



Enviro Energy
International Holdings Limited

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8182)

Third Quarterly Report 2010

*Green Energy
Changing The World*



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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**" or "**China**"). 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 third quarter of 2010, the crude oil price in the PRC continued to maintain at a level ranging between approximately US\$70 and 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.

Unconventional natural gas business

As at the date hereof, the Company held approximately 64.98% of the current issued common shares and preferred shares in the capital of TerraWest Energy Corp. ("**TWE**"), or approximately 74.25% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis, respectively. As disclosed in more details in the Company's announcement dated 26 July 2010, the Company, through Aces Diamond International Limited ("**Aces Diamond**"), its wholly-owned subsidiary, entered into a subscription agreement with TWE on 25 July 2010, pursuant to which Aces Diamond has agreed to subscribe for 90 million units of TWE at a subscription price of C\$4,500,000 (equivalent to approximately HK\$33,300,000). Upon completion of the said subscription, the controlling interests of the Company, through its wholly-owned subsidiaries, in TWE will further increase to approximately 71.61% of the issued common shares and preferred shares in the capital of TWE. Upon completion of the said subscription and assuming all C warrants and D warrants are exercised in full, the controlling interests of the Company, through its wholly-owned subsidiaries, in TWE will further increase to approximately 82.29% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis.

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.

As reported during the quarter, TWE completed the planning of the 2010 field program and reviewed the program with the project joint management committee. The plan was approved and TWE initiated the program in August by issuing requests for proposal to various Chinese drilling contractors. Two contractors were selected and pre-drilling road work and site preparation began in late September for the first three (3) pilot production wells. Drilling began in October.

TWE also initiated well testing at the LHG 08-01 well site and recompletion equipment and personnel were onsite by late September. Well LHG 08-01 was drilled to a depth of 784 metres and cased to the top of the thickest coal seam of the Jurassic Xishanyao ("**J2X**") at 750 metres. The coal seam in the open hole was tested in 2008 and 2009, producing water and coalbed methane ("**CBM**"). The 2010 work involves a recompletion and workover of the well and perforation of the upper J2X coal seams which are behind casing.

Testing work and gas production is expected to continue through the next quarter.

Well testing will also be initiated at LHG 08-03 and then at the new pilot wells as they are completed.

The 2010 program calls for the drilling of up to ten (10) pilot production wells and drilling will occur sequentially extending to 2011. The wells are planned to produce CBM from target coal seams as well as natural gas from shale.

TWE holds the first and to date only fully-approved CBM PSC in Xinjiang which is considered to be among the most attractive CBM exploration areas in the world based on known coal resources and regional economic development plans of the central government of China. The 2010 program is the first CBM pilot production under a production sharing contract in western China.

Under the terms of the PSC, TWE has the right to explore for, develop, produce and sell 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.

Environmental technologies

The Deep Unmineable Coal Carbon Dioxide (“**CO₂”**) Sequestration and Enhanced CBM 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 as planned during the third quarter. The JV Project is a single-well pilot project that involves injecting CO₂ into target coal seams to test the CO₂ sequestration and storage capacity of the coal seams and then testing enhanced CBM (“**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.

During the quarter, the CO₂ injection and ECBM pilot production test was completed as planned. Reservoir data collection and analysis followed the testing and reservoir simulation work will follow the analysis. Full test results and indications of the plan for next steps will follow in the next quarter.

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 more prolific CBM producing regions in the PRC and the coal seams in the basin are prospective for ECBM production. The 124 square kilometers (“**sq km**”) area within the North Shizhuang area is currently defined as an area of internal exploration by CUCBM and the pilot test area covers 1,152 acres (466 hectares or 5 sq km) of this block. There is sufficient land area to test the CO₂ storage capacity of coal seams as well as the effectiveness of CO₂ as a driver of ECBM production. CUCBM exclusively holds 100% of CBM rights for a 50 sq km area of the North Shizhuang block which is a target area for the multi-well expansion where well SX-001 is located.

The project joint management planning committee will hold meetings in the next quarter to discuss results and next steps for the project. The CO₂ injection is the first ever such activity in the PRC to be undertaken under leadership of state-owned and private enterprises while being assisted by support and funding from the Chinese and Canadian governments.

As previously reported, 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 and has also received significant support from the Ministry of Science and Technology of the PRC.

BUSINESS PROSPECTS

Conventional crude oil business

The Company's outlook for the crude oil business is positive for demand and price level.

Crude Oil Price: West Texas Intermediate (“**WTI**”) oil prices averaged US\$75 per barrel in September but rose above US\$80 at the end of the month and into early October as expectations of higher oil consumption pushed up prices. US Energy Information Agency (“**EIA**”) has raised the average fourth quarter 2010 forecasted WTI spot price to US\$79 per barrel compared with US\$77 per barrel in the previous quarter outlook. WTI spot prices are projected to rise to US\$85 per barrel by the fourth quarter of next year. Projected WTI prices average US\$78 per barrel in 2010 and US\$83 per barrel in 2011.

EIA expects the price of WTI crude oil to average about US\$80 per barrel this winter, a US\$2.50-per-barrel increase over last winter. The forecast for average WTI prices rises gradually to US\$85 per barrel by the fourth quarter of 2011 as the United States and global economic conditions improve. EIA's forecast assumes the United States gross domestic product (“**GDP**”) grows by 2.6% in 2010 and 2.1% in 2011, while world oil-consumption-weighted GDP grows by 3.8% and 3.3%, respectively, in 2010 and 2011.

The global oil market outlook remains largely unchanged from the previous few months. While commercial oil inventories in the Organization for Economic Cooperation and Development (“**OECD**”) countries remain high, floating oil storage has been declining (vessels at sea), and EIA believes that a gradual projected reduction in OECD oil inventories over the forecast period should support firming oil prices.

The global economic outlook also remains substantially the same, with Asian countries continuing to lead global economic growth with a strong focus on China. World oil prices are expected to rise gradually as global economic growth leads to higher global oil demand and growth in non-OPEC oil supply slows in 2011. The price movement in the coming year will depend on the extent of the global economic recovery and the balance between growing demand and increasing production.

The Group continues to interpret the global and regional situation in petroleum as supporting its continued involvement in the upstream petroleum business in China and the Group continually assesses opportunities for increased shareholder value from current operations.

Unconventional natural gas business

The PRC is considered one of the world's largest and fastest growing consumer markets for natural gas and also holds the largest estimated CBM resources (unconventional natural gas) in the world. Forecast demand for natural gas outstrips supply in the PRC by a wide margin and the development of CBM and other unconventional natural gas resources is highly sought after, encouraged and supported by the central government of China.

The central government of China has introduced new economic development policies for Xinjiang which are now seeing substantial increases in infrastructure construction and other investments accelerating economic development, including energy resource development. The specific Xinjiang target of the economic policy is unprecedented in China.

To date, TWE 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 and is connected to the national natural gas pipeline grid of the PRC via both the national 1st and 2nd West-East pipelines. Other corporations are being attracted to the Junggar Basin including BP Plc and Dart Energy Limited (formerly Arrow Energy Limited) which are reported in talks with PetroChina.

International shale gas and CBM developments

Growth of shale gas production has been most significant in the United States to date, with shale gas production increasing eight times over the past decade. It now accounts for 10% of the gas production in the United States and 20% of total remaining recoverable gas resources in the United States. The EIA projects that by 2030, shale gas will represent 7% of global natural gas supplies. Unconventional natural gas (shale gas plus CBM) now accounts for approximately 20% of the gas production in the United States.

With regard to the rapid expansion of shale gas production and accompanying intense investment activity it is important to note that Mr. Aubrey McClendon, chairman, CEO, and founder of Chesapeake Energy Corporation, one of the first oil and gas producers to develop shale gas properties in the United States, says the "discovery bonanza" in the United States is over and that investors should not expect major new shale discoveries.

Speaking to a group of investors and industry analysts, Mr. McClendon said investors should not expect major new shale gas finds "because there won't be any". He added that, by the end of 2011, "It will all be over". This is a reflection of the prospective land situation in the United States and the result of the enormous boom is shale gas play acquisitions. Late comer investors and/or investment funds now have to look elsewhere for prospective shale gas lands. International shale gas plays are expected to become more attractive based on available land and positive gas price environments. This is very much the case in China at this time. Recent US shale gas asset transactions reflect late-in-the-game urgency and tight market valuations.

In early October, CNOOC China's offshore petroleum industry operator, paid US\$1.1 billion plus committed to spend another US\$1.1 billion for a net 198,000 acre stake in Chesapeake Energy Corporation's Eagle Ford shale gas play. That is equivalent to US\$10,100 per acre. Subsequently in early November, the global integrated energy corporation Chevron Corporation took 486,000 acres of Marcellus Basin shale with the acquisition of Pittsburgh-based Atlas Energy, Inc. for US\$4.3 billion in cash and debt. Based on core acreage acquired the deal represents approximately US\$14,360 per acre according to industry analysts.

The Liuhuanggou PSC covers an area of 163,200 acres and TWE's net interest of approximately 76,700 net acres in Xinjiang indicates to the Board that the prospective shale gas play in China has significant potential value.

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

As reported earlier in the year, Mr. Chan Wing Him Kenny, an executive Director, the Chairman and Chief Executive Officer of the Company, through his investment vehicle, Colpo Mercantile Inc. ("**Colpo**"), being the Company's controlling shareholder, as issuer and he as issuer's guarantor, executed an exchangeable note instrument ("**Note Instrument**") 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 Instrument entitles Green Island to exchange for up to 200,000,000 shares of the Company, representing up to approximately 7.2% of the issued share capital of the Company as at the date hereof 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 Instrument 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 have commenced this relationship with CKI through the Note Instrument 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 continued to improve during the third quarter of 2010. The Group's overall share of profit of Qian An for the nine months ended 30 September 2010 amounted to approximately HK\$581,000 (2009: loss of HK\$2.9 million).

Non-conventional natural gas business

During the third quarter of 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 third quarter of 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 nine months ended 30 September 2010 amounted to approximately HK\$244,000 (2009: HK\$236,000).

Administrative and operating expenses

For the nine months ended 30 September 2010, administrative and operating expenses amounted to approximately HK\$47.1 million (2009: HK\$31.0 million).

For the nine months ended 30 September 2010, administrative and operating expenses mainly comprised remuneration and employee compensation costs, including Directors' emoluments, of approximately HK\$16.1 million, share-based payments of approximately HK\$15.5 million, consultancy fees and investor relations costs of approximately HK\$2.9 million, and rental expenses of approximately HK\$2.8 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 nine months ended 30 September 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\$11.7 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 nine months ended 30 September 2010, exchange differences arising on translation of Canadian operation amounted to approximately HK\$16.4 million (2009: unrealised net exchange gain of HK\$83.6 million), because the Canadian dollars ("CS") as a functional currency, against the Hong Kong dollars ("HK\$") as a presentation currency, increased by approximately 2% when translating the carrying value of the 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 nine months ended 30 September 2010 amounted to approximately HK\$45.1 million (2009: HK\$30.7 million).

CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2010, together with the restated comparative figures for the corresponding periods in 2009 as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2010 HK\$'000 (Unaudited)	2009 (as restated) HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 (as restated) HK\$'000 (Unaudited)
Revenue	2	118	45	244	236
Cost of sales		(97)	(34)	(187)	(174)
Gross profit		21	11	57	62
Other gain, net		178	61	679	96
Administrative and operating expenses		(18,280)	(10,239)	(47,058)	(31,039)
Share of profits less losses of a jointly-controlled entity		(376)	580	581	(2,854)
Loss before taxation		(18,457)	(9,587)	(45,741)	(33,735)
Income tax	3	-	-	-	-
Loss for the period		(18,457)	(9,587)	(45,741)	(33,735)
Attributable to:					
Equity holders of the Company		(18,174)	(8,297)	(45,066)	(30,730)
Minority interests		(283)	(1,290)	(675)	(3,005)
		(18,457)	(9,587)	(45,741)	(33,735)
Loss per share attributable to equity holders	5				
Basic and Diluted		(HK0.75 cent)	(HK0.35 cent)	(HK1.85 cent)	(HK1.31 cent)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 (as restated) HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 (as restated) HK\$'000 (Unaudited)
Loss for the period	(18,457)	(9,587)	(45,741)	(33,735)
Other comprehensive income				
(Loss)/gain on change in fair value of available-for-sale investment	(171)	(282)	94	1,119
Exchange differences arising from translation of foreign operations	12,155	52,760	16,377	83,614
Other comprehensive income for the period, net of tax	11,984	52,478	16,471	84,733
Total comprehensive (loss)/income for the period	(6,473)	42,891	(29,270)	50,998
Attributable to:				
Equity holders of the Company	(10,619)	20,921	(34,473)	15,757
Minority interests	4,146	21,970	5,203	35,241
Total comprehensive (loss)/income for the period	(6,473)	42,891	(29,270)	50,998

Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited consolidated income statements 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 and financial asset 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 nine months ended 30 September	
	2010 HK\$’000 (Unaudited)	2009 HK\$’000 (Unaudited)
Sale of computer hardware and software	225	208
Network infrastructure maintenance and other services	19	28
	244	236

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 nine months ended 30 September 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 nine months ended 30 September 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. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2010 (2009: Nil).

5. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS

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 and nine months ended 30 September 2010 and 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 30 September		For the nine months ended 30 September	
	2010 (Unaudited)	2009 (as restated) (Unaudited)	2010 (Unaudited)	2009 (as restated) (Unaudited)
Loss attributable to equity holders of the Company for the purpose of basic loss per share (HK\$'000)	(18,174)	(8,297)	(45,066)	(30,730)
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	2,431,961	2,337,775	2,431,961	2,337,180
Basic loss per share (in HK cents)	(0.75)	(0.35)	(1.85)	(1.31)

The Group had share options and warrants (issued by TWE) outstanding as at 30 September 2010 and 30 September 2009. The share options and warrants did not have a dilutive effect on loss per share for the nine months ended 30 September 2010 (2009: anti-dilutive).

6. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Available-for-sale investment reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
As at 31 December 2008, as restated	5,842	654,527	19,980	(2,922)	58,551	(16,884)	-	(109,373)	609,721	231,302	841,023
Comprehensive income/(loss)											
Loss for the period	-	-	-	-	-	-	-	(30,730)	(30,730)	(3,005)	(33,735)
Other comprehensive income											
Gain on change in fair value of available-for-sale investment	-	-	-	1,119	-	-	-	-	1,119	-	1,119
Exchange differences arising from translation of foreign operations	-	-	-	-	-	45,368	-	-	45,368	38,246	83,614
Total other comprehensive income	-	-	-	1,119	-	45,368	-	-	46,487	38,246	84,733
Total comprehensive income/(loss) for the period	-	-	-	1,119	-	45,368	-	(30,730)	15,757	35,241	50,998
Transactions with shareholders											
Recognition of equity settled share-based payment	-	-	-	-	2,540	-	-	-	2,540	-	2,540
Forfeiture of share options	-	-	-	-	(24)	-	-	24	-	-	-
Deemed disposal of minority interests	-	-	-	-	-	-	(33,804)	-	(33,804)	36,884	3,080
Exercise of share options	4	297	-	-	(145)	-	-	-	156	-	156
Purchase of minority interests	-	-	-	-	-	-	51,654	-	51,654	(51,654)	-
Total transactions with shareholders	4	297	-	-	2,371	-	17,850	24	20,546	(14,770)	5,776
As at 30 September 2009 (Unaudited)	5,846	654,824	19,980	(1,803)	60,922	28,484	17,850	(140,079)	646,024	251,773	897,797
As at 31 December 2009 (Audited)	6,080	654,589	19,980	(2,170)	62,860	48,013	(17,873)	(215,943)	555,536	299,118	854,654
Comprehensive income/(loss)											
Loss for the period	-	-	-	-	-	-	-	(45,066)	(45,066)	(675)	(45,741)
Other comprehensive income											
Gain on change in fair value of available-for-sale investment	-	-	-	94	-	-	-	-	94	-	94
Exchange differences arising from translation of foreign operations	-	-	-	-	-	10,499	-	-	10,499	5,878	16,377
Total other comprehensive income	-	-	-	94	-	10,499	-	-	10,593	5,878	16,471
Total comprehensive income/(loss) for the period	-	-	-	94	-	10,499	-	(45,066)	(34,473)	5,203	(29,270)
Transactions with shareholders											
Purchase of minority interests	-	-	-	-	-	-	27,332	-	27,332	(27,332)	-
Recognition of equity settled share-based payment	-	-	-	-	15,502	-	-	-	15,502	-	15,502
Total transactions with shareholders	-	-	-	-	15,502	-	27,332	-	42,834	(27,332)	15,502
As at 30 September 2010 (Unaudited)	6,080	654,589	19,980	(2,076)	78,362	58,512	9,459	(261,009)	563,897	276,989	840,886

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.

On 9 July 2010, a total of 80,000,000 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 to certain eligible participants of the Share Option Scheme, with an exercise price of HK\$0.56 per share and a validity period from 9 July 2010 to 8 July 2020. 50% of these share options are exercisable in a period commencing two years from the date of grant and expiring on the day falling one day preceding 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 day falling one day preceding the tenth anniversary from the date of grant.

For the nine months ended 30 September 2010, the fair value of options granted under the Share Option Scheme, recognised in administrative and operating expenses, amounted to approximately HK\$15,502,000 (2009: approximately HK\$2,883,000).

8. CAPITAL COMMITMENT

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
Contracted but not provided for:		
– PSC (Note (i))	12,105	10,140
– JV Agreement (Note (ii))	1,325	1,325
	13,430	11,465

Notes:

(i) As at 30 September 2010, the amount of approximately HK\$12,105,000 represented costs contracted but not yet provided for the PSC.

As at 31 December 2009, the amount of approximately US\$1,300,000 (equivalent to HK\$10,140,000) represented the minimum work obligations 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.

9. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 4 October 2010, the Company completed a top-up placement of 345,498,000 shares of the Company at HK\$0.465 per share of the Company, raising net proceeds of approximately HK\$153.3 million.

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

As at 30 September 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) 840,182,000 (Note)	–	840,182,000	
	(ii) Beneficial owner	(ii) Personal interest	(ii) 8,834,000	(ii) 28,847,200	37,681,200	
			849,016,000	28,847,200	877,863,200	36.10%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	5,200,000	7,825,000	0.32%
David Tsoi	Beneficial owner	Personal interest	–	1,000,000	1,000,000	0.04%
Lo Chi Kit	Beneficial owner	Personal interest	–	700,000	700,000	0.03%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	200,000	1,200,000	0.05%

Note: These shares are held by 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 840,182,000 shares held by Colpo.

Pursuant to the Note Instrument executed between Colpo and Green Island, Green Island is entitled to exchange for up to 200,000,000 shares in the Company held by Colpo at an exercise price of HK\$0.88 per share, subject to adjustment, within an exercise period of three years commencing from 12 April 2010 to 12 April 2013. As the entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, he is therefore deemed to have a short position in such 200,000,000 shares held by Colpo.

On 4 October 2010, Colpo completed the subscription for 345,498,000 shares as part of the top-up placement transaction, increasing the number of shares held to 1,185,680,000.

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	1.15%

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 30 September 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 30 September 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:

Interests or short positions in ordinary shares of the Company

Name	Long/Short positions	Capacity	Number of shares held	Approximate % of shareholding
Colpo	(i) Long positions	(i) Beneficially owned	(i) 840,182,000 (Note 1)	34.55%
	(ii) Short positions	(ii) Beneficially owned	(ii) 200,000,000 (Note 2)	8.22%

Notes:

1. *The entire issued share capital of Colpo is 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 840,182,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 840,182,000 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".*

On 4 October 2010, Colpo completed the subscription for 345,498,000 shares as part of the top-up placement transaction, increasing the number of shares held to 1,185,680,000.

2. *Pursuant to the Note Instrument executed between Colpo and Green Island, Green Island is entitled to exchange for up to 200,000,000 shares in the Company held by Colpo at an exercise price of HK\$0.88 per share, subject to adjustment, within an exercise period of three years commencing from 12 April 2010 to 12 April 2013. As the entire issued share capital of Colpo is solely and beneficially owned by Mr. Chan Wing Him Kenny, he is therefore deemed to have a short position in such 200,000,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in such 200,000,000 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 30 September 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 nine months ended 30 September 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	Granted	Lapsed/	Exercised	As at 30
				1 January 2010	during the period	cancelled during the period	during the period	September 2010
Executive Directors								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/01/2013	0.0635 ⁽¹⁾	15,847,200 ⁽¹⁾	-	-	-	15,847,200 ⁽¹⁾
	22/06/2007	22/06/2007 to 24/01/2013	1.365 ⁽²⁾	2,000,000 ⁽²⁾	-	-	-	2,000,000 ⁽²⁾
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000 ⁽³⁾	-	-	-	500,000 ⁽³⁾
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000 ⁽³⁾	-	-	-	2,000,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	8,500,000 ⁽⁴⁾	-	-	8,500,000 ⁽⁴⁾
Arthur Ross Gorrell	22/06/2007	22/06/2007 to 24/01/2013	1.365 ⁽²⁾	1,500,000 ⁽²⁾	-	-	-	1,500,000 ⁽²⁾
	29/10/2007	29/10/2007 to 24/01/2013	2.44	700,000	-	-	-	700,000
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000 ⁽³⁾	-	-	-	500,000 ⁽³⁾
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000 ⁽³⁾	-	-	-	2,000,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	500,000 ⁽⁴⁾	-	-	500,000 ⁽⁴⁾

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 30 September 2010	
Independent non-executive Directors									
David Tsoi	15/06/2009	15/06/2011 to 15/06/2019	0.73	750,000 ³⁾	-	-	-	750,000 ³⁾	
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	250,000 ⁴⁾	-	-	250,000 ⁴⁾	
Lo Chi Kit	15/06/2009	15/06/2011 to 15/06/2019	0.73	600,000 ³⁾	-	-	-	600,000 ³⁾	
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	100,000 ⁴⁾	-	-	100,000 ⁴⁾	
Tam Hang Chuen	15/06/2009	15/06/2011 to 15/06/2019	0.73	100,000 ³⁾	-	-	-	100,000 ³⁾	
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	100,000 ⁴⁾	-	-	100,000 ⁴⁾	
				26,497,200	9,450,000	-	-	35,947,200	
Other employees									
In aggregate	26/04/2007	26/04/2007 to 24/01/2013	0.579 ²⁾	40,000 ²⁾	-	-	-	40,000 ²⁾	
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	9,450,000 ³⁾	-	(600,000)	-	8,850,000 ³⁾	
	15/06/2009	15/06/2011 to 15/06/2019	0.73	7,265,000 ³⁾	-	(1,140,000)	-	6,125,000 ³⁾	
	06/10/2009	06/10/2011 to 06/10/2019	0.75	60,000 ³⁾	-	-	-	60,000 ³⁾	
	04/02/2010	04/02/2012 to 04/02/2020	0.514	-	13,380,000 ³⁾	-	-	13,380,000 ³⁾	
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	8,700,000 ⁴⁾	-	-	8,700,000 ⁴⁾	
				16,815,000	22,080,000	(1,740,000)	-	37,155,000	
Others									
In aggregate	20/03/2007	20/03/2007 to 24/01/2013	0.1125 ¹⁾	15,840,000 ¹⁾	-	-	-	15,840,000 ¹⁾	
	26/04/2007	26/04/2007 to 24/01/2013	0.579 ²⁾	1,000,000 ²⁾	-	-	-	1,000,000 ²⁾	
	22/06/2007	22/06/2007 to 24/01/2013	1.365 ²⁾	13,000,000 ²⁾	-	-	-	13,000,000 ²⁾	
	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 19/06/2018	0.2316	500,000 ³⁾	-	-	-	500,000 ³⁾	
	15/06/2009	15/06/2011 to 15/06/2019	0.73	20,000,000 ³⁾	-	-	-	20,000,000 ³⁾	
	06/10/2009	06/10/2011 to 06/10/2019	0.75	350,000 ³⁾	-	-	-	350,000 ³⁾	
	04/02/2010	04/02/2012 to 04/02/2020	0.514	-	50,250,000 ³⁾	-	-	50,250,000 ³⁾	
	09/07/2010	09/07/2012 to 08/07/2020	0.56	-	61,850,000 ⁴⁾	-	-	61,850,000 ⁴⁾	
					74,190,000	112,100,000	-	-	186,290,000
	Total:				117,502,200	143,630,000	(1,740,000)	-	259,392,200 ⁵⁾
Weighted average exercise price per share (HK\$)				0.95	0.54	0.56	-	0.73	

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) *50% of the share options are exercisable in a period commencing two years from the date of grant and expiring on the day falling one day preceding 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 day falling one day preceding the tenth anniversary from the date of grant.*
- (5) *As at 30 September 2010, the Company had 259,392,200 (31 December 2009: 117,502,200) share options outstanding under the Share Option Scheme, which represented approximately 10.67% (31 December 2009: 4.83%) of the Company's shares in issue on that date.*
- (6) *During the nine months ended 30 September 2010, 63,630,000 share options and 80,000,000 share options were granted on 4 February 2010 and 9 July 2010, respectively. The closing prices of the Company's shares at the date of which the aforesaid share options were granted were HK\$0.51 and HK\$0.56, respectively.*

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 30 September 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 nine months ended 30 September 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 30 September 2010
Director								
Arthur Ross Gorrell	27/08/2008	27/08/2008 to 27/08/2011	0.03	3,000,000	-	-	-	3,000,000
Others								
In aggregate	27/08/2008	27/08/2008 to 27/08/2011	0.03	9,850,000	-	-	-	9,850,000
Total:				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 nine months ended 30 September 2010.

COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the nine months ended 30 September 2010, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, the president, co-chairman and chief executive officer of Petromin. As at 30 September 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 2,230,193 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 of the Company, 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 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 nine months ended 30 September 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, 11 November 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