



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

*(incorporated in the Cayman Islands with limited liability)*

Website: <http://www.enviro-energy.com.hk>

(Stock Code: 8182)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 31 JANUARY 2008**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”)  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK  
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*This announcement, for which the directors (“Directors”) of Enviro Energy International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **OVERVIEW**

### **Business review**

During the period under review, the Group continued to explore into resources related projects while maintaining the existing information technology solutions and services, including consulting and software development for human resources management.

In addition, the Company continued to pursue the completion of the acquisition of Qian An Oil Development Co., Ltd. ("Qian An") through Allied Resources Limited ("Allied Resources") as described in Notes 11 and 17 of the "Notes to the Interim Financial Statements" below. Due diligence work was conducted in the months of November and December 2007 during which the management and operation groups of the Company visited the Qian An oilfield in Jilin province to audit and examine the two oilfields operation and held a thorough discussion with the Qian An oilfield management team. The management of the Company is satisfied with Qian An's operation facility and professional attitude in handling the oil production operation.

Concluding from the discussion, the management is confident about future drilling prospects and potential optimisation opportunities in the Qian An oilfield. The Company expects oil production of the oilfield to increase significantly in the coming months after it takes over the operation. The management of the Company is also confident that future capital investment in Qian An to increase oil production will provide exceptional returns to the Company's shareholders given the continued strong oil price.

On 25 January 2008, the Company and Canada-based Petromin Resources Ltd. ("Petromin Resources") signed a co-operative agreement with China United Coalbed Methane Corp. Ltd. ("CUCBM") for a five-year multi-well pilot CO<sub>2</sub> injection-enhanced coalbed project in Shanxi province, northern PRC. Supported in part by funding from the Ministry of Science and Technology of the PRC, the approximately RMB10 million (equivalent to approximately US\$1.4 million) project will involve drilling wells in a coal bed 1,000 meters underground unsuitable for commercial mining. The Alberta Research Council in Canada will provide technical expertise for the project.

Mr. Sun Maoyuan, chairman of CUCBM, said, "The ultimate target of this project is to try to capture CO<sub>2</sub> from power plants and chemical plants for injection into the deep coal bed to enhance coal-bed-methane production". The Company is pleased to be a part of this historical endeavour and will continue to contribute its resources to CO<sub>2</sub> sequestration technology development in China and strive to be the first public company in Hong Kong to exploit the deep coal CBM in China using CO<sub>2</sub> sequestration technology.

## **Prospects**

The acquisition of Qian An was completed on 29 February 2008 and is expected to contribute positively to the financial performance of the Company in the third quarter. To aid long term growth of its business, the Company appointed Dr. Arthur Ross Gorrell as a non-executive Director during the period. Dr. Gorrell, currently the president and co-chairman of Petromin Resources, a company listed on the Toronto Stock Exchange Venture Board, Canada, will bring his excellent public resource management skills to the Company. His appointment also represents strengthened ties between the Company and Petromin Resources. Through Petromin Resources, the Company intends to develop new international businesses including environmentally friendly energy projects in China and other part of the world.

In summary, the Company is very pleased with the progress it made in business development in the second quarter. With the Qian An oilfield acquisition completed and moving forward on track, the Company will look next into environmentally friendly energy projects and continue to build itself into a strong energy resources company and bring stable returns for its shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

For the six months ended 31 January 2008, the Group recorded an unaudited revenue of approximately HK\$1,256,000, representing a decrease of 41% as compared with approximately HK\$2,146,000 in the same period last year. The unaudited gross profit margin for the six months ended 31 January 2008 was 24%, compared to 17% for the corresponding period last year. During the period under review, the Group received less revenue on network infrastructure maintenance and reinforcement services comparing with the same period last year. The Company's other professional value-added solutions and services reported a higher gross profit margin comparing with the same period last year.

The unaudited loss from operating activities for the six months ended 31 January 2008 was approximately HK\$119.6 million, up from approximately HK\$2.7 million in the same period last year. The main reason for this increase in loss was due to the impact of HKFRS 2 "Share-based Payment". As a result, share option payment of approximately HK\$59.5 million (2007: approximately HK\$5.4 million) was recognised in the book of the Company for the six months ended 31 January 2008. Also, legal and professional fees increased by approximately HK\$34.8 million mainly due to legal and financial advice solicited for business development.

### **Liquidity and financial resources**

For the period under review, the Group financed its operations primarily with internally generated cash flows and fund raised by previous share placings. The Group's current ratio stood at 57.7 as at 31 January 2008 and 67.7 as at 31 July 2007.

As at 31 January 2008, the Group had net assets of approximately HK\$429,142,000 (31 July 2007: approximately HK\$483,146,000), of which approximately HK\$240,587,000 (31 July 2007: approximately HK\$395,115,000) were bank and cash balances. The decrease of bank and cash balances was due to increase in the refundable deposit of HK\$178,000,000 paid to Global Richland Investment Limited.

As at 31 January 2008, the Group maintained a debt-free capital structure.

### **Significant investments and future plans for material investments**

As at 31 January 2008, the Group had not authorised or contracted for any capital expenditure commitments. The Group will continue to explore new opportunities in energy-related projects and to seek for potential investments.

### **Material acquisition and disposals of subsidiaries and affiliated companies**

As detailed in the circular of the Company dated 31 January 2008, the completion of the acquisition of Allied Resources and its group of companies by the Company at a total consideration of HK\$365.88 million, which was satisfied by the payment in cash of HK\$178 million and the issue of 110,000,000 new ordinary shares of HK\$0.0025 each by the Company at an issue price of HK\$1.708 per share, took place on 29 February 2008.

On 28 January 2008, the Company announced that it was in negotiations of a potential acquisition of certain interests in a Canadian company engaged in the exploration for oil and natural gas. As at the date hereof, no formal binding acquisition agreement has been executed among the parties.

Save as disclosed above, there were no other material acquisitions/disposals which would have been required to be disclosed under the GEM Listing Rules.

### **Employee information**

As at 31 January 2008, the Group had 17 full-time employees (2007: 18) working in Hong Kong and Mainland China. The total staff costs, including directors' emoluments, amounted to approximately HK\$23,828,000 for the period under review (2007: approximately HK\$5,647,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

In addition to the regular remuneration, share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

### **Charge on group assets**

As at 31 January 2008, the Group did not have any charge on group assets (31 July 2007: Nil).

### **Gearing Ratio**

As at 31 January 2008, the Group had no payables incurred not in the ordinary course of business and accordingly the gearing ratio was nil.

### **Foreign exchange exposure**

The Group mainly earns revenue and incurs costs in Hong Kong dollars, Renminbi and United States dollars. Risk on exposure to fluctuation in exchange rates should be minimal as there is no material fluctuation in the exchange rates between Hong Kong dollars, Renminbi, as well as United States dollars.

### **Contingent liabilities**

As at 31 January 2008, the Group did not have any significant contingent liabilities (31 July 2007: Nil).

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2008 (2007: Nil).

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The Board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three-month and six-month periods ended 31 January 2008, together with the comparative unaudited figures for the corresponding period in 2007 were as follows:

	Notes	For the three months ended 31 January		For the six months ended 31 January	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Revenue	2	512	1,434	1,256	2,146
Cost of sales		<u>(408)</u>	<u>(1,275)</u>	<u>(950)</u>	<u>(1,781)</u>
Gross profit		104	159	306	365
Other income	3	1,603	5,843	4,736	5,843
Administrative and operating expenses		<u>(31,141)</u>	<u>(7,550)</u>	<u>(124,647)</u>	<u>(8,904)</u>
Loss from operating activities	4	(29,434)	(1,548)	(119,605)	(2,696)
Finance costs		-	-	-	-
Loss before taxation		(29,434)	(1,548)	(119,605)	(2,696)
Income tax expense	5	-	-	-	-
Net loss attributable to equity holders of the Company		<u>(29,434)</u>	<u>(1,548)</u>	<u>(119,605)</u>	<u>(2,696)</u>
Loss per share	7				
Basic		<u>(HK\$0.013)</u>	<u>(HK\$0.004)</u>	<u>(HK\$0.059)</u>	<u>(HK\$0.007)</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

		As at	
		31 January 2008 <i>HK\$'000</i> (Unaudited)	31 July 2007 <i>HK\$'000</i> (Audited)
	Notes		
<b>Non-current assets</b>			
Plant and equipment	8	883	524
Investment in a jointly-controlled entity	9	—	—
		<u>883</u>	<u>524</u>
<b>Current assets</b>			
Trade receivables	10	61	198
Deposits, prepayments and other receivables	11	195,166	94,546
Cash and bank balances		240,587	395,115
		<u>435,814</u>	<u>489,859</u>
<b>Current liabilities</b>			
Trade payables	12	—	50
Deposits received		134	258
Accrued liabilities and other payables		7,421	6,929
		<u>7,555</u>	<u>7,237</u>
<b>Net current assets</b>		<u>428,259</u>	<u>482,622</u>
<b>NET ASSETS</b>		<u>429,142</u>	<u>483,146</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	5,565	5,373
Reserves		423,577	477,773
<b>TOTAL EQUITY</b>		<u>429,142</u>	<u>483,146</u>

## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 January 2008

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 August 2006 (Audited)	3,962	29,686	19,980	-	(57)	(57,735)	(4,164)
Net loss for the six months ended 31 January 2007	-	-	-	-	-	(2,696)	(2,696)
Exchange differences on translation of the financial statements of an overseas subsidiary	-	-	-	-	(7)	-	(7)
Share-based payment expense	-	-	-	5,423	-	-	5,423
As at 31 January 2007 (Unaudited)	<u>3,962</u>	<u>29,686</u>	<u>19,980</u>	<u>5,423</u>	<u>(64)</u>	<u>(60,431)</u>	<u>(1,444)</u>
As at 1 August 2007 (Audited)	<b>5,373</b>	<b>524,950</b>	<b>19,980</b>	<b>36,642</b>	<b>(90)</b>	<b>(103,709)</b>	<b>483,146</b>
Net loss for the six months ended 31 January 2008	-	-	-	-	-	(119,605)	(119,605)
Exchange differences on translation of the financial statements of an overseas subsidiary	-	-	-	-	22	-	22
Share-based payment expense	-	-	-	59,524	-	-	59,524
Lapse of share options	-	(23)	-	-	-	23	-
Issue of new shares upon exercise of share options	<u>192</u>	<u>11,471</u>	<u>-</u>	<u>(5,608)</u>	<u>-</u>	<u>-</u>	<u>6,055</u>
As at 31 January 2008 (Unaudited)	<u><b>5,565</b></u>	<u><b>536,398</b></u>	<u><b>19,980</b></u>	<u><b>90,558</b></u>	<u><b>(68)</b></u>	<u><b>(223,291)</b></u>	<u><b>429,142</b></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 January 2008

	For the six months ended 31 January	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash outflow from operating activities	(76,532)	(3,551)
Net cash outflow from investing activities	(84,073)	(20)
Net cash inflow from financing activities	<u>6,056</u>	<u>3,280</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(154,549)</b>	<b>(291)</b>
Effect of foreign exchange rates changes	21	5
Cash and cash equivalents at beginning of period	<u>395,115</u>	<u>486</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>240,587</u></b>	<b><u>200</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>240,587</u>	<u>200</u>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules. They have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The principal accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 July 2007. The financial statements are unaudited but have been reviewed by the audit committee of the Company.

### 2. BUSINESS SEGMENTS

The Group’s revenue and results are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented during each of the six months ended 31 January 2007 and 2008.

An analysis of the Group’s unaudited revenue and loss for the Group’s business segments is as follows:

#### For the six months ended 31 January 2008

	Network infrastructure construction solutions segment <i>HK\$'000</i> (Unaudited)	Network infrastructure maintenance and reinforcement services segment <i>HK\$'000</i> (Unaudited)	Other professional value-added solutions and services segment <i>HK\$'000</i> (Unaudited)	Resources income <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue:					
Sales to external customers	<u>334</u>	<u>497</u>	<u>425</u>	-	<u>1,256</u>
Segment results	<u>17</u>	<u>71</u>	<u>(348)</u>	-	<u>(260)</u>
Unallocated income					4,736
Unallocated expenses					<u>(124,081)</u>
Loss from operating activities					(119,605)
Finance cost					-
Loss before tax					(119,605)
Tax					-
Net loss attributable to equity holders of the Company					<u>(119,605)</u>

For the six months ended 31 January 2007

	Network infrastructure construction solutions segment <i>HK\$'000</i> (Unaudited)	Network infrastructure maintenance and reinforcement services segment <i>HK\$'000</i> (Unaudited)	Other professional value-added solutions and services segment <i>HK\$'000</i> (Unaudited)	Resources income <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue:					
Sales to external customers	411	1,655	–	80	2,146
Segment results	21	870	–	80	971
Unallocated income					5,000
Unallocated expenses					(8,667)
Loss from operating activities					(2,696)
Finance cost					–
Loss before tax					(2,696)
Tax					–
Net loss attributable to equity holders of the Company					(2,696)

### 3. OTHER INCOME

	For the three months ended 31 January		For the six months ended 31 January	
	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)
Bank interest income	1,601	–	4,734	–
Waiver of amount due to a director	–	5,000	–	5,000
Sundry income	–	843	–	843
Exchange gain, net	2	–	2	–
Total	1,603	5,843	4,736	5,843

#### 4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	For the three months ended 31 January		For the six months ended 31 January	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Cost of inventories sold	242	151	288	344
Cost of services provided	166	1,124	662	1,437
Depreciation	103	91	186	185
Staff costs (including directors' remuneration)	9,384	1,418	23,828	2,428
Share options expense	–	5,423	59,524	5,423

The cost of services provided includes approximately HK\$131,000 and HK\$334,000 during the three months and six months ended 31 January 2008 respectively (approximately HK\$407,000 and HK\$776,000 for the three months and six months ended 31 January 2007 respectively) relating to staff cost, which also included in the total amount of staff costs disclosed separately above.

#### 5. INCOME 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 six months ended 31 January 2008 (three months and six months ended 31 January 2007: Nil). No provision for corporate income tax for subsidiaries and a jointly-controlled entity established and operated in Mainland China (2007: Nil) has been made as no assessable profits arose from their operations during the period. The statutory tax rate for Hong Kong profits tax is 17.5% (2007: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2007: 33%).

#### 6. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 31 January 2008 (2007: Nil).

## 7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the three months and six months ended 31 January 2008 of approximately HK\$29,434,000 and HK\$119,605,000 respectively (three months and six months ended 31 January 2007 of approximately HK\$1,548,000 and HK\$2,696,000 respectively) and the weighted average number of approximately 2,225,776,000 and 2,044,395,000 ordinary shares issued during the three months and six months ended 31 January 2008 respectively (three months and six months ended 31 January 2007 are both 396,180,000 shares).

	Number of shares			
	For the three months ended		For the six months ended	
	31 January 2008 '000 (unaudited)	31 January 2007 '000 (unaudited)	31 January 2008 '000 (unaudited)	31 January 2007 '000 (unaudited)
Issued ordinary shares at beginning of period	2,225,680	396,180	1,074,546	396,180
Effect of share subdivision	–	–	923,026	–
Effect of exercise of share options	96	–	46,823	–
	<u>2,225,776</u>	<u>396,180</u>	<u>2,044,395</u>	<u>396,180</u>
Weighted average number of ordinary shares	<u>2,225,776</u>	<u>396,180</u>	<u>2,044,395</u>	<u>396,180</u>

Diluted loss per share for the three months and six months ended 31 January 2008 (2007: No diluted loss per share has been presented as there was not in issue any securities with potential dilutive effect in the relevant periods) has not been presented, as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the respective periods.

## 8. PLANT AND EQUIPMENT

	<i>HK\$'000</i> <b>(Unaudited)</b>
Cost:	
At 1 August 2007	2,486
Additions	561
Disposal	–
Written off	(45)
Exchange difference	5
	<u>3,007</u>
At 31 January 2008	<u>3,007</u>
Accumulated depreciation:	
At 1 August 2007	1,962
Provided during the period	187
Disposal	–
Written off	(29)
Exchange difference	4
	<u>2,124</u>
At 31 January 2008	<u>2,124</u>
Net book value:	
As at 31 January 2008 (Unaudited)	<u><b>883</b></u>
As at 31 July 2007 (Audited)	<u>524</u>

## 9. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	<b>As at 31 January 2008 HK\$'000 (Unaudited)</b>	<b>As at 31 July 2007 HK\$'000 (Audited)</b>
Share of net assets	<b>1,458</b>	1,458
Provision for impairment	<b>1,458</b>	(1,458)
	<u><b>–</b></u>	<u>–</u>

Equity accounting is discontinued from the date on which the Group ceases to have joint control over, or have significant influence in, a jointly controlled entity. When the carrying amount of the investment in the jointly controlled entity reaches zero, equity accounting is discontinued unless the Group has obligations or guaranteed obligations in respect of the jointly controlled entity.

Particulars of the jointly-controlled entity are as follows:

<b>Name</b>	<b>Business structure</b>	<b>Place of incorporation/ registration and operations</b>	<b>Principal activities</b>
杭州軟均信息系統 工程監理有限公司 ("Hangzhou JV")	Corporate	People's republic of China	Provision of information technology consulting services

Hangzhou JV is a sino-foreign equity joint enterprise established by Sys Solutions System Management Limited ("Sys Solutions System Management") and a joint venturer (the "JV Partner") in Mainland China for a period of 20 years commencing from the date of issuance of its business licence of 10 October 2003.

Pursuant to an equity transfer agreement dated 31 October 2007 entered into between Sys Solutions System Management and the JV Partner, the JV Partner acquired a 50% equity interest in Hangzhou JV from Sys Solutions System Management for nil cash consideration. The acquisition was completed on 22 November 2007.

#### 10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

An aged analysis of the trade receivables of the Group (net of impairment losses for bad and doubtful debts) as at the balance sheet date, based on the invoice date, is as follows:

	<b>As at 31 January 2008 HK\$'000 (Unaudited)</b>	<b>As at 31 July 2007 HK\$'000 (Audited)</b>
Within 30 days	9	138
Between 31 – 60 days	44	60
Between 61 – 90 days	8	–
	<u>61</u>	<u>198</u>

The carrying amounts of trade receivables approximate to their fair values.

## 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 31 January 2008 HK\$'000 (Unaudited)</b>	<b>As at 31 July 2007 HK\$'000 (Audited)</b>
Deposits, prepayment and other receivables	<b><u>195,166</u></b>	<b><u>94,546</u></b>

On 10 April 2007, the Company entered into an exclusivity agreement (the "Exclusivity Agreement") with Global Richland Investment Limited ("Global Richland"), an independent third party, pursuant to which Global Richland had agreed to, among others, grant an exclusivity period of six months, to the Company for conducting due diligence on Allied Resources, a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources. On 19 July 2007 and 16 August 2007, the Company entered into two supplemental deeds to the Exclusivity Agreement with Global Richland (the "Supplemental Deeds"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period contained in the Exclusivity Agreement from 9 October 2007 to and including 31 December 2007. Up to 31 January 2008, an aggregate of HK\$178 million refundable deposits have been paid by the Company to Global Richland under the Exclusivity Agreement, the Supplemental Deeds and the sale and purchase agreement dated 14 September 2007 (the "SP Agreement").

## 12. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the balance sheet date, based on the invoice date, is as follows:

	<b>As at 31 January 2008 HK\$'000 (Unaudited)</b>	<b>As at 31 July 2007 HK\$'000 (Audited)</b>
Within 30 days	<b><u>-</u></b>	<b><u>50</u></b>

The carrying amounts of trade payables approximate to their fair values.

### 13. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 31 January 2008 '000 (Unaudited)	As at 31 July 2007 '000 (Audited)	As at 31 January 2008 HK'000 (Unaudited)	As at 31 July 2007 HK\$'000 (Audited)
<b>Authorised:</b>				
As at 1 August 2007 and 31 July 2007				
Ordinary shares of HK\$0.005 each	10,000,000	10,000,000	50,000	50,000
Share subdivision on 29 August 2007	10,000,000	—	—	—
<b>As at 31 January 2008 and 31 July 2007</b>				
Ordinary share of HK\$0.0025 each and HK\$0.005 each respectively	20,000,000	10,000,000	50,000	50,000
<b>Issued and fully paid:</b>				
As at 1 August 2007 and 31 July 2007				
Ordinary shares of HK\$0.005 each	1,074,546	1,074,546	5,373	5,373
Issue of new shares upon exercise of share options on 6 August 2007	14,152	—	70	—
	1,088,698	1,074,546	5,443	5,373
Share subdivision on 29 August 2007	1,088,698	—	—	—
Issue of new shares upon exercise of share options from 1 September 2007 to 31 January 2008	48,686	—	122	—
<b>As at 31 January 2008 and 31 July 2007</b>				
Ordinary share of HK\$0.0025 each and HK\$0.005 each respectively	2,226,082	1,074,546	5,565	5,373



#### 14. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 January 2008 HK\$'000 (Unaudited)	As at 31 July 2007 HK\$'000 (Audited)
Within one year	401	504
After one year but within five years	123	–
	<u>524</u>	<u>504</u>

#### 15. RELATED PARTY TRANSACTIONS

a) Particulars of significant transactions between the Group and related parties during the periods are summarised below:

	Notes	For the three months ended 31 January		For the six months ended 31 January	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Pushang Management Services Limited*					
Network infrastructure construction solutions income	(i)	–	41	–	41
Network maintenance and reinforcement services income	(i)	–	27	–	163
Lam Chi Shing					
Waiver of amount due to a director		–	5,000	–	5,000
Chan, Kenny Wing Him					
Cash advance from a director	(ii)	–	1,480	–	1,480

\* Pushang Management Services Limited is a company incorporated in Hong Kong, of which Mr. Lam Chi Shing, the former chairman and a former executive director of the Company, has a beneficial interest. Mr. Lam resigned as the chairman and an executive director of the Company on 20 December 2006.

Notes:

- (i) The directors of the Company considered that the prices and terms of the sales transactions with related companies of the Company approximated to those with independent third parties.
- (ii) The loan is unsecured, interest-free and has no fixed terms of repayment.
- b) Compensation of key management personnel:

	For the three months ended		For the six months ended	
	31 January 2008 HK\$'000 (unaudited)	31 January 2007 HK\$'000 (unaudited)	31 January 2008 HK\$'000 (unaudited)	31 January 2007 HK\$'000 (unaudited)
Fees, salaries and other benefits	8,119	516	21,639	665
Share-based payments	–	2,670	–	2,670
	<b>8,119</b>	<b>3,186</b>	<b>21,639</b>	<b>3,335</b>

#### 16. SHARE-BASED PAYMENT TRANSACTION

The fair value of options granted under the post-IPO share option scheme of the Company, recognised in administrative and operating expenses, amounted HK\$Nil and approximately HK\$59,523,000 for the three months and six months ended 31 January 2008 respectively (approximately HK\$5,423,000 for the three months and six months ended 31 January 2007). The fair values of the outstanding options were derived from Black-Scholes option pricing model by the application of the following bases and assumptions:

Date of Grant	Dividend Yield	Expected Volatility (i)	Risk-free rate (ii)	Price of the Company's shares at grant date of options HK\$ per share
29/10/2007	Nil	321.37%	3.87%	2.440

Notes:

- (i) The expected volatility of the options were calculated based on the annualised historical volatility of the closing price of the shares of the Company for the 12 months immediately preceding the date of grant of the options.
- (ii) The monthly average yield of the Hong Kong Exchange Fund Notes for a period of about 5 years were applied as the risk-free interest rates.
- (iii) The weighted average share price of the Company's shares immediately before the date on which the options were exercised and at the date of exercise of the share options were HK\$2.07 and HK\$2.03 respectively for the six months ended 31 January 2008.
- (iv) The outstanding share options as at 31 January 2008 had a weighted average remaining contractual life of 4.99 years.

## 17. EVENTS AFTER BALANCE SHEET DATE

On 29 February 2008, the Board announced that the acquisition of Allied Resources was completed and all the conditions of the SP Agreement have been fulfilled. 110,000,000 new shares of HK\$0.0025 each at an issue price of HK\$1.708 per share as part of the consideration for the acquisition of Allied Resources were allotted and issued to Global Richland on 29 February 2008. Immediately after completion, the Company currently, through Allied Resources's wholly-owned subsidiary, Jilin Hengli Industries Liability Co., Ltd., holds 50% equity interests in Qian An Oil Development Co., Ltd. ("Qian An"), an equity joint venture company established under the laws of the People's Republic of China (the "PRC"). The other 50% of the equity interests of Qian An is beneficially owned by PetroChina Company Limited, whose "H" shares and American depository shares are listed on the Stock Exchange and the New York Stock Exchange, Inc. respectively.

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

As at 31 January 2008, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### 1. Long positions in ordinary shares of the Company

Name of Directors/ chief executive	No. of shares	Approximate percentage of shareholding	Capacity
Chan Wing Him Kenny	1,182,540,000 <i>(Note)</i>	53.12%	Interest in a controlled corporation
Arthur Ross Gorrell	2,625,000	0.12%	Beneficial owner
Ho Tak Yuen Peter	15,847,200	0.71%	Beneficial owner

*Note:* These shares are held by Colpo Mercantile Inc. ("Colpo"). The entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, the chairman of the Company and an executive Director, who is therefore deemed to be interested in the shares held by Colpo.

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

## 2. Long positions in underlying shares of the Company

Details of options granted to the Directors and chief executive of the Company under the post-IPO share option scheme (the "Post-Scheme") since its adoption and up to 31 January 2008 were as follows:

Name of directors / chief executive	Date of grant	Exercise period	Subscription price per share (HK\$)	No. of underlying shares			
				comprising the options granted <sup>(1)</sup>	comprising the options exercised	comprising the options lapsed	comprising the options outstanding
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	15,847,200
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	2,000,000
Chan Man Ching	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	(15,847,200) <sup>(2)</sup>	-	-
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	2,000,000
Arthur Ross Gorrell	22/6/2007	22/6/2007 to 24/1/2013	1.365	1,500,000	-	-	1,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	700,000	-	-	700,000
Ho Tak Yuen Peter	18/1/2007	18/1/2007 to 24/1/2013	0.0635	15,847,200	(15,847,200)	-	-
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	2,000,000

### Notes:

- (1) Resolution was passed at the extraordinary general meeting of the Company held on 28 August 2007 in respect of the subdivision of every issued and unissued ordinary share of HK\$0.005 each in the capital of the Company into 2 shares of HK\$0.0025 each.
- (2) As at 31 January 2008, Mr. Chan Man Ching, an executive Director, disposed of all these shares.

Save as disclosed above, as at 31 January 2008, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 January 2008, the following interests and short positions of 5% or more of the issued share capital of the Company held by the following parties (other than Directors or chief executive of the Company) which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Capacity and nature of interest</b>	<b>Approximate percentage of shareholding</b>
<b>Substantial shareholder</b>			
Colpo Mercantile Inc.	1,182,540,000 (Note)	Directly beneficially owned	53.12%
<b>Other shareholder(s)</b>			
Fortis Investment Management SA	178,940,000	Directly beneficially owned	8.03%
Legg Mason Inc	153,832,000	Investment manager	6.91%

Note: The entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, the chairman of the Company and an executive Director, who is therefore deemed to be interested in 1,182,540,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,182,540,000 shares in the Company held through Colpo have also been set out in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as disclosed above, as at 31 January 2008, no person (other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had registered an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or was required to be recorded pursuant to Section 336 of the SFO.

## **SHARE OPTION SCHEMES**

- (i) On 25 January 2003, the rules of a share option scheme (the "Pre-Scheme") were approved and adopted pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate of 7.84% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at subscription prices ranging from HK\$0.11 to HK\$0.27 per share. Each grantee has paid HK\$1 to the Company as consideration for such grant. No further

options can be granted under the Pre-Scheme after the listing of the Company's shares on GEM. All these options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than four years from the listing date. As of 31 January 2008, all share options granted under the Pre-Scheme were lapsed.

- (ii) On 25 January 2003, the rules of the Post-Scheme were approved and adopted pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The Board may, at its discretion, grant options to any employees, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive directors, to subscribe for shares of the Company. The Post-Scheme remains in force for a period of ten years with effect from 25 January 2003.

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

The exercise price for shares under the Post-Scheme may be determined by the Board at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

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

The options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence after the date of grant of the option and expire on such date as determined by the Board in any event no later than 10 years from the date of the grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option under the Post-Scheme.

As at 31 January 2008, details of the share options granted under the Post-Scheme (including the options granted to Directors and chief executive of the Company disclosed in the sub-section headed “Long position in underlying shares of the Company” under the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES”) were as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of Share Options				As at 31 January 2008
				As at 1 August 2007	Granted during the six-month period	Lapsed during the six-month period	Exercised during the six-month period	
<b>Directors, chief executive, management shareholders or substantial shareholders or their respective associates:</b>								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	-	15,847,200
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	-	2,000,000
Chan Man Ching	29/12/2006	29/12/2006 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	-	2,000,000
Arthur Ross Gorrell	22/6/2007	22/6/2007 to 24/1/2013	1.365	1,500,000	-	-	-	1,500,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	N/A	700,000	-	-	700,000
Ho Tak Yuen Peter	18/1/2007	18/1/2007 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	22/6/2007	22/6/2007 to 24/1/2013	1.365	2,000,000	-	-	-	2,000,000
				55,041,600	700,000	-	(31,694,400)	24,047,200
<b>Other employees:</b>								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.0635	15,847,200	-	-	(15,847,200)	-
	26/4/2007	26/4/2007 to 24/1/2013	0.579	400,000	-	-	(200,000)	200,000
				16,247,200	-	-	(16,047,200)	200,000
<b>Others:</b>								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.0635	21,847,200	-	-	(20,847,200)	1,000,000
	20/3/2007	20/3/2007 to 24/1/2013	0.1125	24,840,000	-	-	(7,800,000)	17,040,000
	26/4/2007	26/4/2007 to 24/1/2013	0.579	1,400,000	-	(40,000)	(400,000)	960,000
	22/6/2007	22/6/2007 to 24/1/2013	1.365	13,000,000	-	-	-	13,000,000
	29/10/2007	29/10/2007 to 24/1/2013	2.440	N/A	23,700,000	-	(200,000)	23,500,000
				61,087,200	23,700,000	(40,000)	(29,247,200)	55,500,000
Total:				132,376,000	24,400,000	(40,000)	(76,988,800)	79,747,200
Weighted average exercise price per share (HK\$)				0.2813	2.440	0.579	0.0787	1.1372

Note: The exercise price and number of share options were adjusted upon the subdivision of shares of the Company which came to effect on 29 August 2007.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the period under review.

## **COMPETITION AND CONFLICT OF INTERESTS**

As at 31 January 2008, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates had engaged in any business that competes or may compete with the businesses of the Group, or had any other conflict of interests with the Group.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company had adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 31 January 2008. Having made specific enquiry with all Directors, the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors throughout the six months ended 31 January 2008.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

The Company complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 31 January 2008.

#### *Code Provision B.1.1*

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

#### *Code Provisions B.1.4 and C.3.4*

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



## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (chairman of the Audit Committee), Mr. Lo Chi Kit and Mr. Tam Hang Chuen.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's unaudited results for the six months ended 31 January 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board  
**Chan Wing Him Kenny**  
*Chairman*

Hong Kong, 13 March 2008

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

*This announcement will remain on the website of GEM at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days and on the website of the Company at [www.enviro-energy.com.hk](http://www.enviro-energy.com.hk).*