amount of approximately US\$1,300,000 (equivalent to HK\$10,140,000) represented the minimum work obligations as at 31 March 2010 (2009: US\$2,600,000 (equivalent to HK\$20,280,000)), as required by the PSC to be incurred before the end of February 2011.
- (ii) Pursuant to the JV Agreement, the Company would contribute RMB3,460,000 (approximately HK\$3,737,000) jointly with Petromin for the engineering design and study, simulation technology and analysis, materials and salaries etc in the first phase. An additional RMB15,000,000 or more would be funded in the second phase. The capital contribution of each party in the second phase would be further determined.

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

As at 31 March 2010, the interests and short positions of each Director and chief executive of the Company, if any, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Chan Wing Him Kenny	(i) Interest of a controlled corporation	(i) Corporate interest	(i) 1,185,680,000 (Note)	-	1,185,680,000	
	(ii) Beneficial owner	(ii) Personal interest	(ii) 1,756,000	(ii) 20,347,200	22,103,200	
			1,187,436,000	20,347,200	1,207,783,200	49.66%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	4,700,000	7,325,000	0.30%
David Tsoi	Beneficial owner	Personal interest	-	750,000	750,000	0.03%
Lo Chi Kit	Beneficial owner	Personal interest	-	600,000	600,000	0.02%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	100,000	1,100,000	0.05%

*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 Chief Executive Officer of the Company and an executive Director, who is therefore deemed to be interested in the shares held by Colpo.*

*Long positions of Director in common shares and underlying shares of TWE*

Name	Capacity	Nature of interests	Number of common shares held	Number of underlying shares held	Total	Approximate % of shareholding
Arthur Ross Gorrell	Beneficial owner	Personal interest	–	3,000,000	3,000,000	1.28%

In addition to the above, Mr. Chan Wing Him Kenny has non-beneficial personal equity interests in certain subsidiaries of the Company held solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2010, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 March 2010, the interests and short positions of 10% or more of the issued share capital of the Company held by the following party (other than a Director or chief executive of the Company) recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

*Long positions in the ordinary shares of the Company*

Name	Capacity	Number of shares held	Approximate % of shareholding
Colpo	Beneficially owned	1,185,680,000 (Note)	48.75%

*Note: The entire issued share capital of Colpo was solely and beneficially owned by Mr. Chan Wing Him Kenny, the Chairman and Chief Executive Officer of the Company and an executive Director, who is therefore deemed to be interested in 1,185,680,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,185,680,000 shares in the Company held through Colpo have also been set out in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".*

Save as disclosed above, as at 31 March 2010, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEMES

The purpose of the Share Option Scheme and the TWE Scheme (hereinafter defined) 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 and TWE.

### 1) Share option scheme of the Company

On 25 January 2003, the Share Option Scheme was approved pursuant to written resolutions of the Company. Details of movement of the options granted under the Share Option Scheme for the three months ended 31 March 2010 were as follows:

#### *Movement in the Share Option Scheme*

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 January 2010	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 31 March 2010
<b>Executive Directors</b>								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/01/2013	0.0635 <sup>(1)</sup>	15,847,200 <sup>(1)</sup>	-	-	-	15,847,200 <sup>(1)</sup>
	22/06/2007	22/06/2007 to 24/01/2013	1.365 <sup>(2)</sup>	2,000,000 <sup>(2)</sup>	-	-	-	2,000,000 <sup>(2)</sup>
	19/06/2008	19/06/2010 to 18/06/2018	0.2316	500,000 <sup>(3)</sup>	-	-	-	500,000 <sup>(3)</sup>
	15/06/2009	15/06/2011 to 14/06/2019	0.73	2,000,000 <sup>(3)</sup>	-	-	-	2,000,000 <sup>(3)</sup>
Arthur Ross Gorrell	22/06/2007	22/06/2007 to 24/01/2013	1.365 <sup>(2)</sup>	1,500,000 <sup>(2)</sup>	-	-	-	1,500,000 <sup>(2)</sup>
	29/10/2007	29/10/2007 to 24/01/2013	2.44	700,000	-	-	-	700,000
	19/06/2008	19/06/2010 to 18/06/2018	0.2316	500,000 <sup>(3)</sup>	-	-	-	500,000 <sup>(3)</sup>
	15/06/2009	15/06/2011 to 14/06/2019	0.73	2,000,000 <sup>(3)</sup>	-	-	-	2,000,000 <sup>(3)</sup>

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 January 2010	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 31 March 2010
<b>Independent non-executive Directors</b>								
David Tsoi	15/06/2009	15/06/2011 to 14/06/2019	0.73	750,000 <sup>(3)</sup>	-	-	-	750,000 <sup>(3)</sup>
Lo Chi Kit	15/06/2009	15/06/2011 to 14/06/2019	0.73	600,000 <sup>(3)</sup>	-	-	-	600,000 <sup>(3)</sup>
Tam Hang Chuen	15/06/2009	15/06/2011 to 14/06/2019	0.73	100,000 <sup>(3)</sup>	-	-	-	100,000 <sup>(3)</sup>
				26,497,200	-	-	-	26,497,200
<b>Other employees</b>								
In aggregate	26/04/2007	26/04/2007 to 24/01/2013	0.579 <sup>(3)</sup>	40,000 <sup>(2)</sup>	-	-	-	40,000 <sup>(2)</sup>
	19/06/2008	19/06/2010 to 18/06/2018	0.2316	9,450,000 <sup>(3)</sup>	-	(550,000)	-	8,900,000 <sup>(3)</sup>
	15/06/2009	15/06/2011 to 14/06/2019	0.73	7,265,000 <sup>(3)</sup>	-	(1,040,000)	-	6,225,000 <sup>(3)</sup>
	06/10/2009	06/10/2011 to 05/10/2019	0.75	60,000 <sup>(3)</sup>	-	-	-	60,000 <sup>(3)</sup>
	04/02/2010	04/02/2012 to 04/02/2020	0.514	-	13,380,000 <sup>(3)</sup>	-	-	13,380,000 <sup>(3)</sup>
				16,815,000	13,380,000	(1,590,000)	-	28,605,000

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 January 2010	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 31 March 2010
<b>Others</b>								
In aggregate	20/03/2007	20/03/2007 to 24/01/2013	0.1125 <sup>(1)</sup>	15,840,000 <sup>(1)</sup>	-	-	-	15,840,000 <sup>(1)</sup>
	26/04/2007	26/04/2007 to 24/01/2013	0.579 <sup>(2)</sup>	1,000,000 <sup>(2)</sup>	-	-	-	1,000,000 <sup>(2)</sup>
	22/06/2007	22/06/2007 to 24/01/2013	1.365 <sup>(2)</sup>	13,000,000 <sup>(2)</sup>	-	-	-	13,000,000 <sup>(2)</sup>
	29/10/2007	29/10/2007 to 24/01/2013	2.44	23,500,000	-	-	-	23,500,000
	19/06/2008	19/06/2010 to 18/06/2018	0.2316	500,000 <sup>(3)</sup>	-	-	-	500,000 <sup>(3)</sup>
	15/06/2009	15/06/2011 to 14/06/2019	0.73	20,000,000 <sup>(3)</sup>	-	-	-	20,000,000 <sup>(3)</sup>
	06/10/2009	06/10/2011 to 05/10/2019	0.75	350,000 <sup>(3)</sup>	-	-	-	350,000 <sup>(3)</sup>
	04/02/2010	04/02/2012 to 04/02/2020	0.514	-	50,250,000 <sup>(3)</sup>	-	-	50,250,000 <sup>(3)</sup>
				74,190,000	50,250,000	-	-	124,440,000
<b>Total:</b>				117,502,200	63,630,000	(1,590,000)	-	179,542,200 <sup>(4)</sup>
<b>Weighted average exercise price per share (HK\$)</b>				0.95	0.51	0.56	-	0.80

## Notes:

- (1) The exercise price and number of share options were adjusted upon the first and second subdivisions of shares of the Company which came to effect on 18 April 2007 and 29 August 2007, respectively.
- (2) The exercise price and number of share options were adjusted upon the second subdivision of shares of the Company which came to effect on 29 August 2007.
- (3) 50% of the share options are exercisable in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.
- (4) As at 31 March 2010, the Company had 179,542,200 (31 December 2009: 117,502,200) share options outstanding under the Share Option Scheme, which represented approximately 7.38% (31 December 2009: 4.83%) of the Company's shares in issue on that date.
- (5) During the three months ended 31 March 2010, 63,630,000 share options were granted on 4 February 2010. The closing price of the Company's shares at the date of which the aforesaid share options were granted was HK\$0.510.

## 2) Share option scheme of TWE

On 8 April 2009, TWE adopted a share option scheme (“**TWE Scheme**”) which was approved by shareholders in the Company’s annual general meeting held on 20 April 2009. As at 31 March 2010, no share options were granted under the TWE Scheme.

Prior to the adoption of the TWE Scheme, pursuant to the articles of TWE, a total of 12,850,000 incentive stock options (“**TWE Options**”) were granted by TWE to certain of its directors and consultants to subscribe for common shares of TWE on 27 August 2008.

Details of movement of the TWE Options for the three months ended 31 March 2010 were as follows:

### *Movement in the TWE Options*

Name or category of participants	Date of grant	Exercise period	Exercise price per share (C\$)	As at 1 January 2010	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 31 March 2010
<b>Director</b>								
Arthur Ross Gorrell	27/08/2008	27/08/2008 to 27/08/2011	0.03	3,000,000	-	-	-	3,000,000
<b>Others</b>								
In aggregate	27/08/2008	27/08/2008 to 27/08/2011	0.03	9,850,000	-	-	-	9,850,000
<b>Total:</b>				12,850,000	-	-	-	12,850,000

## 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 three months ended 31 March 2010.

## COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the three months ended 31 March 2010, Mr. Chan Wing Him Kenny, an executive Director and a management shareholder of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director, is a director, the president, co-chairman and chief executive officer of Petromin. As at 31 March 2010, Mr. Chan Wing Him Kenny directly and indirectly held 1,615,177 stock options entitling him to subscribe for 1,615,177 common shares in Petromin. Dr. Arthur Ross Gorrell held 2,243,193 common shares and 1,021,000 stock options entitling him to subscribe for 1,021,000 common shares in Petromin. Mr. Lo Chi Kit, an independent non-executive Director, held 262,500 common shares in Petromin.

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

Save as disclosed above, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

## AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen, with Mr. David Tsoi as the chairman.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and the effectiveness of the Group's internal controls and risk management. The Group's unaudited results for the three months ended 31 March 2010 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

**Enviro Energy International Holdings Limited**

**Chan Wing Him Kenny**

*Chairman and Chief Executive Officer*

Hong Kong, 14 May 2010

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

**Executive Directors**

Mr. Chan Wing Him Kenny  
Dr. Arthur Ross Gorrell

**Independent non-executive Directors**

Mr. David Tsoi  
Mr. Lo Chi Kit  
Mr. Tam Hang Chuen