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)

FINAL RESULTS ANNOUNCEMENT FOR THE SEVENTEEN-MONTH PERIOD ENDED 31 DECEMBER 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors ("**Directors**") of Enviro Energy International Holdings Limited ("**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 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.*

CHAIRMAN'S STATEMENT

I am pleased to present you the report of Enviro Energy International Holdings Limited (the "**Company**", together with its subsidiaries and jointly-controlled entities, the "**Group**" or "**Enviro Energy**") for the seventeen-month ended 31 December 2008.

Over the past seventeen-month period, public debate about energy policy, energy security and climate change has intensified against rising demand for energy. As the global economy struggles to undertake these critical issues, the energy sector is feeling the pressure to re-evaluate its business practices.

Nowadays, countries can no longer brand green investment as a luxury the world cannot afford, as enormous investment in the world's energy infrastructure is required in order to address the twin threats of energy insecurity and climate change. The pressing need for energy and environmental sustainability are not only a problem, but creates an opportunity for investors when measured on a risk-adjusted and total return basis. Moreover, within the energy sector, the evolving regulatory environment will have clear financial impacts on business models with high carbon exposure. Many segments of the energy industry will strengthen during this transition and deliver absolute return to investors.

In light of the above, during the seventeen-month period, the Group upheld its objective to invest in energy-related projects that are aligned with our corporate social responsibility to address some of the factors contributing to today's climate change, with a view to maximising shareholders' value.

During the reporting period, the Group reached its momentous milestones by completing two acquisitions and entering into a joint co-operation arrangement which reinforced the Group's strategic position in the People's Republic of China ("**PRC**") and in the energy industry.

In February 2008, we acquired Qian An Oil Development Co., Ltd. ("**Qian An**") and its results are accounted for under the equity accounting method in the Group's consolidated financial statements. In October 2008, we acquired a 63.91% controlling interests in TerraWest Energy Corp. ("**TWE**") which enabled the Group to be involved in the exploration and development of coalbed methane ("**CBM**") with the exclusive cooperation with China United Coalbed Methane Corporation Limited ("**CUCBM**"). From October to November 2008, TWE initiated and completed a two-well program of drilling activity and testing in Junggar Basin. TWE is scheduled to resume its drilling program in the Spring of 2009. Subsequent to the financial period end, the Company's indirect interests in TWE was diluted from 63.91% to 58.17%.

In January 2008, the Company entered into a joint venture agreement with Petromin Resources Limited ("**Petromin**") of Canada, and CUCBM in respect of Un-mineable Coal CO_2 Sequestration and Enhanced CBM Project ("**JV Project**"). The JV Project is supported by the Ministry of Science and Technology of the PRC and will involve injecting CO_2 into a coal formation to test CO_2 storage and enhanced CBM ("**ECBM**") production. We target to complete site selection and CO_2 injection program design before the end of 2009.

In recent years, the Group has been actively promoting different measures to reduce harmful emissions that are contributing to the increase in global warming, placing particular emphasis towards reducing CO_2 emissions. As a green energy pioneer, Enviro Energy has a responsible and world-class management team, which, I am pleased to announce, has been further strengthened and refined by increasing the role of key executives and appointing, among others, geological experts and engineers, financial experts and lawyer, who have extensive experience in their respective fields, to the technical, corporate finance and legal teams, respectively. As a team, we place tireless effort towards promoting and implementing different energy projects which contribute to reducing the production of greenhouse emissions via our access to technologies such as ECBM and carbon capture and storage ("**CCS**"). Our goal is to play an active role in achieving energy efficiency and sustainable development in the PRC and overseas.

With respect to corporate social responsibility, reflecting the Group's continued emphasis on environmental protection and reduction of CO_2 emission, in January 2008, the Company was honored with the "**Great Potential Energy Enterprise**" award in the "**8th Capital Outstanding Enterprise Awards**" presented by Capital magazine, a prominent financial magazine in Hong Kong. The awards are in recognition and acknowledgement of the excellent performance of listed companies in Hong Kong during 2007/08 in the areas of management and contribution to advancements of their respective industries.

For the seventeen-month period ended 31 December 2008, profit attributable to equity holders of the Company was approximately HK$18 million (Year ended 31 July 2007: Loss of approximately HK$46 million). Basic earnings per share for the seventeen-month period ended 31 December 2008 amounted to HK0.80 cents (Year ended 31 July 2007: Loss per share of HK4.22 cents).

Looking ahead to 2009, while the prospect of adapting Asia's energy system to use clean technology is daunting, addressing climate change presents significant business opportunities. Clean energy technologies such as ECBM and CCS will be part of the solution. The International Energy Agency recently noted that governments must take the lead by providing direct financing or financial incentives for CCS demonstration projects. Moreover, the G8 countries have announced that 20 large-scale CCS projects must be committed by 2010 at a cost of US$30 billion to US$50 billion.

With strong growth in demand for energy and large investments requirements over the coming years, supportive regulators should enable clean energy companies to create value for shareholders. Enviro Energy believes changes in market structure and regulations which have recently taken place, are planned, or have been proposed, notably in the PRC and the United States, will have far reaching consequences for the energy industry and will create opportunities for sophisticated investors. Long-term strategies for lower-carbon product lines may establish a market leadership position for the Group.

Based on the above, the Group's future development objectives remain committed to focusing on revenue-generating, advanced, low-risk energy development investment projects as well as opportunities to increase oil and natural gas reserves in the PRC and elsewhere while seeking opportunities to incorporate CO_2 sequestration and storage into enhanced production; and on easing factors that are contributing to global warming.

On behalf of the board of Directors of the Company ("**Board**"), I would like to take this opportunity to express my sincere appreciation to our valued shareholders and business associates for their encouraging support, and to our team for their remarkable contributions to the rapid development of the Group and in making our vision a profitable reality for our shareholders. Let us excel to a higher plateau together in the coming years!

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was originally engaged in the business of Information Technology ("**IT**") solutions and services. However, due to increasing labour costs and keen price competition, and after careful evaluation and assessment of the business environment and operational performance of this business segment, management decided to scale-down the IT solutions and services business in July 2008 to minimize the Group's exposure to this market.

The Group is now focused on securing energy-related projects involving conventional oil, non-conventional natural gas and state-of-the-art oil and gas related environmental technologies.

Business review

Conventional oil

On 29 February 2008, the Company acquired 50% equity interests of Qian An. As a result, the Company is interested as to 50% in the oilfield of Qian An ("**Qian An Oilfield**") and the other 50% is owned and operated by PetroChina Company Ltd. ("**PetroChina**"). Qian An Oilfield is an operating oilfield with average production of approximately 352 barrels per day in 2008.

During 2008, the price of international crude oil experienced a dramatic increase in the first half of the year, reaching a historical high. However, with the global economic crisis, the crude oil price sank to approximately US$40 per barrel in December 2008, declining by more than 70% since the peak in mid-July 2008. The resulting oil price slide led to the decision by PetroChina as operator to decrease production levels at Qian An Oilfield since November 2008 and therefore affected the Group's share of post-acquisition profit and the relevant goodwill as at 31 December 2008.

Non-conventional natural gas

On 13 October 2008, the Company successfully acquired the entire issued share capital of Chavis International Limited ("**Chavis**"). Chavis currently owns approximately 58.17% of the existing issued common voting and preference shares of TWE, a private Canadian-incorporated company engaged in the exploration and development of CBM.

Currently, TWE holds a 47% interest in a production sharing contract ("**PSC**") with CUCBM in the PRC. The area of the PSC is leased out by PetroChina and covers 655 square kilometers (approximately 162,000 acres) of prospective land in the southern Junggar Basin adjacent to Urumqi, the capital city of Xinjiang, the PRC. The Junggar Basin is an active hydrocarbon producing region and natural gas pipeline infrastructure is in place. There are operating coal mines within the PSC area which are known to have extensive coal resources. The Urumqi city area is a growing market for natural gas and the area is linked to the transnational West-East pipeline which can carry natural gas to eastern PRC markets. A second West-East gas pipeline is under construction with a portion of the line crossing the PSC area. During October 2008 and November 2008, TWE initiated and completed a two-well program of drilling activity and testing in the PSC area.

Environmental

On 25 January 2008, supported by the Ministry of Science and Technology of the PRC, the Company executed a cooperative joint venture agreement ("**JV Agreement**") in respect of Un-mineable Coal CO_2 Sequestration and Enhanced CBM Project with Petromin. Pursuant to the JV Agreement, the Company holds a 20% participating interest in the JV Project which involves injecting CO_2 into a coal formation to test CO_2 storage and enhanced CBM production. Site selection and CO_2 injection program design are expected to be undertaken before the end of 2009. CUCBM operates the pilot project and the Group's technology partner, the Alberta Research Council of Canada, will provide expert consulting services.

Business prospects

Looking ahead, the Group's future business will focus on revenue-generating, advanced, low-risk energy development investment projects as well as opportunities to increase oil and natural gas reserves in the PRC and elsewhere while seeking opportunities to incorporate CO_2 sequestration and storage into enhanced production.

During the seventeen-month period ended 31 December 2008, global energy markets, reflecting the economy at large, went through an enormous swing from record high prices to cyclical lows. The Group remains optimistic that a recovery in energy commodity prices will occur in a timely fashion. Additionally, global concern over climate change will ensure continuing emphasis on sustainable development and mitigation of greenhouse gas emissions from hydrocarbon use.

Looking ahead at the Qian An operation in 2009, the Directors believe that with the expected return to higher petroleum prices, Qian An production will return to planned levels. The Group had carried out a technical feasibility study for the future development of Qian An Oilfield after 2008. The Group is confident that the petroleum price will rebound and further study will result in an increase in proven reserves, oil recovery and production at Qian An.

In respect of CBM, given the high demand for clean energy and concerns over environmental issues, CBM is regarded as a key source of alternative clean energy which can ease the acute shortage of natural gas in various regions of the world. In the PRC, reflecting the central government's policy to diversify energy sources, particularly to ease the growth of coal utilisation and develop domestic energy resources, a number of favorable policies and incentives to encourage CBM exploration and utilisation have been implemented. These policies and incentives include value-added tax waiver, corporate income tax relief, preferable access to pipeline transportation and CBM gas sales price subsidy. Under the 11th Five-year Plan, the PRC aims to achieve more than 10 billion cubic meters annual CBM production by 2010. The PRC is considered as one of the most prospective regions in the world for CBM development based on its widespread and high quality coal resources.

Financial review

The Board resolved in August 2008 to change the financial year-end date from 31 July to 31 December in order to ensure the Company's financial year end date is coterminous with those of its subsidiaries and jointly-controlled entities. Accordingly, these consolidated financial statements for the period under review covered the seventeen-month period from 1 August

2007 to 31 December 2008 ("**seventeen-month period**"). The corresponding comparative figures covered a twelve-month period from 1 August 2006 to 31 July 2007 ("**2007**") and therefore may not be comparable with amounts shown for the current period.

IT and network infrastructure segment

For the seventeen-month period, the Group recorded an audited revenue of approximately HK$2.2 million (2007: HK$3.4 million) from the IT and network infrastructure segment. The decrease of revenue was mainly due to the severe competition and the Group's change of core business from IT and network infrastructure to energy-related business.

The management decided to scale-down the IT solutions and services business in July 2008 to minimize the Group's exposure to this market.

Oil and gas segment

The Group acquired 63.91% controlling stake in TWE at a consideration of US$4.031 million (equivalent to approximately HK$31.44 million) from an independent third party on 13 October 2008. In accordance with HKFRS 3 "Business Combination", the excess of 63.91% net fair value of TWE's identifiable assets, liabilities and contingent liabilities over the acquisition cost of US$4.031 million, a discount on acquisition of approximately HK$368 million was credited to the consolidated income statement for the seventeen-month period.

The Group recognised a post-acquisition profit of a jointly-controlled entity in the PRC of approximately HK$4.8 million and an impairment loss of goodwill of approximately HK$199 million resulted from significant drop in crude oil price since mid-July 2008 during the seventeen-month period.

Upon in-depth discussion with the Company's auditor, the Directors agreed with the views of the auditor that no intangible asset is identified in the acquisition of Qian An through Allied Resources Limited ("**Allied**"). According to HKAS 38, an intangible asset meets the identifiable criteria only if it is separable or arises from contractual or other legal rights. Except for a joint venture agreement signed between Jilin Hengli Industries Liability Co., Ltd. and PetroChina dated 1 November 2002 (the "**Qian An JV Agreement**"), there is no further exclusivity agreement in drilling and distribution of crude oil entered into between Qian An and PetroChina. In view of the fact that the intangible asset is not separately identified, a positive goodwill of approximately HK$290 million is therefore recognised, being the excess of the cost of acquisition over the Group's interest in the value of the identifiable assets, liabilities and contingent liabilities of the Allied group.

This is contrary to the view adopted earlier by the Directors in their unaudited results for the nine-month period ended 30 April 2008, twelve-month period ended 31 July 2008 and fifteen-month period ended 31 October 2008 where a contractual-based intangible asset amounting to approximately HK$74 million, HK$47 million and HK$20 million, respectively, was recognised in the acquisition of Qian An through Allied, which resulted in a negative goodwill of approximately HK$223 million for the three different reporting periods. The Directors held the view that the Qian An JV Agreement conferred an exclusive drilling right to Qian An by PetroChina and is therefore identifiable and separable, the criteria of recognition of the intangible asset was met. With the finalisation of the seventeen-month period audit, the Directors had a detailed review of the recognition and taken into cognisance the interpretation adopted by the auditor of the accounting standards, the Directors concur with the current approach adopted.

Net exchange loss for the seventeen-month period was approximately HK$4.6 million (2007: Nil). The net exchange loss was mainly due to the combined effect of the appreciation of Renminbi against the Canadian dollars and US dollars.

Remuneration and employee compensation costs, including Directors' emoluments, totaled approximately HK$36 million for the seventeen-month period (2007: HK$20 million). The increase was mainly attributable to (1) an increase in the level of salaries resulted from the expansion in the scale of operations; and (2) an increase in performance bonuses to employees who worked for the benefit of the Group and contributed to the success in acquisition of the energy-related projects during the seventeen-month period.

Other administrative and operating expenses amounted to approximately HK$92.4 million (2007: HK$5 million) for the seventeen-month period. The substantial increase in administrative and operating expenses was primarily due to (1) larger scale of operation; (2) additional legal and professional fees resulted from the two energy-related acquisitions; (3) development expenses for newly acquired energy-related projects and exploration of potential merger and acquisition energy-related projects; and (4) increased resources allocated to promoting the Group's corporate image and capabilities.

As a result of the factors discussed above, profit attributable to equity holders of the Company amounted to approximately HK$18 million (2007: Loss of approximately HK$46 million) and EBITDA (earnings before interest, tax, depreciation and amortisation) amounted to approximately HK$22 million (2007: Loss of approximately HK$45 million) for the seventeen-month period.

Liquidity and financial resources

For the seventeen-month period, 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 3.2 times as at 31 December 2008 and 67.7 times as at 31 July 2007.

As at 31 December 2008, the Group had audited net assets of approximately HK$862 million (31 July 2007: HK$483 million). The substantial increase was mainly due to the recognition of an intangible asset and exploration and evaluation assets resulted from the acquisition of TWE on 13 October 2008.

As at 31 December 2008, the Group maintained a debt-free capital structure and did not have any charge on its assets (31 July 2007: Nil).

As at 31 December 2008, the Group had no payables incurred which were not in the ordinary course of business and accordingly the gearing ratio was nil (31 July 2007: Nil).

Significant investments and future plans for material investments

As at 31 December 2008, the Group had contracted but not provided for capital commitments amounted to approximately HK$22 million.

The Group will continue to explore new opportunities in energy-related projects and to look for potential investments in the PRC and overseas.

Material acquisitions 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 50% interest in Qian An through Allied at a total consideration of approximately HK$366 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.

Also detailed in the circular of the Company dated 6 October 2008, the completion of the acquisition of 63.91% interest in TWE through Chavis at a total consideration of US$4.031 million, which was to be satisfied by the payment in cash of US$1.031 million and the issue of 93,600,000 new ordinary shares of HK$0.0025 each by the Company at an issue price of HK$0.25 per share, took place on 13 October 2008. Subsequent to the balance sheet date on 11 February 2009, 16,666,667 warrants of TWE were exercised. As a result, the Group's controlling interest in TWE was diluted from 63.91% to 58.17%.

Save as disclosed above, there were no other material acquisitions/disposals which would have been required to be disclosed under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**").

Segmental information

Details of the segment information are set out in note 2 to the consolidated financial statements.

Employee's information

As at 31 December 2008, the Group had 21 full-time employees (31 July 2007: 18) working in Hong Kong and the PRC. The total employees' compensation costs, including Directors' emoluments, amounted to approximately HK$36 million for the seventeen-month period (2007: HK$20 million). 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.

Foreign exchange exposure

The Group mainly earned revenue and incurred costs in Hong Kong dollars, Renminbi, Canadian dollars and US dollars. Risk on exposure to fluctuation in exchange rates was insignificant to the Group despite there was fluctuation in the exchange rates between Renminbi against US dollars and Canadian dollars. The Directors and senior management will continue to monitor closely the exchange risk and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

On 29 February 2008, the Group acquired 100% of the issued share capital of Allied. Save for the amount due to the holding company of approximately HK$82,594,000, the accrued liabilities and other payables of approximately HK$28,069,000, the vendor, Global Richland Investment Limited, has agreed to indemnify the Group in respect of, among other matters, any losses or expenses incurred by the Group in respect of any other liabilities, tax provision, contingent liabilities and commitments of not exceeding in aggregate of HK$365.88 million and any liability incurred by the Group relating to tax and/or relief on or before the six anniversary of the date of completion, i.e. 28 February 2014.

On 13 October 2008, the Group acquired 100% of the issued share capital of Chavis. Save for the accrued liabilities and other payables disclosed in the unaudited consolidated financial statements of Chavis and its subsidiary as at 31 July 2008, the vendor, Ms. Cheng Miu Fong, has agreed to indemnify the Group in respect of, among other matters, any losses or expenses incurred by the Group in respect of any other liabilities, tax provision, contingent liabilities and commitments of not exceeding in aggregate of US$4.031 million and any liability incurred by the Group relating to tax and/or relief on or before the six anniversary of the date of completion, i.e. 12 October 2014.

CONSOLIDATED INCOME STATEMENT

The Board of the Company is pleased to announce the audited consolidated results of the Group for the period from 1 August 2007 to 31 December 2008, together with the comparative audited figures for the year ended 31 July 2007 as follows:

	Notes	**Period from 1 August 2007 to 31 December 2008** *HK$'000*	Year ended 31 July 2007 *HK$'000*
Revenue	*3*	**2,213**	3,374
Cost of sales		**(1,818)**	(2,865)
Gross profit		**395**	509
Other operating income	*3*	**6,833**	6,151
Discount on acquisition		**367,973**	–
Impairment loss of goodwill		**(199,380)**	–
Share-based payments		**(32,868)**	(37,228)
Administrative and operating expenses		**(133,233)**	(15,406)
Share of results of jointly-controlled entities		**4,754**	–
Profit/(loss) before taxation	*4*	**14,474**	(45,974)
Income tax	*5*	**1,679**	–
Profit/(loss) for the period/year		**16,153**	(45,974)
Attributable to:			
Equity holders of the Company		**18,346**	(45,974)
Minority interests		**(2,193)**	–
		16,153	(45,974)
Earnings/(loss) per share	*6*		
Basic		**HK0.80 cents**	(HK4.22 cents)
Diluted		**HK0.78 cents**	N/A

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	As at 31 December 2008 HK$'000	As at 31 July 2007 HK$'000
Non-current assets			
Plant and equipment		**4,198**	524
Intangible assets		**819,744**	–
Goodwill		**90,451**	–
Interests in jointly-controlled entities		**9,817**	–
Available-for-sale investments		**659**	–
Exploration and evaluation assets		**34,422**	–
Club memberships		**2,370**	–
		961,661	524
Current assets			
Trade receivables	*7*	**86**	198
Deposits, prepayments and other receivables		**4,895**	94,546
Dividend receivable from a jointly-controlled entity		**14,694**	–
Bank balances and cash		**133,740**	395,115
		153,415	489,859
Current liabilities			
Trade payables	*8*	**12,251**	51
Accrued liabilities and other payables		**35,607**	7,186
Amount due to a Director		**80**	–
		47,938	7,237
Net current assets		**105,477**	482,622
Total assets less current liabilities		**1,067,138**	483,146
Non-current liabilities			
Deferred tax liabilities		**204,936**	–
Net assets		**862,202**	483,146
Capital and reserves			
Share capital		**5,842**	5,373
Share premium and reserves		**625,058**	477,773
Equity attributable to equity holders of the Company		**630,900**	483,146
Minority interests		**231,302**	–
Total equity		**862,202**	483,146

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 August 2007 to 31 December 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Available-for-sale investments reserve	Share options reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 August 2006	3,962	29,686	19,980	–	–	(57)	(57,735)	(4,164)	–	(4,164)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(33)	–	(33)	–	(33)
Loss for the year	–	–	–	–	–	–	(45,974)	(45,974)	–	(45,974)
Total expenses recognised for the year	–	–	–	–	–	(33)	(45,974)	(46,007)	–	(46,007)
Issue of new shares	1,385	504,893	–	–	–	–	–	506,278	–	506,278
Recognition of equity settled share-based payments	–	–	–	–	37,228	–	–	37,228	–	37,228
Exercise of share options	26	1,208	–	–	(586)	–	–	648	–	648
Share issue expenses	–	(10,837)	–	–	–	–	–	(10,837)	–	(10,837)
As at 31 July 2007 and 1 August 2007	5,373	524,950	19,980	–	36,642	(90)	(103,709)	483,146	–	483,146
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(16,683)	–	(16,683)	(10,510)	(27,193)
Loss on fair value changes of available-for-sale investments	–	–	–	(2,922)	–	–	–	(2,922)	–	(2,922)
Total income and expenses recognised directly in equity for the period	–	–	–	(2,922)	–	(16,683)	–	(19,605)	(10,510)	(30,115)
Profit for the period	–	–	–	–	–	–	18,346	18,346	(2,193)	16,153
Total income and expenses recognised for the period	–	–	–	(2,922)	–	(16,683)	18,346	(1,259)	(12,703)	(13,962)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	244,005	244,005
Recognition of equity settled share-based payments	–	–	–	–	32,868	–	–	32,868	–	32,868
Exercise of share options	194	11,428	–	–	(5,477)	–	–	6,145	–	6,145
Forfeiture of share options	–	–	–	–	(5,482)	–	5,482	–	–	–
Issue of new shares	275	109,725	–	–	–	–	–	110,000	–	110,000
As at 31 December 2008	**5,842**	**646,103**	**19,980**	**(2,922)**	**58,551**	**(16,773)**	**(79,881)**	**630,900**	**231,302**	**862,202**

CONSOLIDATED CASH FLOW STATEMENT
For the period from 1 August 2007 to 31 December 2008

	Period from 1 August 2007 to 31 December 2008	Year ended 31 July 2007
	HK$'000	*HK$'000*
Operating activities		
Profit / (loss) before taxation	**14,474**	(45,974)
Adjustments for:		
Bank interest income	**(6,833)**	(211)
Discount on acquisition	**(367,973)**	–
Waiver of amount due to a Director	**–**	(4,987)
Write down of inventories	**–**	13
Depreciation of plant and equipment	**1,033**	515
Write off of plant and equipment	**219**	21
Amortisation of intangible assets	**6,716**	–
Impairment loss of goodwill	**199,380**	–
Share of results of jointly-controlled entities	**(4,754)**	–
Share-based payments	**32,868**	37,228
Operating cash flow before movements in working capital	**(124,870)**	(13,395)
Increase in inventories	**–**	(10)
Decrease in trade receivables	**112**	497
Decrease in deposits, prepayments and other receivables	**8,996**	233
Increase/(decrease) in trade payables	**10,698**	(1,476)
(Decrease)/increase in accrued liabilities and other payables	**(53,077)**	4,688
Net cash used in operating activities	**(158,141)**	(9,463)
Investing activities		
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	**(86,707)**	–
Addition to exploration and evaluation assets	**(18,742)**	–
Purchase of plant and equipment	**(5,230)**	(373)
Purchase of available-for-sale investments	**(3,581)**	–
Purchase of club memberships	**(2,370)**	–
Bank interest received	**6,833**	211
Proceeds from disposal of plant and equipment	**332**	–
Deposit paid for acquisition of a subsidiary	**–**	(93,600)
Net cash used in investing activities	**(109,465)**	(93,762)

	Period from 1 August 2007 to 31 December 2008 *HK$'000*	Year ended 31 July 2007 *HK$'000*
Financing activities		
Proceeds from exercise of share options	**6,145**	648
Increase in amount due to a Director	**80**	1,800
Proceeds from issue of ordinary shares	**–**	506,278
Share issue expenses	**–**	(10,837)
Net cash from financing activities	**6,225**	497,889
Net (decrease)/increase in cash and cash equivalents	**(261,381)**	394,664
Cash and cash equivalents at beginning of period/year	**395,115**	486
Effect of foreign exchange rate changes	**6**	(35)
Cash and cash equivalents at end of period/year, represented by bank balances and cash	**133,740**	395,115

NOTES

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. The consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. They have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value.

The consolidated financial statements for the current period cover the seventeen-month period ended 31 December 2008. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a twelve-month period from 1 August 2006 to 31 July 2007 and therefore may not be comparable with amounts shown for the current seventeen-month period. The change of financial year-end date ensures that the Company's financial year-end date is coterminous with those subsidiaries and jointly-controlled entities operating in the PRC and Canada.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKAS 1(Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendments)	Eligible Hedged Item[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7	Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives[7]
HK (IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

[1] Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods beginning on or after 1 January 2008.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for annual periods ending on or after 30 June 2009.

2. Segment Information

Business segments

Segment information is presented by way of the Group's primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

IT related services

(i)	Network infrastructure construction solutions	Provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems.
(ii)	Network infrastructure maintenance and reinforcement services	Provision of support and maintenance services to customers' existing computer networks and systems.
(iii)	Other professional value-added solutions and services	Provision of server co-location and management services, web-hosting and e-mail hosting services, web-based software applications and the provision of user training services.

Oil and gas exploration

(iv)	Upstream oil and gas exploration	Exploration, development and production of petroleum, CBM and natural gas

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market and assets are substantially located in the PRC including Hong Kong.

An analysis of the Group's revenue and profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments is as follows:

	Information technology related services			Oil and gas exploration	
	Network infrastructure construction solutions *HK$'000*	Network infrastructure maintenance and reinforcement services *HK$'000*	Other professional value-added solutions and services *HK$'000*	Upstream oil and gas exploration *HK$'000*	Consolidated *HK$'000*
From 1 August 2007 to 31 December 2008					
Segment revenue:					
Sales to external customers	**521**	**787**	**905**	**–**	**2,213**
Segment results	**75**	**271**	**49**	**–**	**395**
Unallocated income					**6,833**
Unallocated expenses					**(166,101)**
Impairment loss of goodwill				**(199,380)**	**(199,380)**
Discount on acquisition				**367,973**	**367,973**
Share of results of jointly-controlled entities				**4,754**	**4,754**
Profit before taxation					**14,474**
Income tax					**1,679**
Profit for the period					**16,153**
As at 31 December 2008					
Segment assets	**248**	**25**	**–**	**857,322**	**857,595**
Interests in jointly-controlled entities	**–**	**–**	**–**	**9,817**	**9,817**
Goodwill	**–**	**–**	**–**	**90,451**	**90,451**
Unallocated assets					**157,213**
Total assets					**1,115,076**
Segment liabilities	**331**	**266**	**–**	**35,017**	**35,614**
Unallocated liabilities					**217,260**
Total liabilities					**252,874**

	Information technology related services			Oil and gas exploration		
	Network infrastructure construction solutions *HK$'000*	**Network infrastructure maintenance and reinforcement services** *HK$'000*	**Other professional value-added solutions and services** *HK$'000*	**Upstream oil and gas exploration** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
From 1 August 2007 to 31 December 2008						
Other segment information:						
Capital additions	**–**	**–**	**–**	**–**	**5,230**	**5,230**
Depreciation of plant and equipment	**–**	**–**	**–**	**–**	**1,033**	**1,033**
Write off of plant and equipment	**–**	**–**	**–**	**–**	**219**	**219**
Impairment loss of goodwill	**–**	**–**	**–**	**199,380**	**–**	**199,380**
Amortisation of intangible assets	**–**	**–**	**–**	**6,716**	**–**	**6,716**

	Information technology related services			Oil and gas exploration	
	Network infrastructure construction solutions *HK$'000*	Network infrastructure maintenance and reinforcement services *HK$'000*	Other professional value-added solutions and services *HK$'000*	Upstream oil and gas exploration *HK$'000*	Consolidated *HK$'000*
For the year ended 31 July 2007					
Segment revenue:					
Sales to external customers	920	1,602	852	–	3,374
Segment results	50	975	(266)	–	759
Unallocated income					5,308
Unallocated expenses					(52,041)
Finance costs					–
Loss before taxation					(45,974)
Income tax					–
Loss for the year					(45,974)
As at 31 July 2007					
Segment assets	39	251	342	–	632
Unallocated assets					489,751
Total assets					490,383
Segment liabilities	57	96	283	–	436
Unallocated liabilities					6,801
Total liabilities					7,237

	Information technology related services			Oil and gas exploration		
	Network infrastructure construction solutions *HK$'000*	Network infrastructure maintenance and reinforcement services *HK$'000*	Other professional value-added solutions and services *HK$'000*	Upstream oil and gas exploration *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 July 2007						
Other segment information:						
Capital additions	–	–	–	–	373	373
Depreciation of plant and equipment	–	–	–	–	515	515
Write off of plant and equipment	–	–	–	–	21	21
Write down of inventories	13	–	–	–	–	13

3. Revenue and Other Income

Revenue represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

An analysis of the Group's revenue and other operating income is as follows:

	Period from 1 August 2007 to 31 December 2008 ***HK$'000***	Year ended 31 July 2007 *HK$'000*
Revenue		
Network infrastructure construction solutions		
– Sale of computer hardware and software and the provision of related services	**521**	920
Rendering of network infrastructure maintenance and reinforcement services	**787**	1,602
Other professional value-added solutions and services	**905**	852
	2,213	3,374
Other operating income		
Bank interest income	**6,833**	211
Consultancy fee	**–**	80
Waiver of amount due to a Director *(Note)*	**–**	4,987
Sundry income	**–**	843
Exchange gain, net	**–**	30
	6,833	6,151
Total	**9,046**	9,525

Note: Amount due to a former Director, Mr. Lam Chi Shing, of HK$4,987,000, represented fund advanced to the Company, was waived. Such wavier was approved by Mr. Lam Chi Shing on 10 November 2006.

4. Profit/(Loss) Before Taxation

The Group's profit/(loss) before taxation is arrived at after charging/(crediting):

	Period from 1 August 2007 to 31 December 2008 *HK$'000*	Year ended 31 July 2007 *HK$'000*
Cost of inventories sold	**447**	718
Cost of services provided*	**1,371**	2,147
Depreciation for plant and equipment	**1,033**	515
Write off of plant and equipment	**219**	21
Write down of inventories (included in cost of sales)	**–**	14
Amortisation of intangible assets	**6,716**	–
Auditor's remuneration	**880**	250
Staff costs, including Directors' emoluments		
– Salaries, allowances and other benefits	**22,506**	7,661
– Retirement benefit scheme contributions	**270**	200
– Share-based payments	**1,262**	12,000
– Discretionary and performance related incentive payments	**11,812**	–
	35,850	19,861
Exchange loss, net	**4,610**	–
Share of tax of jointly-controlled entities (included in share of results of jointly-controlled entities)	**3,707**	–

* The cost of services provided includes approximately HK$747,000 (Year ended 31 July 2007: HK$1,223,000) relating to staff costs, which are also included in the total amounts of staff costs disclosed separately above.

5. Income Tax

	Period from 1 August 2007 to 31 December 2008	Year ended 31 July 2007
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax	**1,679**	–
Income tax credit	**1,679**	–

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 payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax had been provided as the Group did not have any assessable profits in Hong Kong for the period from 1 August 2007 to 31 December 2008 and year ended 31 July 2007.

PRC Enterprise Income Tax has not been provided for the PRC subsidiaries, as they did not generate any assessable profits during the period from 1 August 2007 to 31 December 2008 and year ended 31 July 2007.

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, is subject to Income Tax Act (Canada) at a rate of 30%. TWE has been reporting tax loss since its incorporation.

6. Earnings/(Loss) Per Share

(a) Basic

Basic earnings/loss per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the seventeen-month period ended 31 December 2008 and year ended 31 July 2007.

Basic earnings/(loss) per share are calculated as follows:

	From 1 August 2007 to 31 December 2008	Year ended 31 July 2007
Profit/(loss) attributable to equity holders of the Company for the purpose of basic earnings/(loss) per share *(HK$'000)*	**18,346**	(45,974)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share *('000)*	**2,285,644**	1,088,130
Basic earnings/(loss) per share *(in HK cents)*	**0.80**	(4.22)

The weighted average number or shares for the period from 1 August 2007 to 31 December 2008 is approximately 2,285,644,000 (Year ended 31 July 2007: 1,088,130,000), which is calculated as if the share subdivision for each share of par value HK$0.005 each into two subdivided shares of par value of HK$0.0025 each on 29 August 2007 had been completed before the beginning of the year ended 31 July 2007.

(b) *Diluted*

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings/(loss) per share are calculated as follows:

	Period from 1 August 2007 to 31 December 2008	Year ended 31 July 2007
Profit/(loss) attributable to equity holders of the Company for the purpose of diluted earnings/(loss) per share *(HK$'000)*	**18,346**	(45,974)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share *('000)*	**2,285,644**	1,088,130
Effect of dilutive potential ordinary shares in respective of deferred consideration for acquisition of subsidiary *('000)* #	**14,275**	–
Effect of dilutive potential ordinary shares in respect of share options *('000)*	**38,361**	1,592
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share *('000)*	**2,338,280**	1,089,722
Diluted earnings/(loss) per share *(in HK cents)*	**0.78**	N/A

Diluted loss per share for the year ended 31 July 2007 has not been presented, as the share options outstanding had an anti-dilutive effect.

Pursuant to the agreement for sale and purchase of shares, part of the consideration will be settled by way of issue and allotment of 93,600,000 new shares of the Company at HK$0.25 each. As at 31 December 2008, the said consideration shares were not issued yet. The fair value of the shares is determined using the published price available at the date of the acquisition, amounted to approximately HK$8,424,000. The deferred consideration is included in the accrued liabilities and other payables in the consolidated balance sheet.

7. 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 ageing analysis of the trade receivables of the Group (net of impairment losses for trade receivables) as at the balance sheet date, based on invoice date, is as follows :

	As at 31 December 2008 ***HK$'000***	As at 31 July 2007 *HK$'000*
Within 30 days	**29**	139
Between 31 – 60 days	**11**	59
Over 60 days	**46**	–
	86	198

The carrying amounts of trade receivables approximate their fair value.

8. Trade Payables

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

	As at 31 December 2008 ***HK$'000***	As at 31 July 2007 *HK$'000*
Within 30 days	**9,873**	51
Between 31 – 60 days	**856**	–
Over 60 days	**1,522**	–
	12,251	51

The carrying amounts of trade payables approximate their fair value.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the seventeen-month period.

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company will be held on Monday, 20 April 2009 ("**AGM**") and the notice of AGM will be published and dispatched in the manner as required by the articles of association of the Company ("**Articles of Association**").

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 seventeen-month period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices ("**CG Code**") set out in Appendix 15 to the GEM Listing Rules, throughout the seventeen months period ended 31 December 2008:

Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Wing Him Kenny, an executive Director, serves as the chairman of the Board and the chief executive officer of the Group. The Board is of the view that this has not compromised accountability and independent decision-making for the following reasons:

- The independent non-executive Directors form the majority of the Board.

- The Audit Committee composed exclusively of independent non-executive Directors.

- The independent non-executive Directors have free and direct access to the Company's external auditor and independent professional advice when considered necessary.

Under Code Provision E.1.3 of the CG Code, listed issuers are recommended to give at least 20 clear business days of notice to its shareholders for annual general meetings. The Company, in accordance with the requirements under its Articles of Association, gave at least 21 days notice to the shareholders of the Company ("**Shareholders**") before the convening of the forthcoming AGM because the senior management and the auditor require more time to obtain a technical assessment report and a valuation report for assessment of the fair value of the PSC held by TWE as at 31 December 2008. The Board is of the view that this has not caused any prejudice to the Shareholders.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprises three independent non-executive Directors, namely, Mr. David Tsoi (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 system of the Group. The Group's audited results for the seventeen-month period ended 31 December 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

On behalf of the Board
Chan Wing Him Kenny
Chairman and Chief Executive Officer

Hong Kong, 23 March 2009

As at the date of this announcement, 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

*This announcement will remain on the website of GEM at 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.*