THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Enviro Energy International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

VERY SUBSTANTIAL ACQUISITION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

BNP Paribas Capital (Asia Pacific) Limited

It is important to note that the purpose of distributing this circular is to provide the Shareholders with information on a proposed acquisition by the Company, so that the Shareholders may make an informed decision on voting in respect of the resolutions to be tabled at the EGM. This circular does not constitute, or form part of, an offer or invitation, or solicitation or inducement of an offer, to subscribe for or purchase any of the Shares or other securities of the Company, nor is this circular circulated to invite offers for any Shares or other securities of the Company.

A letter from the Board is set out on pages 7 to 22 of this circular.

A notice convening the EGM to be held on Monday, 18 February 2008 at 3:00 p.m. at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong is set out on pages 160 to 161 of this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

31 January 2008

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings respectively:

"Acquisition"	the proposed acquisition by the Company of the entire issued share capital of Allied Resources from the Vendor pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 14 September 2007 entered into between, among others, the Company and the Vendor in respect of the Acquisition
"Allied Resources"	Allied Resources Limited, a company incorporated in Hong Kong with limited liability
"Articles of Association"	the articles of association of the Company as may be amended from time to time
"associate"	has the same meaning as ascribed to it under the GEM Listing Rules
"Baron"	Baron Capital Limited, a licensed corporation within the meaning of the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
"Board"	the board of Directors
"chief executive"	has the same meaning as ascribed to it under the GEM Listing Rules
"Colpo"	Colpo Mercantile Inc., a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is solely and beneficially owned by Mr. Chan, and a controlling Shareholder
"Company"	Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
"Completion"	the completion of the Acquisition pursuant to the terms and conditions of the Agreement

"connected person"	has the same meaning as ascribed to it in the GEM Listing Rules
"Consideration Shares"	110,000,000 new Shares to be issued to the Vendor, as part of the consideration of the Acquisition, upon Completion
"controlling shareholder(s)"	has the same meaning as ascribed to it under the GEM Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on Monday, 18 February 2008, to consider, and if thought fit, to approve the Acquisition and the issue of the Consideration Shares
"Enlarged Group"	the Group and the Target Group
"ETA"	the equity transfer agreement dated 19 January 2007 entered into between Allied Resources and Mr. Xu Ying and Mr. Xu Gui as vendors, pursuant to which Allied Resources agreed to acquire the entire equity interest of Jilin Hengli
"Exclusivity Agreement"	the exclusivity agreement dated 10 April 2007 entered into between the Company and the Vendor, pursuant to which the Vendor had agreed to, among others, grant an exclusivity period of six months from the date of the Exclusivity Agreement to and including 9 October 2007, or such later date as mutually agreed between the Company and the Vendor
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"General Offer"	the general offer of the Shares made by Baron on behalf of Colpo in accordance with the Takeovers Code, the completion of which took place in December 2006
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	a person or an entity, who, to the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, is not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates of the Company
"Jilin Hengli"	吉林恒利實業有限責任公司 (Jilin Hengli Industries Liability Co., Ltd.), a company established under the laws of the PRC and a wholly-owned subsidiary of Allied Resources
"Last Trading Date"	14 September 2007, being the last trading day before the publication of the announcement of the Company dated 18 September 2007
"Latest Practicable Date"	30 January 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion therein
"Loan"	interest free, unsecured and repayable on demand loan of HK$82.6 million advanced by the Vendor to, and was still owing by, Allied Resources as at the Latest Practicable Date
"Main Board"	the stock market operated by the Stock Exchange other than GEM (excluding the option market)
"Mr. Chan"	Mr. Chan Wing Him, Kenny, a Director, the chairman of the Company and the ultimate beneficial owner of Colpo
"Mr. Ho"	Mr. Peter Tak Yuen Ho, a senior executive vice president of the Company
"Mr. Lau"	Mr. Lau Kwok Kwong, the ultimate beneficial owner of the Vendor
"Oilfields"	the producing oilfields owned by Qian An, which cover two formations namely Qianshen-12 and Qian-209, encompass a total area of approximately 15 square kilometers and have over 60 producing and suspended wells and related facilities in the Jilin Qian An area of the PRC with a current combined production of approximately 450 barrels of light oil per day

"Petromin"	Petromin Resources Limited, a company listed on the Toronto Stock Exchange Venture Board, which is principally engaged in acquiring and developing oil and gas properties
"PRC"	the People's Republic of China which for the purpose of this circular, excluding Hong Kong
"Qian An"	乾安石油開發有限責任公司(Qian An Oil Development Co., Ltd.), an equity joint venture company established under the laws of PRC
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	the share(s) of HK$0.0025 each in the capital of the Company
"Shareholders"	the holder(s) of Shares
"SPA Supplemental Deed"	the supplemental deed dated 17 December 2007 to the Agreement entered into between, among others, the Company and the Vendor pursuant to which the parties thereto had agreed to postpone Completion to 18 February 2008 or such other date being not later than 18 March 2008 or such other date as is agreed in writing by the parties thereto
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholders"	has the same meaning as ascribed to it under the GEM Listing Rules
"Supplemental Deeds"	the supplemental deeds dated 19 July 2007 and 16 August 2007 to the Exclusivity Agreement entered into between the Company and the Vendor, pursuant to which the Vendor had agreed to, among others, extend the exclusivity period contained in the Exclusivity Agreement from 9 October 2007 to and including 31 December 2007, or such later date as mutually agreed between the Company and the Vendor
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong

"Target Group"	Allied Resources and its subsidiary and jointly controlled entity
"Vendor" or "Global Richland"	Global Richland Investment Limited, a company incorporated in the British Virgin Islands with limited liability

(Unless otherwise specified in this circular, amounts denominated in RMB have been converted into HK$ at a rate of RMB0.92191 to HK$1.00. No representation is made that any amounts in RMB or HK$ could have been or could be converted at the above rate or at any other rates or at all.)

The English names of Chinese entities are translated from their Chinese names. If there is any inconsistency between the Chinese entities mentioned in this circular and the English translated names, the Chinese names shall prevail.

CHARACTERISTIC OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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(Incorporated in the Cayman Islands with limited liability)
website: http://www.enviro-energy.com.hk
(Stock Code: 8182)

Directors:
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Chan Wing Him, Kenny *(Chairman)*
Chan Man Ching

Non-Executive Director
Arthur Ross Gorrell

Independent Non-Executive Directors
Lo Chi Kit
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Tam Hang Chuen

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Cayman Islands

31 January 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A. INTRODUCTION

On 18 September 2007, the Company announced that the Company had on 14 September 2007 entered into the Agreement with, among others, the Vendor pursuant to which the Company agreed to acquire from the Vendor the entire issued share capital of Allied Resources at a total consideration of HK$365.88 million, which shall be satisfied by payment of cash of HK$178 million and the issue of the Consideration Shares at an issue price of HK$1.708 per Consideration Share to the Vendor.

On 17 December 2007, the Company further announced that the Company entered into the SPA Supplemental Deed pursuant to which the parties thereto had agreed to postpone Completion to 18 February 2008 or, such other date being not later than 18 March 2008 or such other date as is agreed in writing by the parties thereto.

The Acquisition constitutes a very substantial acquisition for the Company under Rule 19.08 of the GEM Listing Rules, which is subject to the approval of the Shareholders at the EGM, which will be held to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder. No Shareholders shall be required to abstain from voting at the EGM.

The purpose of this circular is to provide you with further details of the Acquisition and other information as required by the GEM Listing Rules and to give you notice of the EGM at which ordinary resolutions will be proposed to seek your approval of the Acquisition and the transactions contemplated thereunder.

B. THE AGREEMENT

Date: 14 September 2007 (signed after trading hours)

Parties:

Purchaser: the Company

Vendor: Global Richland, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is an Independent Third Party

Assets to be acquired

Pursuant to the Agreement, the Company has agreed to buy and the Vendor has agreed to sell:

(i) the entire issued share capital of Allied Resources; and

(ii) the Loan owed and payable by Allied Resources to the Vendor.

As at 30 November 2007, the Loan amounted to HK$82.6 million.

Consideration

The total consideration for the Acquisition is HK$365.88 million, which shall be settled by the Company in the following manner on Completion:

(i) an aggregate of HK$128.6 million refundable deposit paid by the Company to the Vendor pursuant to the Exclusivity Agreement and the Supplemental Deeds shall be applied as part of the consideration;

(ii) HK$49.4 million refundable deposit, paid in cash to the Vendor by the Company on the date of signing of the Agreement, shall be applied as part of the consideration; and

(iii) HK$187.88 million shall be satisfied by the issue of 110,000,000 new Shares at HK$1.708 per Consideration Share.

The Vendor shall enter into a deed of assignment with the Company, pursuant to which the Vendor shall assign the Loan, due and owing to the Vendor, to the Company pursuant to the Agreement upon Completion.

The consideration was determined after arm's length negotiation between the Company and the Vendor with reference to (1) the estimated value of the Oilfields, the major asset of the Target Group of not less than HK$550 million, which was preliminarily estimated by BMI Appraisals Limited (an independent firm of professional surveyors and valuers) based on the "HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises" as at 1 August 2007; (2) the asset appreciation potential of the major assets held by the Target Group; (3) the unaudited book value of Jilin Hengli of approximately HK$54.78 million as at 31 December 2006; and (4) the future business prospects of the Target Group.

The Company financed the cash consideration with internal financial resources and funds raised from previous equity placements.

Consideration Shares

The issue price of HK$1.708 per Consideration Share represents (i) a discount of approximately 40.90% to the closing price of HK$2.89 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 26.00% to the 5-day average closing price of approximately HK$2.308 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 22.36% to the 10-day average closing price of approximately HK$2.20 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day. The total market value of the Consideration Shares amounted to approximately HK$317.9 million based on the closing price of HK$2.89 per Share as quoted on the Stock Exchange on the Last Trading Day.

The issue price of the Consideration Shares was determined after arm's length negotiation between the Company and the Vendor with reference to the Company's Share price performance during the period of negotiation between the Company and the Vendor. Since the initial stage of discussion of the Acquisition (as disclosed in the Company's announcement dated 10 April 2007), the Share price has increased from HK$0.6 per Share (being the closing price of the Share on 10 April 2007 and as adjusted as a result of the subdivisions of Shares as announced in the Company's announcements dated 20 March 2007 and 26 July 2007) to HK$2.89 (being the closing price of the Share as at 18 September 2007). The issue price of the Consideration Shares was determined after taking into account of the substantial appreciation of the Share price of the Company.

The Consideration Shares represent approximately 4.94% and 4.71% of the Company's existing issued share capital and enlarged share capital immediately after the Completion respectively.

The issue of the Consideration Shares shall be subject to the Shareholders' approval at the EGM. An application will be made to the GEM Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares, which will rank pari passu in all respects with the then existing Shares.

Restrictions on the sale of the Consideration Shares

The Consideration Shares shall be subject to a lock-up period of three months from Completion, during which the Consideration Shares shall not be transferred, sold, lent, charged, mortgaged, otherwise used as security or otherwise encumbered.

Refundable deposits

An aggregate of HK$178 million refundable deposits have been paid by the Company to the Vendor prior to the Latest Practicable Date pursuant to the Exclusivity Agreement, the Supplemental Deeds and the Agreement in the following schedule:

Date of advance	**Amount**
10 April 2007	HK$3.6 Million
19 July 2007	HK$10 Million
30 July 2007	HK$80 Million
16 August 2007	HK$35 Million
14 September 2007	HK$49.4 Million
Total:	HK$178 Million

Conditions precedent

Completion of the Agreement shall be conditional upon the fulfillment of the following conditions:

(i) the Company, being satisfied, at its absolute discretion, with the results of the due diligence conducted by the Company on the Target Group;

(ii) the Company being satisfied with a legal opinion (in the terms approved by the Company) and addressed to the Company by qualified lawyers in the PRC on matters relating to the Target Group;

(iii) completion of the sale and purchase under the ETA shall have taken place in accordance with the terms and conditions set out therein and the delivery by the Vendor to the Company of a certified copy of the legal opinion referred to in clause 4.2(ii) of the ETA;

(iv) the delivery by the Vendor to the Company of a copy of the consolidated management accounts (certified as true and accurate by a director of the Vendor) and the consolidated audited accounts of the Target Group for the three financial years ended 31 December 2006 and the seven months ended 31 July 2007;

(v) the passing of the relevant resolutions at the EGM by the Shareholders for approving (i) the Agreement and transactions contemplated therein as required by the GEM Listing Rules and (ii) the allotment and issue of the Consideration Shares to the Vendor;

(vi) the valuation of the total assets of the Target Group as required by the GEM Listing Rules to be valued by an independent valuer, shall not be less than HK$550 million;

(vii) all liabilities of the Target Group having been settled by the Vendor (not sourced from any asset within the Target Group) and the Target Group will be free of any liability upon Completion, except for, among others, the Loan;

(viii) the approval for the listing of, and permission to deal in, the Consideration Shares having been granted by the GEM Listing Committee of the Stock Exchange; and

(ix) if required, the relevant authorities in the PRC approving the transactions contemplated in the Agreement.

As at the Latest Practicable Date, items (i) and (vi) above have been fulfilled. Completion shall take place on 18 February 2008 or, if the above conditions have not been fulfilled or waived by such date, the next business day following the day on which the last of the conditions to be satisfied will have been fulfilled or waived or such other date being not later than 18 March 2008 or such other date as is agreed in writing by the parties.

Further, in the event that any of the conditions precedent is not satisfied on or before 18 March 2008 or such other date as is agreed in writing by the parties, the Vendor is obliged to forthwith refund unconditionally the whole amount of the deposit of HK$178 million to the Company, in any event, within three business days of termination of the Agreement. However, only HK$49.4 million deposit will be refunded to the Company with interest at a rate of 2% above the prime rate of The Hongkong and Shanghai Banking Corporation Limited on the date of signing of the Agreement.

C. INFORMATION ON THE VENDOR AND THE TARGET GROUP

The Vendor

The Vendor is principally engaged in investment holding and its subsidiaries are engaged in oil extraction business. The ultimate beneficial owner of the Vendor is Mr. Lau. Mr. Lau is a friend of Mr. Chan, the chairman and an executive Director and the ultimate beneficial owner of Colpo, the controlling Shareholder. Mr. Lau and Mr. Chan first met each other in 1972 when they both worked as summer interns at Hoilee Co., Ltd. in Hong Kong.

Mr. Lau was also a director for the period from 1996 to April 2007 of, and is a shareholder holding less than 1% interests in, Petromin. Mr. Chan is currently a director, co-chairman and the chief executive officer of, and is a shareholder holding approximately 3.9% interests in, Petromin. Save as disclosed above, there is no other relationship between Mr. Lau and Mr. Chan.

Since the completion of the General Offer, the new management of the Company has started to consider alternative investment and development opportunities, in particular, enviro-energy related projects, that would diversify the business and broaden the income base of the Company.

In January 2007, Rich Concept Limited, a subsidiary of the Company, provided service to Allied Resources to conduct a preliminary assessment on Allied Resources's oil-related project. As such, the Company gained knowledge of Allied Resources's proposed acquisition of Jilin Hengli, and later in or about March 2007, the Company approached Mr. Lau for the purpose of the Acquisition, through Mr. Chan. Since such approach, the Company started to contemplate on this Acquisition.

The Directors understand that Mr. Lau knows the management of the Company has extensive experiences in the oil and gas industries and in consideration of the sale of the Target Group to the Company, Mr. Lau, through the Vendor, will receive both cash and Consideration Shares. The Directors believe that Mr. Lau will appreciate the opportunity to realise his holding in and also enjoy indirectly the development potential of the Oilfields and the Company as a result of the Acquisition.

Having made all reasonable enquiries, to the best of the Directors' knowledge, information and belief, Mr. Lau did not have any intention to acquire further interest in the Company as at the Latest Practicable Date.

Mr. Chan and Mr. Lau do not per se, fall within any of the nine classes of persons who are presumed to be acting in concert under the Takeovers Code. Further, as a matter of fact, Mr. Chan and Mr. Lau are not acting in concert in relation to the Company or any other companies and they have never had any agreements, understandings or arrangements between themselves to co-operate to obtain or consolidate control of the Company or any other companies.

Save as disclosed, the Vendor and Mr. Lau (1) are Independent Third Parties; (2) are not parties acting in concert (as defined in the Takeovers Code) with Colpo, Mr. Chan, each of the other Directors and their respective associates for the purpose of the Takeovers Code; and (3) have never worked as a group with Colpo, Mr. Chan, each of the other Directors and their respective associates for the purpose of the Acquisition or any purpose or transaction.

The Target Group

Allied Resources, a wholly-owned subsidiary of the Vendor and was incorporated on 21 July 2006, as purchaser, entered into the ETA on 19 January 2007 and a supplemental deed on 31 July 2007 to acquire the entire equity interest of Jilin Hengli, as to 50% each from Mr. Xu Ying and Mr. Xu Gui, both being Independent Third Parties. Having made all reasonable enquiries, to the best of the Directors' knowledge, information and belief, there is no prior relationship between each of Mr. Xu Ying and Mr. Xu Gui with the Company, Colpo, Mr. Chan, each of the other Directors and their respective associates. Mr. Xu Ying and Mr. Xu Gui (1) are third parties independent of the Company, Colpo, Mr. Chan, the Vendor, Mr. Lau and each of the other Directors and their respective associates; and (2) are not parties acting in concert (as defined in the Takeovers Code) with the Company, Colpo, Mr. Chan, the Vendor, Mr. Lau, each of the other Directors and their respective associates for the purpose of the Takeovers Code.

Jilin Hengli beneficially owns 50% of the equity interest of Qian An, an equity joint venture company established under the laws of PRC. The other 50% of the equity interest 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. Qian An is principally engaged in the exploitation of petroleum resources activities and production of petroleum. As at the Latest Practicable Date, the equity interests of Jilin Hengli had been transferred to Allied Resources and the application and registration for the change of the legal status of Qian An was being processed pursuant to the terms of the ETA and the said supplemental deed.

The major assets of Qian An include the Oilfields, which cover two formations namely Qianshen-12 and Qian-209, encompassing a total area of approximately 15 square kilometers and have over 60 producing and suspended wells and related facilities in the Jilin Qian An area of the PRC with a current combined production of approximately 450 barrels of light oil per day. The relevant exploration and exploitation rights over the Oilfields belong to PetroChina Company Limited, which holds 50% interests of Qian An. The duration of the exploration and exploitation rights over the Oilfields is from 1 November 2002 to 19 December 2016. Before expiry of such rights in 2016, the Company will take necessary steps to negotiate with PetroChina Company Limited for extension of the term of co-operation. Although such extension may or may not materialize, based on the expertise and experience of the Company's management in the energy industry, the Board is confident in reaching an extension with PetroChina Company Limited.

Original oil in place from the Oilfields amounts to 21.7 million barrels. The technical adviser adopted the categorization standard jointly established by the Society of Petroleum Engineers, World Petroleum Council, Society Petroleum Evaluation Engineers and American Association of Petroleum Geologists to arrive at the proven oil in place of 21.7 million barrels. The categorization standard is generally adopted by listed companies in their published information. Estimated recovery factor under current and future production scenarios will be 28%. Original oil has two categories of oils, namely heavy oil and light oil. The commercial use of heavy oil is more or less the same as light oil. The only difference lies on the amount of high-valued products to be produced e.g. gasoline, kerosene after distillation (i.e. refinery). Larger proportion of heavy oil will be turned into residue oil e.g. bitumen, while for light oil, most part of it can be turned into gasoline.

According to a technical report entitled "China Jilin Qian An Oilfield Geological & Engineering Report" (referred to as the "Assessment Report" in the valuation report prepared by BMI Appraisals Limited), prepared by the Jilin Petroleum Research Institute[1], Songyuan, Jilin, the PRC, dated June 2006, in Qianshen-12, the total number of oil wells is 25 with three suspended as at June 2006 while in Qian-209, the total number of oil wells is 37 with one suspended as at June 2006. The management of the Company, which has extensive experience in the energy field industry, is of the opinion that since there has not been any large scale drilling of new wells at the Oilfields since June 2006, the recoverable oil reserve at the Oilfields will not materially change within a period of one to two years. Accordingly, the Directors and BMI Appraisals Limited consider that the technical report referred above is still valid and should serve as a good reference in determining the value of the Target Group as of 30 November 2007.

In addition, BMI Appraisals Limited has preliminarily estimated the total recoverable oil reserve as of 30 November 2007 based on the recoverable oil reserve as of June 2006 less any oil produced during the period from June 2006 to 30 November 2007, which was in line with the practice of the industry.

The Oilfields comprise Putaohua and Gaotaizi formations in an average depth of 1,930 meters. Porosity and permeability range from 7-19% and 0.1-15.2 millidarcy. Average production of each well ranges from 8.3 to 35 barrels per day, based on the analysis of the historical data of the Oilfields as of June 2006. The Oilfields have been on production since 1995. The usual recovery rate for a primary production of an oilfield is about 30% of original oil in place while only 1.1 million barrels have been produced since 1995, which represent approximately only 5% of original oil in place. Accordingly, the Directors are of the view that the Oilfields have significant potential for further exploitation and production capacity to improve the recovery rate to approximately 32%-35% through better reservoir management methods as follows:

(1) additional infill wells drillings;

(2) deeper exploration of oil/gas potentials;

(3) opening of by-pass zone; and

(4) implementation of enhanced oil recovery scheme.

1 *Jilin Petroleum Research Institute has over 30 years of experience in the research of oilfield evaluations and currently has nine research centres with over 500 employees. In recent years, Jilin Petroleum Research Institute has compiled over 130 research reports and these research reports have been used and recognised by PetroChina Company Limited and oilfield companies in the Jilin Province, the PRC. The research reports compiled by Jilin Petroleum Research Institute are mainly used by PetroChina Company Limited and will not be published in other listed companies' publications.*

Save as disclosed above, Allied Resources has not conducted any material business activities since its incorporation. For the period from 21 July 2006 (its incorporation date) to 31 December 2006, Allied Resources had an unaudited net loss of approximately HK$12,600. Save for the acquisition of Jilin Hengli as disclosed above, Allied Resources did not have any other material assets as at the Latest Practicable Date.

Upon Completion, Allied Resources will become a wholly-owned subsidiary of the Company and its results will be consolidated into the Group's account. There will not be any change in the board composition or directorships of the Company as a result of the Acquisition.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the business of provision of network infrastructure solutions and services. It is the long term strategy of the Group to further develop and diversify its information technology related business and to explore into more resources-related projects. Colpo has become the controlling Shareholder since 10 November 2006, upon completion of the sale and purchase agreement of Shares dated 3 November 2006. For further details, please refer to the Company's circular dated 29 November 2006.

As disclosed in the 2006/2007 interim report of the Company, the Group's network services business had suffered stiff competition and unfavorable business environment especially in the PRC during the past few years. Although the market for this type of service is still growing, strong local competition at deep discount has eroded the profit margin of the Group. In view of the current business environment and the dismal financial results due to the current operation, the management of the Company has to consider alternative measure and business direction to increase Shareholders value.

The management of the Company has the knowledge to undertake energy-related projects because both Mr. Chan and Mr. Ho, senior executive vice president of the Company, have extensive experience in the energy field for over 20 years. For further details of the expertise and qualifications of Mr. Chan, please refer to the Company's circular dated 29 November 2006.

Mr. Ho is currently a senior vice president of Petromin. Mr. Ho has also been the advisor on reservoir engineering and simulation of Computer Modelling Group Limited since 1996. Mr. Ho is an engineer with over 27 years' experience in the energy resources sector in North America. For further details of the expertise and qualifications of Mr. Ho, please refer to the Company's announcement dated 13 February 2007.

In view of the high growth potential and promising prospect of the enviro-energy industry, the Board considers that the future of the energy-related pursuit of the Company will benefit from the expected continuous growth in the enviro-energy and resources market. The Acquisition is consistent with the development of the Company. That is the main reason for the Company to enter into the Acquisition in order to broaden the income base for the Company. Upon completion of the Acquisition, it is expected that Qian An will become a jointly-controlled entity of the Group and its results would be included in the financial statements of the Group using the equity method pursuant to paragraph 30 of the "Hong Kong Accounting Standard 31 – Interests In Joint Ventures". The Board believes that the Acquisition will generate substantial profit and cash flow to the Company.

The Directors wish to state that the disclaimer opinions given by the auditors relating to the Target Group set out in Appendix II to this circular are either items due to difference in accounting standard requirements or covered by indemnity provisions provided by the Vendor, and should not be considered as any deficiency in the completeness and usefulness of the financial information presented in this circular. As such, the Directors believe that neither the Company nor the Shareholders are subject to material degree of uncertainty or insufficient information in making a decision relating to the Acquisition.

Set out below are the Directors' views on the respective disclaimer opinions:

In relation to financial information of Allied Resources

1. *Going concern basis for the preparation of the financial information*

It should be noted that the Group had a bank balance of approximately HK$395.1 million as at 31 July 2007. Therefore the Directors believe that the going concern of Allied Resources, which had net liabilities of HK$10,261 as at 31 July 2007, could be adequately addressed by financing to be provided by the Group.

2. *Adverse opinion in the absence of group financial statement*

This disclaimer was mainly due to absence of consolidated accounts of the Target Group. The Directors are of the view that since the financial statements of both Allied Resources and Jilin Hengli (including Qian An) are already presented with detailed disclosure in Appendix II to this circular, the presentation of the consolidated accounts will not provide additional useful information for the Shareholders.

In relation to financial information of Jilin Hengli

1. *Limitation of scope relating to other payables*

The payables were incurred prior to the Acquisition. Nevertheless, the Company is adequately protected as pursuant to the Agreement, the Vendor warrants that members of the Target Group have paid their creditors and there are no amounts owing by members of the Target Group which have been due for more than six weeks, and potential claims are covered by indemnity provisions provided by the Vendor.

2. *Limitation of scope relating to the withholding tax liabilities*

This relates to a potential liability to the Company under PRC tax rules and regulations. Please refer to Appendix II to this circular for further details. Nevertheless, the Company is adequately protected as pursuant to the Agreement, the Vendor warrants that members of the Target Group have paid all tax liabilities and potential claims are covered by indemnity provisions provided by the Vendor.

3. *Limitation of scope relating to investment in a jointly controlled entity which includes the following:*

(i) Carrying amounts of property, plant and equipment and deferred taxation

This disclaimer was mainly due to the valuation report on Qian An's property, plant and equipment being prepared with the depreciation expenses using "straight line method". This arises due to the different accounting standards of the PRC which allows depreciation of oil and gas expenses using "straight line method" as compared to the HKFRS requirement of depreciation expenses using "unit of production method". Nevertheless the Directors wish to highlight that the consideration was mainly determined based on the valuation of the oil reserves and without taking into account the values of the property, plant and equipment.

HKFRS also requires an estimate of dismantlement expenses relating to the property, plant and equipment, which is not presented in the valuation report of Qian An. The Directors consider the dismantlement expenses to be irrelevant, as there is no such requirement as to dismantlement of related assets upon expiry of useful life in the PRC.

As a result of the different accounting standards used for the depreciation charges calculation, the deferred taxation cannot be reasonably ascertained. However, the Directors consider that the absence of calculation of the related tax liability required under HKFRS would not create material uncertainty to the financial situation of Qian An.

(ii) Related party transaction

The auditors have performed audit procedures on, and the management of Qian An has confirmed, the amount and existence of the related party transactions. The Directors have also verified the relationship using publicly available information. The disclaimer was mainly due to the absence of further underlying documents from Qian An to ensure the accuracy and completeness of the transaction amounts with related parties for disclosure purposes. The Directors believe that as these transaction amounts have already been fully reflected in the income statements, the fact that the deficiency in the disclosure of related party transactions in terms of its accuracy and completeness should not be a material consideration for the Shareholders in making a decision in voting for the Acquisition.

(iii) Provision for retirement benefits scheme contributions

The auditors were unable to verify the contribution of the retirement benefits scheme by Qian An. Nevertheless, the Company is adequately protected as pursuant to the Agreement, the Vendor warrants that members of the Target Group have complied with all obligations imposed on them by all statutes, regulations and codes of conduct relevant to their employees and potential claims are covered by indemnity provisions provided by the Vendor.

Based on the above, the Directors consider that all the qualifications set out in Appendix II to this circular are not material for the Shareholders in making decision on voting as the Consideration was mainly based on the valuation of the oil reserves. The Directors also consider that all material information relating to the Acquisition has been fully disclosed in the circular despite the disclaimer opinions of the auditors.

The Directors (including the independent non-executive Directors) consider that the Agreement is on normal commercial terms which are fair and reasonable and the entering into of the Agreement is in the interests of the Company and its Shareholders as a whole.

The Directors have no present intention to discontinue the Group's existing business, which shall be maintained in the foreseeable future subsequent to the Completion.

Having made all reasonable enquiries, to the best of the Directors' knowledge, information and belief, none of the substantial Shareholders or their respective associates has any material interest in the Acquisition, other than through the Company.

E. CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK$50,000,000 divided into 20,000,000,000 of HK$0.0025 each, of which 2,226,080,800 Shares were issued and fully paid. Assuming no further Shares are issued and/or repurchased by the Company before Completion, the shareholding structures of the Company as at the Latest Practicable Date and immediately after Completion were shown as follows:

	Shareholding structure as at the Latest Practicable Date		**Shareholding structure upon the issue of Consideration Shares**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Colpo *(Note)*	1,182,540,000	53.12	1,182,540,000	50.62
Vendor	–	–	110,000,000	4.71
Public Shareholders	1,043,540,800	46.88	1,043,540,800	44.67
Total	2,226,080,800	100.0	2,336,080,800	100.0

Note: The entire issued share capital of Colpo is beneficially owned by Mr. Chan.

F. FINANCIAL EFFECTS OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

The audited consolidated net asset value of the Group was approximately HK$483 million as at 31 July 2007. As confirmed by the Directors, the Acquisition would lead to an overall increase in the net asset value of the Group since the total value of the Target Group being acquired is greater than the Consideration.

The Directors also believe that there would be no immediate material impact on the liabilities or earning position of the Group upon Completion. However, it is expected that the Acquisition will have a positive impact on the earnings of the Group in the long run.

G. THE EGM

Set out on pages 160 to 161 of this circular is a notice convening the EGM to be held at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong on Monday, 18 February 2008 at 3:00 p.m. at which ordinary resolutions will be proposed and, if thought fit, passed to approve the Agreement and transactions contemplated thereunder.

The Acquisition constitutes a very substantial acquisition for the Company under Rule 19.08 of the GEM Listing Rules, which is subject to the approval of the Shareholders at the EGM. As at the Latest Practicable Date as far as the Directors were aware, none of the Shareholders or their respective associates had any interests in the Acquisition which was different from those of other Shareholders, other than through their interest in the Company and no Shareholder was required to abstain from voting in respect of the proposed resolutions to approve the Acquisition and the transactions contemplated thereunder at the EGM.

H. WAIVER APPLICATION

Pursuant to Rule 7.05(1)(a) of the GEM Listing Rules, the Company is required to include an accountants' report covering results of the Target Group for each of the three financial years immediately preceding the issue of this circular. As the circular is to be despatched in January, 2008, it is considered unduly burdensome for the Target Group to prepare an accountants' report within a short period of time after the fiscal year end date of 31 December 2007. The Company has applied for a waiver from strict compliance with Rule 7.05(1)(a) of the GEM Listing Rules in respect of the accountants' report of Jilin Hengli subject to the following conditions:

(i) the Directors confirm that, they have performed sufficient due diligence (as disclosed below) on Jilin Hengli (including Qian An) to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospects of Jilin Hengli (including Qian An) since 31 July 2007, and that there has been no event since 31 July 2007 which would materially affect the information shown in the accountants' reports of Jilin Hengli (including Qian An) as set out in Appendix II to this circular; and

(ii) this circular will be despatched on or before 31 January 2008 and the EGM will be held no later than 29 February 2008.

The due diligence works conducted by the Directors and management of the Company on the financial position or prospects of Jilin Hengli include the following:

(i) obtained and reviewed the unaudited management accounts of Jilin Hengli and Qian An for the year ended 31 December 2007 and Allied Resources for the period ended 30 November 2007 (collectively, the "**Management Accounts**");

(ii) instructed the auditors to perform subsequent events review of the Management Accounts from 1 August 2007 to 31 October 2007 during their field work and the auditors did perform such subsequent events review;

(iii) since 31 July 2007, the Company, through Time Master International Holdings Ltd., its consultants and contract team in Beijing, has paid regular visits to the Oilfields, i.e. two to three times a month on average. Mr. Qian Gang and Mr. Xu Lei, senior managers, and other staff of Time Master International Holdings Ltd., have also visited Changchun, where the office of Jilin Hengli is located and Songyuan, Qian An District where the operation offices of the Oilfields are located. The purposes of these visits are to ensure that:

(a) proper order and work procedures are maintained in the operations of the Oilfields;

(b) production is not drastically affected due to the forthcoming change of ownership and management pursuant to the Acquisition; and

(c) proper safeguarding and monitoring procedures are implemented and transmission of such knowledge to the existing personnel of Jilin Hengli and Qian An to ensure no significant material changes in either assets disposal/acquisition or unnecessary liability incurrence. These procedures are strictly enforced to ensure the operational status of the Oilfields is maintained during the transitional period of the forthcoming ownership and management changes pursuant to the Acquisition;

(iv) Mr. Ho also personally visited the Oilfields in November 2007 to conduct direct field visit, inventory checking and had discussion with PetroChina Jilin Oilfields management team to ensure their understanding of the future development plan of the Company in the Oilfields, including more drilling operations. The purpose of Mr. Ho's visit was to ensure that proper technical works have been and will be performed to maintain the production capacity; and

(v) Mr. Qian Gang and Mr. Xu Lei have made regular reports of the Oilfields to Mr. Ho on a weekly basis via long distance phone calls, emails, fax etc. to ensure no significant changes to the operations of the Oilfields that may adversely affect its production capacity. These reports are relayed to the Board and the senior management of the Company on a regular basis.

For further financial information relating to the Target Group, please refer to Appendices II and III to this circular.

I. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Article 72 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of such meeting; or

(ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(v) if required by the GEM Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

J. RECOMMENDATION

The Board considers that the Acquisition is in the interests of the Company and that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders should vote in favour of the ordinary resolutions which will be proposed at the EGM to approve the Agreement and the transactions contemplated thereby and in connection therewith.

K. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of Directors
ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED
Chan Wing Him, Kenny
Chairman

Part 1

1. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 JULY 2005, 2006 and 2007

Terms defined herein apply to this appendix only.

The following financial information is a reproduction of the relevant information extracted from the audited financial statements of the Group for the three years ended 31 July 2005, 2006 and 2007 as published in the respective 2005, 2006 and 2007 annual reports of the Company.

Consolidated Income Statement
For the year ended 31 July
(Expressed in Hong Kong Dollars)

	Note	**2007**	**2006**	**2005**
Revenue	*8*	3,373,893	6,988,225	22,514,073
Cost of sales		(2,864,823)	(6,600,069)	(20,238,879)
Gross profit		509,070	388,156	2,275,194
Other income	*8*	6,151,259	73,559	105,334
Administrative and operating expenses		(52,633,888)	(8,247,844)	(13,999,422)
Impairment loss recognised in respect of an investment in a jointly-controlled entity		–	–	(1,457,726)
Loss from operating activities		(45,973,559)	(7,786,129)	(13,076,620)
Finance cost		–	–	(64,759)
Share of loss of a jointly-controlled entity		–	–	(477,888)
Loss before taxation	*9*	(45,973,559)	(7,786,129)	(13,619,267)
Income tax	*12*	–	–	–
Net loss attributable to equity shareholders of the Company	*13*	(45,973,559)	(7,786,129)	(13,619,267)
Loss per share	*14*			
Basic		(HK8.44 cents)	(HK1.97 cents)	(HK3.44 cents)
Diluted		N/A	N/A	N/A

Consolidated Balance Sheet
At 31 July
(Expressed in Hong Kong Dollars)

	Note	**2007**	**2006**	**2005**
Non-current assets				
Plant and equipment	*15*	524,363	685,315	1,198,004
Investment in a jointly-controlled entity	*17*	–	–	–
		524,363	685,315	1,198,004
Current assets				
Inventories	*18*	–	3,874	73,402
Trade receivables	*19*	197,696	694,247	825,438
Deposits, prepayments and other receivables	*20*	94,546,247	1,178,810	1,367,780
Available-for-sale investments/ Investments in securities		–	–	300,000
Cash and cash equivalents	*21*	395,115,097	485,791	7,513,302
		489,859,040	2,362,722	10,079,922
Current liabilities				
Trade payables	*22*	50,519	1,526,385	476,081
Deposits received	*23*	258,117	1,642,675	1,265,273
Accrued liabilities and other payables	*23*	6,928,667	855,976	857,939
Amount due to a director	*24*	–	3,187,329	5,000,000
		7,237,303	7,212,365	7,599,293
Net current assets/(liabilities)		482,621,737	(4,849,643)	2,480,629
NET ASSETS/(LIABILITIES)		483,146,100	(4,164,328)	3,678,633
CAPITAL AND RESERVES				
Issued capital	*25*	5,372,730	3,961,800	3,961,800
Reserves	*27*	477,773,370	(8,126,128)	(283,167)
TOTAL EQUITY		483,146,100	(4,164,328)	3,678,633

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 July 2007:

Consolidated Income Statement
For the year ended 31 July 2007
(Expressed in Hong Kong Dollars)

	Note	**2007**	**2006**
Revenue	*8*	3,373,893	6,988,225
Cost of Sales		(2,864,823)	(6,600,069)
Gross profit		509,070	388,156
Other income	*8*	6,151,259	73,559
Administrative and operating expenses		(52,633,888)	(8,247,844)
Loss from operating activities		(45,973,559)	(7,786,129)
Finance cost		–	–
Loss before taxation	*9*	(45,973,559)	(7,786,129)
Income tax	*12*	–	–
Net loss attributable to equity shareholders of the Company	*13*	(45,973,559)	(7,786,129)
Loss per share	*14*		
Basic		(HK8.44 cents)	(HK1.97 cents)
Diluted		N/A	N/A

Consolidated Balance Sheet
At 31 July 2007
(Expressed in Hong Kong Dollars)

	Note	**2007**	**2006**
Non-current assets			
Plant and equipment	*15*	524,363	685,315
Investment in a jointly-controlled entity	*17*	–	–
		524,363	685,315
Current assets			
Inventories	*18*	–	3,874
Trade receivables	*19*	197,696	694,247
Deposits, prepayments and other receivables	*20*	94,546,247	1,178,810
Cash and cash equivalents	*21*	395,115,097	485,791
		489,859,040	2,362,722
Current liabilities			
Trade payables	*22*	50,519	1,526,385
Deposits received	*23*	258,117	1,642,675
Accrued liabilities and other payables	*23*	6,928,667	855,976
Amount due to a director	*24*	–	3,187,329
		7,237,303	7,212,365
Net current assets/(liabilities)		482,621,737	(4,849,643)
NET ASSETS/(LIABILITIES)		483,146,100	(4,164,328)
CAPITAL AND RESERVES			
Issued capital	*25*	5,372,730	3,961,800
Reserves	*27*	477,773,370	(8,126,128)
TOTAL EQUITY		483,146,100	(4,164,328)

Consolidated Statement of Changes in Equity
For the year ended 31 July 2007
(Expressed in Hong Kong Dollars)

	Note	Share capital	Share premium account	Capital reserve	Share option reserve	Exchange reserve	Accumulated losses	Total
As at 1 August 2005		3,961,800	29,685,786	19,980,000	–	–	(49,948,953)	3,678,633
Net loss for the year		–	–	–	–	–	(7,786,129)	(7,786,129)
Exchange differences on translation of the financial statements of an overseas subsidiary		–	–	–	–	(56,832)	–	(56,832)
As at 31 July 2006 and 1 August 2006		3,961,800	29,685,786	19,980,000	–	(56,832)	(57,735,082)	(4,164,328)
Net loss for the year		–	–	–	–	–	(45,973,559)	(45,973,559)
Exchange differences on translation of the financial statements of an overseas subsidiary		–	–	–	–	(33,134)	–	(33,134)
Issue of new shares	25	1,385,430	504,892,620	–	–	–	–	506,278,050
Share-based payment expenses	9	–	–	–	37,228,098	–	–	37,228,098
Shares issued under share option scheme	25	25,500	1,208,433	–	(586,233)	–	–	647,700
Share issue expenses		–	(10,836,727)	–	–	–	–	(10,836,727)
As at 31 July 2007		5,372,730	524,950,112	19,980,000	36,641,865	(89,966)	(103,708,641)	483,146,100

Consolidated Cash Flow Statement
For the year ended 31 July 2007
(Expressed in Hong Kong Dollars)

	Note	**2007**	**2006**
Operating activities			
Loss from operating activities		(45,973,559)	(7,786,129)
Adjustments for:			
Bank interest income		(210,907)	(6,101)
Waiver of amount due to a director		(4,987,329)	–
(Gain)/loss on disposal of plant and equipment		(262)	10,370
Depreciation		514,406	531,118
Write-off of plant and equipment		21,450	14,211
Share-based payment expenses		37,228,098	–
Operating loss before changes in working capital		(13,408,103)	(7,236,531)
Decrease in inventories		3,874	69,528
Decrease in trade receivables		496,551	131,191
Decrease in deposits, prepayments and other receivables		232,563	188,970
(Decrease)/increase in trade payables		(1,475,866)	1,050,304
(Decrease)/increase in deposits received		(1,384,558)	377,402
Increase/(decrease) in accrued liabilities and other payables		4,061,978	(1,963)
Net cash used in operating activities		(11,473,561)	(5,421,099)
Investing activities			
Bank interest received		210,907	6,101
Purchase of plant and equipment		(373,304)	(52,733)
Proceeds from disposal of plant and equipment		262	11,879
Proceeds from sale of available-for-sale investments		–	300,000
Deposit paid for acquisition of a subsidiary	*20*	(93,600,000)	–
Net cash (used in)/from investing activities		(93,762,135)	265,247

	Note	**2007**	**2006**
Financing activities			
Advance from directors		3,280,000	3,187,329
Repayment to a director		(1,480,000)	(5,000,000)
Proceeds from issue of ordinary shares		506,278,050	–
Proceeds from exercise of share options		647,700	–
Proceeds for shares to be issued under share option scheme	*23*	2,010,713	–
Share issue expenses		(10,836,727)	–
Net cash from/(used in) financing activities		499,899,736	(1,812,671)
Net increase/(decrease) in cash and cash equivalents		394,664,040	(6,968,523)
Cash and cash equivalents at beginning of year		485,791	7,513,302
Effect of foreign exchange rate changes		(34,734)	(58,988)
Cash and cash equivalents at end of year		395,115,097	485,791
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*21*	395,115,097	485,791

Notes:

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 18 February 2003.

The principal place of business of the Company is located at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in note 16 to the financial statements.

As at 31 July 2007, the Directors consider the ultimate holding company of the Group is Colpo Mercantile Inc. ("Colpo"), a company incorporated in the British Virgin Islands.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The 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 financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules"). They have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 5.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised HKFRSs and HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005. The adoption of the following new HKFRSs has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustments have been made.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – INT 4	Determining whether an arrangement contains a lease
HKFRS – INT 5	Right to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2007. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(b) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

(c) Jointly-controlled entities

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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.

In the Company's balance sheet, the investments in jointly-controlled entities are stated at cost less provision for impairment losses. The results of jointly-controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of the assets to their estimated residual value, if any, over their estimated useful lives from the date on which they become fully operational, using the straight-line method, at the following rates per annum:

Leasehold improvements	33% or over the lease terms, whichever is shorter
Computer equipment and software	30–50%
Furniture and fixtures	20%
Office equipment	20%

The gain or loss arising from the retirement or disposal of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(e) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amounts of the inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of consolidated cash flow statement.

(j) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of computer hardware and software and the provision of related network infrastructure construction services, when the installation work is completed and the customer has accepted the goods together with significant risks and rewards of ownership;

(ii) from the rendering of network infrastructure maintenance and reinforcement services, on a time proportion basis over the period of the contract or when the related services are rendered;

(iii) from the rendering of other professional value-added solutions and services and data processing fee income, when the related services are rendered; and

(iv) interest income, on an accrual basis using the effective interest method.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

(n) Borrowing costs

Borrowing costs are expensed in the income statement in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(o) Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government (the "PRC Scheme"). This subsidiary is required to make contributions for its employees who are registered as permanent residents in Mainland China. The contributions are charged to the income statement as they become payable in accordance with the rules of the PRC Scheme.

Long service payments

No provision has been recognised as no employees of the Group have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment.

Share option schemes

The Group operates equity-settled share-based compensation scheme ("Scheme") to remunerate its employees.

For share options granted under the Scheme, the fair value of the employee's services rendered in exchange for the grant of the options is recognised as an expense immediately and credited to the share option reserve under equity. Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting periods. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the share option reserve.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. The equity amount is recognised in the share option reserve until the option is exercised when it is transferred to the share premium account. If the options lapse unexercised, the related share option reserve is transferred directly to retained earnings.

(p) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are included in a separate component of equity, the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade and other receivables and plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, amount due to a director, corporate and financial expenses.

(r) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium account (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Impairment on investment in a jointly-controlled entity

The Group's management determines impairment on investment in the jointly-controlled entity on an annual basis. In the prior year, full impairment on investment in the jointly-controlled entity in Hangzhou has been made. Details of the basis of the impairment are disclosed in the note 17 to these financial statements. The management will reassess the impairment of the provision for impairment at each balance sheet date.

(b) Depreciation

The Group's net book value of plant and equipment as at 31 July 2007 was HK$524,363. The Group depreciates its plant and equipment on a straight line basis over the estimated useful life as set out in note 4(d), commencing from the date the plant and equipment is placed into productive use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

(c) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model which requires the management's estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Changes in the subjective input assumptions could materially affect the fair value estimate.

6. FINANCIAL RISK MANAGEMENT

Exposure to currency, credit, interest rate, price and liquidity risks arises in the normal course of the Group's businesses. These risks are mitigated by the Group's financial management policies and practices described below.

(a) Foreign currency risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollars. Accordingly, the management considers the foreign exchange rate risk to the Group is not significant.

(b) Credit risk

The Group has limited exposure to credit risk due to tight control of working capital management on the credit policies.

(c) Fair value and cash flow interest rate risks

The Group's exposure to fair value and cash flow interest risks is minimal as the Group does not have any material long term financial assets or liabilities.

(d) Price risk

The Group was not exposed to equity securities price risk during the year, since it held no investments which were classified as available-for-sale financial assets or as financial assets at fair value through the income statement. In addition, the Group was not exposed to commodity price risk.

(e) Liquidity risk

Internally generated cash flow and funds raising from placing of shares during the year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

7. SEGMENT INFORMATION

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:

(i) the network infrastructure construction solutions segment comprises the provision of hardware and software for network infrastructure solutions and the design and installation of network infrastructure systems;

(ii) the network infrastructure maintenance and reinforcement services segment comprises the provision of support and maintenance services to customers' existing computer networks and systems; and

(iii) the other professional value-added solutions and services segment offers server co-location and management services, web-hosting and e-mail hosting services, web-based software applications and the provision of user training services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during each of the years ended 31 July 2006 and 2007.

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:

	Network infrastructure construction solutions segment	Network infrastructure maintenance and reinforcement services segment	Other professional value-added solutions and services segment	Consolidated
	HK$	*HK$*	*HK$*	*HK$*
2007				
Segment revenue:				
Sales to external customers	919,983	1,602,410	851,500	3,373,893
Segment results	50,331	975,527	(266,279)	759,579
Unallocated income				5,308,082
Unallocated expenses				(52,041,220)
Loss from operating activities				(45,973,559)
Finance costs				–
Loss before taxation				(45,973,559)
Taxation				–
Net loss attributable to equity shareholders of the Company				(45,973,559)
Segment assets	38,875	251,862	341,521	632,258
Unallocated assets				489,751,145
Total assets				490,383,403
Segment liabilities	(56,628)	(96,485)	(282,504)	(435,617)
Unallocated liabilities				(6,801,686)
Total liabilities				(7,237,303)
Other segment information:				
Depreciation	–	–	–	–
Unallocated depreciation				514,406
				514,406
Write-down of inventories	13,664	–	–	13,664
Capital expenditure	–	–	–	–
Unallocated capital expenditure				373,304
				373,304

	Network infrastructure construction solutions segment HK$	Network infrastructure maintenance and reinforcement services segment HK$	Other professional value-added solutions and services segment HK$	Consolidated HK$
2006				
Segment revenue:				
Sales to external customers	3,869,256	542,143	2,576,826	6,988,225
Segment results	(564,261)	98,137	(1,028,316)	(1,494,440)
Unallocated income				73,559
Unallocated expenses				(6,365,248)
Loss from operating activities				(7,786,129)
Finance costs				–
Loss before taxation				(7,786,129)
Taxation				–
Net loss attributable to equity shareholders of the Company				(7,786,129)
Segment assets	430,846	227,575	889,125	1,547,546
Unallocated assets				1,500,491
Total assets				3,048,037
Segment liabilities	1,548,785	1,054,923	841,062	3,444,770
Unallocated liabilities				3,767,595
Total liabilities				7,212,365
Other segment information:				
Depreciation	–	–	110,000	110,000
Unallocated depreciation				421,118
				531,118
Write-down of inventories	13,803	–	–	13,803
Capital expenditure	–	–	–	–
Unallocated capital expenditure				52,733
				52,733

8. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

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

	2007 *HK$*	2006 *HK$*
Revenue		
Network infrastructure construction solutions – Sale of computer hardware and software and the provision of related services	919,983	3,869,256
Rendering of network infrastructure maintenance and reinforcement services	1,602,410	542,143
Other professional value-added solutions and services	851,500	2,576,826
	3,373,893	6,988,225
Other income		
Bank interest income	210,907	6,101
Consultancy fee	80,000	–
Gain on disposal of plant and equipment	262	–
Waiver of amount due to a director	4,987,329	–
Sundry income	843,177	17,294
Exchange gain, net	29,584	50,164
	6,151,259	73,559
Total	9,525,152	7,061,784

9. LOSS BEFORE TAXATION

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

	2007	2006
	HK$	*HK$*
Cost of inventories sold*	716,365	3,452,062
Cost of services provided**	2,148,458	3,148,007
Depreciation	514,406	531,118
Write-down of inventories	13,664	13,803
Write-off of plant and equipment	21,450	14,211
Minimum lease payments under operating leases		
– Leasehold property	683,823	776,062
– Dataline	–	2,855
Incorporation expenses	8,030	–
Auditors' remuneration		
– Audit services	250,000	220,000
– Other services	10,000	–
	260,000	220,000
Staff costs, including directors' remuneration *(note 10)*		
– Wages and salaries	7,660,787	5,132,124
– Pension scheme contributions	200,455	173,248
– Share-based payment expenses *(note 26)*	37,228,098	–
	45,089,340	5,305,372
(Gain)/loss on disposal of plant and equipment	(262)	10,370
Waiver of amount due to a director	(4,987,329)	–
Exchange gain, net	(29,584)	(50,164)

* *The cost of inventories sold includes HK$13,664 (2006: HK$13,803) relating to the write-down of inventories, which is also included in the total amount disclosed above.*

** *The cost of services provided includes HK$1,222,752 (2006: HK$437,710) relating to staff costs, which are also included in the total amounts of staff costs disclosed separately above.*

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

2007	Directors' fee *HK$*	Salaries, allowance and benefits in kind *HK$*	Pension scheme contributions *HK$*	Share-based payments *HK$*	Total *HK$*
Executive directors					
Chan Wing Him, Kenny *(note i)*	–	2,601,000	7,000	3,609,607	6,217,607
Chan Man Ching *(note i)*	–	745,000	9,000	3,609,607	4,363,607
Chan Chi Hung *(note ii)*	–	225,707	5,000	–	230,707
Yuen Kin Tong *(note iii)*	3,870	–	–	–	3,870
	3,870	3,571,707	21,000	7,219,214	10,815,791
Independent non-executive Directors					
Poon Lai Yin, Michael *(note iv)*	36,935	–	–	–	36,935
Lo Chi Kit *(note iv)*	36,935	–	–	–	36,935
Tam Hang Chuen *(note iv)*	36,935	–	–	–	36,935
Lau Siu Ki, Kevin *(note v)*	69,678	–	–	–	69,678
Wang Yat Yee, Mark *(note v)*	46,452	–	–	–	46,452
Zhang Guo Xuan *(note v)*	10,000	–	–	–	10,000
	236,935	–	–	–	236,935
Total	240,805	3,571,707	21,000	7,219,214	11,052,726

2006	Directors' fee *HK$*	Salaries, allowance and benefits in kind *HK$*	Pension scheme contributions *HK$*	Total *HK$*
Executive directors				
Lam Chi Shing *(note vi)*	–	250,000	5,000	255,000
Chan Chi Hung	–	463,500	12,000	475,500
Yuen Kin Tong *(note iii)*	3,844	–	–	3,844
	3,844	713,500	17,000	734,344
Non-executive director				
Yuen Kin Tong *(note iii)*	6,156	–	–	6,156
Independent non-executive directors				
Lau Siu Ki, Kevin	180,000	–	–	180,000
Wong Man Chung, Francis *(note vii)*	15,000	–	–	15,000
Wang Yat Yee, Mark	120,000	–	–	120,000
Zhang Guo Xuan	10,000	–	–	10,000
	325,000	–	–	325,000
Total	335,000	713,500	17,000	1,065,500

Notes:

(i) Mr. Chan Wing Him, Kenny and Mr. Chan Man Ching were appointed on 29 November 2006.

(ii) Emoluments of Mr. Chan Chi Hung for the year ended 31 July 2007 represented his remuneration received in the capacity of Executive Director before his resignation on 20 December 2006.

(iii) The position of Mr. Yuen Kin Tong in the Company was changed from non-executive director to executive director on 24 April 2006. Emolument of Mr. Yuen Kin Tong for the year ended 31 July 2007 represented his remuneration received in the capacity of executive director before his resignation on 20 December 2006.

(iv) Mr. Poon Lai Yin, Michael, Mr. Lo Chi Kit and Mr. Tam Hang Chuen were appointed on 20 December 2006.

(v) Emoluments of Mr. Lau Siu Ki, Kevin, Mr. Wang Yat Yee, Mark and Mr. Zhang Guo Xuan for the year ended 31 July 2007 represented their remuneration received in the capacity of independent non-executive director before their resignation on 20 December 2006.

(vi) Mr. Lam Chi Shing waived emoluments of HK$232,258 as of 20 December 2006 and he resigned on 20 December 2006. During the year ended 31 July 2006, Mr. Lam Chi Shing waived emoluments of HK$350,000.

(vii) Emoluments of Mr. Wong Man Chung, Francis for the year ended 31 July 2006 represented his remuneration received in the capacity of Independent Non-executive Director before his resignation on 31 August 2005.

(viii) There were 17,847,200 share options granted to the Directors during the year ended 31 July 2007. Details of the movements of share options are set out in note 26.

(ix) No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group during the years ended 31 July 2006 and 2007.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: two) Directors, whose remuneration are disclosed in note 10 to the financial statements. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees are as follows:

	Group	
	2007	**2006**
	HK$	*HK$*
Salaries, allowances and benefits in kind	1,162,669	1,197,907
Pension scheme contributions	23,492	34,813
Share-based payments	3,755,020	–
	4,941,181	1,232,720

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2007	2006
Nil to HK$1,000,000	2	3
HK$4,000,001 to HK$4,500,000	1	–
	3	3

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group.

12. INCOME TAX

Hong Kong profits tax has not been provided (2006: Nil) as the Group did not generate any assessable profits in Hong Kong during the year. No provision for corporate income tax for a subsidiary and the jointly controlled entity established and operating in Mainland China (2006: Nil) has been made as no assessable profits arose from their operations during the year. The statutory tax rate for Hong Kong profits tax is 17.5% (2006: 17.5%). The statutory tax rate of corporate income tax in Mainland China is 33% (2006: 33%).

A reconciliation of the tax credit applicable to loss before taxation using the statutory rates for the countries in which the Company and its subsidiaries and jointly-controlled entity are domiciled to the tax credit at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group 2007		2006	
	HK$	%	*HK$*	%
Loss before taxation	(45,973,559)		(7,786,129)	
Tax credit at statutory tax rate	(8,045,372)	(17.5)	(1,362,572)	(17.5)
Tax effect of:				
– higher tax rate for specific provinces and local authority	(44,814)	(0.1)	(188,135)	(2.4)
– income not subject to tax	(824,409)	(1.8)	(1,068)	(0.1)
– expenses not deductible for tax	7,312,427	15.9	3,551	0.1
– temporary differences not recognised	57,827	0.1	69,252	0.9
– tax losses not recognised as deferred tax assets	1,544,341	3.4	1,478,972	19.0
Tax credit	–		–	

The Group has unrecognised deferred tax assets from tax losses of HK$11,572,255 (2006: HK$10,027,914) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Included in unrecognised tax losses are losses arising from the PRC subsidiary of HK$1,819,470 (2006: HK$1,724,059) that will expire in five years from the respective year of loss. Other losses could be carried forward indefinitely.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The net loss from ordinary activities attributable to equity shareholders of the Company for the year dealt with in the financial statements of the Company was HK$50,427,454 (2006: HK$500,594) (note 27).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity shareholders of the Company for the year of HK$45,973,559 (2006: HK$7,786,129) and the weighted average of 544,861,454 (2006: 396,180,000) ordinary shares in issue during the year, as adjusted to reflect the issue of shares, share subdivision and exercise of share options during the year.

	2007 Weighted average number of shares	**2006 Weighted average number of shares**
Issued ordinary shares at beginning of year	396,180,000	396,180,000
Effect of issue of new shares	27,011,317	–
Effect of share subdivision	120,873,699	–
Effect of exercise of share options	796,438	–
Weighted average number of ordinary shares	544,861,454	396,180,000

Diluted loss per share for each of the years ended 31 July 2006 and 2007 have not been presented, as the share options outstanding during the years had an anti-dilutive effect on the basic loss per share for the respective years.

15. PLANT AND EQUIPMENT

	Leasehold improvements *HK$*	Computer equipment and software *HK$*	Furniture and fixtures *HK$*	Office equipment *HK$*	Total *HK$*
Group					
Cost:					
As at 1 August 2005	580,222	1,505,884	242,530	251,415	2,580,051
Exchange adjustment	1,065	2,736	–	494	4,295
Additions	–	51,913	820	–	52,733
Disposal	(49,084)	(55,944)	(2,580)	–	(107,608)
Write-off	–	(117,466)	(110,655)	(1,700)	(229,821)
As at 31 July 2006 and 1 August 2006	532,203	1,387,123	130,115	250,209	2,299,650
Exchange adjustment	–	5,155	–	960	6,115
Additions	207,390	42,373	78,660	44,881	373,304
Disposal	–	(70,414)	–	(3,027)	(73,441)
Write-off	–	(76,624)	(42,956)	–	(119,580)
As at 31 July 2007	739,593	1,287,613	165,819	293,023	2,486,048
Accumulated depreciation:					
As at 1 August 2005	22,875	1,038,553	138,193	182,426	1,382,047
Exchange adjustment	311	1,400	–	428	2,139
Charge for the year	201,943	266,567	30,472	32,136	531,118
Eliminated on disposal	(38,858)	(45,168)	(1,333)	–	(85,359)
Eliminated on write-off	–	(117,057)	(97,745)	(808)	(215,610)
As at 31 July 2006 and 1 August 2006	186,271	1,144,295	69,587	214,182	1,614,335
Exchange adjustment	–	3,555	–	960	4,515
Charge for the year	281,096	187,170	23,784	22,356	514,406
Eliminated on disposal	–	(70,414)	–	(3,027)	(73,441)
Eliminated on write-off	–	(76,484)	(21,646)	–	(98,130)
As at 31 July 2007	467,367	1,188,122	71,725	234,471	1,961,685
Carrying amount:					
As at 31 July 2007	272,226	99,491	94,094	58,552	524,363
As at 31 July 2006	345,932	242,828	60,528	36,027	685,315

	Computer equipment and software HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
Company				
Cost:				
As at 1 August 2005	45,255	56,858	65,090	167,203
Additions	160	–	–	160
Disposal	–	(2,580)	–	(2,580)
As at 31 July 2006 and 1 August 2006	45,415	54,278	65,090	164,783
Additions	29,595	2,000	–	31,595
Write-off	(2,433)	(4,823)	–	(7,256)
As at 31 July 2007	72,577	51,455	65,090	189,122
Accumulated depreciation:				
As at 1 August 2005	22,696	23,566	27,921	74,183
Charge for the year	13,585	11,070	13,018	37,673
Eliminated on disposal	–	(1,333)	–	(1,333)
As at 31 July 2006 and 1 August 2006	36,281	33,303	40,939	110,523
Charge for the year	11,858	10,614	13,017	35,489
Eliminated on write-off	(2,433)	(3,342)	–	(5,775)
As at 31 July 2007	45,706	40,575	53,956	140,237
Carrying amount:				
As at 31 July 2007	26,871	10,880	11,134	48,885
As at 31 July 2006	9,134	20,975	24,151	54,260

16. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$	2006 HK$
Unlisted shares, at cost	969,031	891,031
Due from subsidiaries	26,290,345	21,316,195
Due to a subsidiary	(78,000)	–
	27,181,376	22,207,226
Less: Impairment loss	(27,259,376)	(22,207,226)
	(78,000)	–

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of amounts due from/(to) subsidiaries approximate to their fair values.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment and operation	Nominal value of issued shares/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activity
Sys Solutions (BVI) Limited#	British Virgin Islands/ Hong Kong	US$10,000 ordinary	100	–	Investment holding
Rich Concept Technology Limited#	British Virgin Islands/ Hong Kong	US$10,000 ordinary	100	–	Investment holding
Sys Solutions (China) Limited	Hong Kong	HK$1,000,000 ordinary	–	100	Inactive
Sys Solutions Limited	Hong Kong	HK$1,000,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions Technology Consulting Limited	Hong Kong	HK$10,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions GlobalSoft Limited	Hong Kong	HK$10,000 ordinary	–	100	Provision of network infrastructure solutions and services
Sys Solutions System Management Limited ("Sys Solutions System Management")	Hong Kong	HK$10,000 ordinary	–	100	Investment holding
廣州軟迅網絡科技有限公司#/** (Sys Solutions (Guangzhou) Limited)	People's Republic of China	HK$2,000,400	–	100	Provision of technical services and research and development of web-based software
China Enviro Energy Holdings Limited (formerly known as Enviro Energy International Holdings Limited)	Hong Kong	HK$1 ordinary	–	100	Inactive

** *Sys Solutions (Guangzhou) Limited is a wholly-owned foreign enterprise established by Sys Solutions Limited in Mainland China for a period of 11 years commencing the date of issuance of its business licence of 2 July 2001.*

Not audited by Lak & Associates C.P.A. Limited

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2007 HK$	Group 2006 HK$
Share of net assets, unlisted	1,457,726	1,457,726
Less: Impairment loss	(1,457,726)	(1,457,726)
	–	–

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operation	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activity
杭州軟均信息系統工程監理有限公司 ("Hangzhou JV")	Corporate	People's Republic of China	50	60	50	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 in Mainland China for a period of 20 years commencing from the date of issuance of its business licence of 10 October 2003. Hangzhou JV is accounted for as a jointly-controlled entity by virtue of the fact that neither the Group nor the joint venturer can exercise unilateral control over its economic activity.

The jointly-controlled entity is not audited by Lak & Associates C.P.A. Limited.

In view of the recurring operating losses of the jointly-controlled entity and the unfavourable market conditions, an impairment loss of HK$1,457,726 was charged to the consolidated income statement in the prior year.

As at 31 July 2007, Hangzhou JV had a number of unsettled obligations due to problem in recovering of debts due from third parties with an approximate total amount of HK$3,313,000 (2006: HK$3,119,000). Due to the financial difficulty of the jointly-controlled entity, the directors are uncertain whether it is able to repay the debts at the balance sheet date. In case of failure of repayment, Hangzhou JV may incur additional liabilities such as penalties for late payment, or be exposed to possible lawsuits. Since there is no clause in the joint venture agreement signed with the joint venturer in Mainland China stating that Sys Solutions System Management has a commitment to provide additional financial support to Hangzhou JV other than the contributed amount stated in the joint venture agreement, the directors are not aware of the possibility of any contingent liability.

For the years ended 31 July 2006 and 2007, the Group discontinued the use of equity accounting method as the carrying amount of the investment was reduced to nil.

18. INVENTORIES

	Group 2007 HK$	Group 2006 HK$
Computer hardware and software held for re-sale	–	3,874

None of the inventories included above were carried at net realisable value as at 31 July 2007 (2006: Nil).

19. 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 invoice date, is as follows:

	Group 2007 HK$	Group 2006 HK$
Within 30 days	138,230	422,859
Between 31 – 60 days	59,466	166,481
Between 61 – 90 days	–	103,407
Between 91 – 180 days	–	1,500
	197,696	694,247

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

As at 31 July 2006, included in the Group's trade receivables were amounts due from the Group's related company of which Mr. Lam Chi Shing, the former chairman and an executive director of the Company, was also a director.

Particulars of which disclosed pursuant to Section 161B of the Hong Kong Companies Ordinances were as follows:

Name of related company	Balance at 31 July 2007 HK$	Balance at 31 July 2006 HK$	Maximum amount outstanding during the year HK$
Pushang Management Services Limited	–	1,500	1,500

The amounts due were unsecured, interest-free and repayable on credit terms similar to those offered to the other customers of the Group.

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
United States Dollars	–	546

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Deposits, prepayments and other receivables	94,546,247	1,178,810	93,777,852	140,689

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 Limited ("Allied Resources"), a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources (the "Proposed Acquisition"). On 19 July 2007, the Company entered into a supplemental deed to the Exclusivity Agreement with Global Richland (the "Supplemental Deed"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period up to 31 December 2007 (the "Extended Exclusivity Period"). Up to 31 July 2007, an aggregate of HK$93.6 million refundable deposits have been paid by the Company to Global Richland and included in deposits, prepayments and other receivables.

The carrying amounts of deposits, prepayments and other receivables approximate to their fair values.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Bank balances	395,105,617	469,185	394,695,391	15,596
Cash balances	9,480	16,606	–	–
Cash and cash equivalents in the consolidated cash flow statement	395,115,097	485,791	394,695,391	15,596

Included in the cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	**2006**	**2007**	**2006**
United States Dollars	1,562	1,566	–	–
Renminbi	52,439	62,666	–	–

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE PAYABLES

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

	Group	
	2007	**2006**
	HK$	*HK$*
Within 30 days	50,519	725,691
Between 31 – 60 days	–	34,755
Between 61 – 90 days	–	225,427
Between 91 – 180 days	–	158,050
Over 181 days	–	382,462
	50,519	1,526,385

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

Included in the trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	**2006**
United States Dollars	4,648	144,141

23. DEPOSITS RECEIVED, ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Deposits received *(note i)*	258,117	1,642,675	–	–
Accrued liabilities	1,011,399	466,230	791,686	240,883
Other payables	2,610,555	361,413	1,541,733	27,000
Directors' remuneration payable	1,296,000	28,333	1,296,000	28,333
Temporary receipts *(note ii)*	2,010,713	–	2,010,713	–
	6,928,667	855,976	5,640,132	296,216
	7,186,784	2,498,651	5,640,132	296,216

Notes:

i. The deposits received represent an unearned portion of deposits received from customers in respect of the provision of the network infrastructure maintenance and reinforcement services and other professional value-added solutions and services.

ii. Temporary receipts represent the proceeds received for 14,131,600 share options granted to employees and others and exercised after the balance sheet date.

The carrying amounts of deposits received, accrued liabilities and other payables approximate to their fair values.

24. AMOUNT DUE TO A DIRECTOR

Name of director	Group 2007 *HK$*	2006 *HK$*
Lam Chi Shing	–	3,187,329

The amount due to a director was unsecured, interest-free and fully settled during the year.

25. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *HK$*
Authorised:		
As at 1 August 2005 and 31 July 2006		
Ordinary shares of HK$0.01 each	5,000,000,000	50,000,000
Share subdivision *(note i)*	5,000,000,000	–
As at 31 July 2007		
Ordinary shares of HK$0.005 each	10,000,000,000	50,000,000
Issued and fully paid:		
As at 1 August 2005 and 31 July 2006		
Ordinary shares of HK$0.01 each	396,180,000	3,961,800
Share placing on 26 February 2007 *(note ii)*	24,000,000	240,000
	420,180,000	4,201,800
Share subdivision *(note i)*	420,180,000	–
Share placing on 28 May 2007 *(note iii)*	49,995,000	249,975
Share placing and subscription on 16 July 2007 and 24 July 2007 *(note iv)*	179,091,000	895,455
Shares issued under share option scheme on 5 June 2007 *(note v)*	5,100,000	25,500
As at 31 July 2007		
Ordinary shares of HK$0.005 each	1,074,546,000	5,372,730

Notes:

i. An ordinary resolution proposed at the Extraordinary General Meeting held on 17 April 2007 to approve the subdivision of every issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company into two subdivided ordinary shares of par value of HK$0.005 each was duly passed by the shareholders. The share subdivision became effective on 18 April 2007.

ii. Completion of the placing took place on 26 February 2007 in accordance with the terms of the placing agreement, where a total of 24,000,000 new shares were placed out at the placing price of HK$0.40 per share, resulting in the issue of 24,000,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$9,600,000.

iii. Completion of the placing took place on 28 May 2007 in accordance with the terms of the placing agreement, as amended by the supplemental deed, where a total of 49,995,000 new shares were placed out at the placing price of HK$0.80 per share, resulting in the issue of 49,995,000 shares of HK$0.005 each for a total cash consideration, before expenses, of HK$39,996,000.

iv. Completion of the placing took place on 16 July 2007, where a total of 179,091,000 new shares were placed out at the placing price of HK$2.55 per share, resulting in the issue of 179,091,000 shares of HK$0.005 each for a total cash consideration, before expenses, of HK$456,682,050. The conditional subscription by Colpo Mercantile Inc. ("Colpo"), the controlling shareholder of the Company, has also been completed on 24 July 2007, pursuant to which Colpo has subscribed for 179,091,000 new shares at HK$2.55 per subscription share.

v. The subscription rights attaching to 5,100,000 share options were exercised at the subscription price of HK$0.127 per share (note 26), resulting in the issue of 5,100,000 shares of HK$0.005 each for a total cash consideration, before expenses, of HK$647,700.

26. SHARE OPTION SCHEMES

(i) On 25 January 2003, a share option scheme (the "Pre-Scheme") was approved pursuant to written resolutions of the Company. The purpose of the Pre-Scheme was to recognise the contribution of certain employees of the Group to its growth. The Company had granted pre-IPO share options thereunder to two executive directors and 18 employees to subscribe for a total of 30,168,000 shares, representing in aggregate of approximately 7.84% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at a subscription prices ranging from HK$0.11 to HK$0.27 per share. No further options can be granted under the Pre-Scheme after the listing of the Company's shares on GEM. All these options granted may be exercised after the expiry of 12 months from 18 February 2003, the listing date, and in each case, not later than four years from the listing date. Each grantee has paid HK$1 to the Company as consideration for such grant.

The movements under the Pre-Scheme during the year are as follow:

	Number of share options granted on 25 January 2003					
Category of participant	**As at 1 August 2006**	**Exercised during the year**	**Exercised during the year**	**As at 31 July 2007**	**Exercise period of share options**	**Exercise price per share** *HK$*
Employee of the Group	270,000	–	(270,000)	–	18 February 2004 to 17 February 2007	0.27

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

(ii) On 25 January 2003, another share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to enable the Group to recognize 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 employee, 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 10 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 or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company in issue at any time or with an aggregate value based on the closing price of the shares of the Company at the date of grant in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The options granted may be exercised at any time or times during a period to be determined and notified by the Board which period of time shall commence 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.

The movements in the share options granted under the Post-Scheme during the year are shown in the following table:

				Number of Share Options				
Name or Category of Participants	Date of Grant	Exercise Period	Exercise Price per Share *(HK$)*	As at 1/8/2006	Granted during the year	Lapsed during the year	Exercised during the year	As at 31/7/2007
Directors, chief executive, management shareholders or substantial shareholders or their respective associates:								
Mr. Chan Wing Him, Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	1,000,000	–	–	1,000,000
				–	8,923,600	–	–	8,923,600
Mr. Chan Man Ching	29/12/2006	29/12/2006 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	1,000,000	–	–	1,000,000
				–	8,923,600	–	–	8,923,600
Mr. Ho Tak Yuen, Peter	18/1/2007	18/1/2007 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	1,000,000	–	–	1,000,000
				–	8,923,600	–	–	8,923,600

Name or Category of Participants	Date of Grant	Exercise Period	Exercise Price per Share (HK$)	Number of Share Options: As at 1/8/2006	Granted during the year	Lapsed during the year	Exercised during the year	As at 31/7/2007
Other employees:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.127	–	7,923,600	–	–	7,923,600
	26/4/2007	26/4/2007 to 24/1/2013	1.158	–	200,000	–	–	200,000
				–	8,123,600	–	–	8,123,600
Others:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.127	–	16,023,600	–	(5,100,000)	10,923,600
	20/3/2007	20/3/2007 to 24/1/2013	0.225	–	12,420,000	–	–	12,420,000
	26/4/2007	26/4/2007 to 24/1/2013	1.158	–	700,000	–	–	700,000
	22/6/2007	22/6/2007 to 24/1/2013	2.730	–	7,250,000	–	–	7,250,000
				–	36,393,600	–	(5,100,000)	31,293,600
TOTAL				–	71,288,000	–	(5,100,000)	66,188,000
Weighted average exercise price				N/A	0.5314	N/A	0.1270	0.5625

Notes:

(a) Share options for subscribing 71,288,000 shares of the Company were granted for a total consideration of HK$42 during the year under review. The aggregate fair value of options granted under the Post-Scheme, measured at their respective dates of grant, amounted to HK$37,228,098. The fair values of the outstanding options were derived from Black-Scholes option pricing model by applying 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*(iii)* *HK$ per share*
29/12/2006	Nil	186.91%	3.73%	0.232
18/1/2007	Nil	309.78%	3.88%	0.232
20/3/2007	Nil	332.98%	4.06%	0.460
26/4/2007	Nil	190.24%	4.06%	0.900
22/6/2007	Nil	331.76%	4.61%	2.480

i. the expected volatilities of the options were calculated based on the annualized 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; and

iii. the price of the Company's shares disclosed as at the date of grant of the share options is the closing price on the trading day immediately prior to the date of grant of the options, as adjusted to reflect the share subdivision on 18 April 2007.

(b) The values of the options are subject to the limitations of the Black-Scholes option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

(c) 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 are HK$2.57 and HK$3.07 respectively.

(d) The outstanding share options as at 31 July 2007 had a weighted average remaining contractual life of 5.49 years.

(e) If options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to accumulated losses.

(f) As at 31 July 2007, the Company had 66,188,000 share options outstanding under the Post-Scheme, which represented approximately 6.16% of the Company's shares in issue at that date.

(iii) Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

27. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

(b) The Company

	Note	**Share premium account** *HK$*	**Capital reserve** *HK$*	**Share option reserve** *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*
As at 1 August 2005		29,685,786	871,031	–	(34,103,694)	(3,546,877)
Net loss for the year		–	–	–	(500,594)	(500,594)
As at 31 July 2006 and 1 August 2006		29,685,786	871,031	–	(34,604,288)	(4,047,471)
Net loss for the year		–	–	–	(50,427,454)	(50,427,454)
Issue of new shares	25	504,892,620	–	–	–	504,892,620
Share-based payment expenses	9	–	–	37,228,098	–	37,228,098
Shares issued under share option scheme	25	1,208,433	–	(586,233)	–	622,200
Share issue expenses		(10,836,727)	–	–	–	(10,836,727)
As at 31 July 2007		524,950,112	871,031	36,641,865	85,031,742	477,431,266

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed.

The capital reserve of the Group represents the difference between the nominal value of the share capital and share premium account of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor. The capital reserve of the Company represents the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. Under the Companies Law of the Cayman Islands, the capital reserve of the Company may be distributable to its shareholders, provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The exchange reserve has been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 4(o) to the financial statements. The amount will be either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

28. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements for terms ranging from one to three years. None of the leases includes contingent rentals.

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	504,711	689,056	–	–
After one year but within five years	–	447,853	–	–
	504,711	1,136,909	–	–

29. COMMITMENTS

Except for the operating lease commitments and the events after balance sheet date detailed in notes 28 and 31 to the financial statements, respectively, the Group and the Company had no significant commitments outstanding at the balance sheet date.

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the years presented:

	2007	**2006**
	HK$	*HK$*
Speed Sourcing Limited*		
Network infrastructure maintenance and reinforcement services income	–	13,250
Other professional value-added solutions and services income and dataline rental income	–	3,470
Pushang Management Services Limited*		
Network infrastructure construction solutions income	8,621	176,255
Network infrastructure maintenance and reinforcement services income	163,400	86,600
Other professional value-added solutions and services income and dataline rental income	–	9,000
Rental income	–	14,795
Sales proceeds on disposal of furniture	–	1,250
Hong Shing Decoration Co.**		
Renovation fee paid	–	27,600
Lam Chi Shing		
Cash advance from a director	1,800,000	3,187,329
Waiver of amount due to a director	4,987,329	–
Chan Wing Him, Kenny		
Cash advance from a director	1,480,000	–

* *Speed Sourcing Limited and Pushang Management Services Limited are companies incorporated in Hong Kong, each of which Mr. Lam Chi Shing, the former chairman and an executive director of the Company, is also a director.*

** *In 2006, Mr. Wong Wing Hong was a significant shareholder of the Company and the owner of Hong Shing Decoration Co.*

(b) **Key management personnel compensation**

	2007	**2006**
	HK$	*HK$*
Short-term employee benefits	4,315,995	1,332,407
Post-employment benefits	26,000	28,113
Share-based payments	10,859,763	–
	15,201,758	1,360,520

(c) Movement of non-trade balance with related party

	2007	2006
	HK$	*HK$*
Non-trade balances due to:		
Director – Mr. Lam Chi Shing		
Beginning of the year	3,187,329	5,000,000
Cash advance to the Group	1,800,000	3,187,329
Repayment of loan	–	(5,000,000)
Waiver of amount due to a director	(4,987,329)	–
End of the year	–	3,187,329
Director – Mr. Chan Wing Him, Kenny		
Cash advance to the Group	1,480,000	–
Repayment to director	(1,480,000)	–
End of the year	–	–

31. EVENTS AFTER BALANCE SHEET DATE

(a) An aggregate of HK$93.6 million refundable deposits have been paid by the Company to Global Richland up to 31 July 2007 for the Proposed Acquisition of Allied Resources. On 16 August 2007, the Company entered into the 2nd Supplemental Deed, pursuant to which the Company had paid an additional refundable deposit of HK$35 million, which will form part of the consideration of the Proposed Acquisition, to Global Richland on 16 August 2007. Such HK$35 million together with HK$93.6 million already paid by the Company to Global Richland under the Exclusivity Agreement and Supplemental Deed is refundable if the Company decides not to proceed with the Proposed Acquisition or a legally binding sale and purchase agreement of share is not entered into on or before the expiry of the Extended Exclusivity Period, i.e. 31 December 2007.

On 14 September 2007, the Company entered into the Agreement to acquire from Global Richland the entire issued capital of Allied Resources at a total consideration of HK$365.88 million, which shall be satisfied by payment of cash of HK$178 million and the issue of 110,000,000 new shares of HK$0.0025 each (the "Consideration Shares") at an issue price of HK$1.708 per share to Global Richland. The market value of the Consideration Shares amounted to approximately HK$317.9 million based on the closing price of HK$2.89 per share as quoted on the Stock Exchange on 14 September 2007. A further refundable deposit of HK$49.4 million was paid to Global Richland upon signing of the Agreement and an aggregate of HK$178 million refundable deposits have been paid. Up to the date of the approval of the financial statements, the Company is still conducting the detailed review of the Proposed Acquisition. Thus, the amounts to be recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities are not yet available.

(b) On 28 August 2007, an ordinary resolution proposed at the Extraordinary General Meeting held to approve the subdivision of every issued and unissued ordinary shares of par value of HK$0.005 each in the share capital of the Company into two subdivided ordinary shares of par value of HK$0.0025 each was duly passed by the shareholders. The share subdivision became effective on 29 August 2007.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 JULY 2007

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 July 2007 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKAS 1, Amendment, Presentation of financial statements: – capital disclosures	1 January 2007
HKAS 23 (Revised), Borrowing costs	1 January 2009
HKFRS 7, Financial instruments: disclosures	1 January 2007
HKFRS 8, Operating segments	1 January 2009
HK(IFRIC) – Int 10, Interim financial reporting and impairment	1 November 2006
HK(IFRIC) – Int 11, HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12, Service concession arrangements	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations are expected to be in the period of initial application. So far it has concluded that while the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 12 October 2007.

Part 2

1. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Enlarged Group, including its internally generated funds, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the Latest Practicable Date.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no outstanding bank borrowings.

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement, other borrowings of the Enlarged Group amounted to HK$99,398,991 which comprised the following items:

	Note	*HK$*
Amount due to the Vendor	*i*	82,594,499
Amount due to Mr Lau	*ii*	2,363,700
Amount due to Mr Xu Ying	*iii*	9,318,700
Other Creditors	*iv*	5,122,092
		99,398,991

Notes:

i. **Amount due to the Vendor**

The Vendor is the sole shareholder of Allied Resources and an Independent Third Party of the Company. The amount due is related to the fund advanced by the Vendor for Allied Resources's acquisition of Jilin Hengli. The amount due is unsecured, interest-free and will be assigned to the Company at the completion of the Acquisition. Subsequent to the Acquisition, Allied Resources will become a subsidiary of the Company and the intra-group balances will be eliminated in the consolidated financial statements of the Group.

ii. **Amount due to Mr Lau**

Mr Lau is a director of Allied Resources and an Independent Third Party of the Company. The amount due is related to the fund advanced by Mr. Lau for Allied Resources's acquisition of Jilin Hengli. The amount due is unsecured, interest-free and repayable on demand. Subsequent to the Acquisition, Allied Resources will become a subsidiary of the Company and Mr. Lau will continue to be a director of Allied Resources.

iii. **Amount due to Mr Xu Ying**

Mr Xu Ying is a consultant of Jilin Hengli. He is also a former shareholder of Jilin Hengli and an Independent Third Party to the Company. The amount due is related to the consultancy fee in respect of his consultancy services provided to Jilin Hengli relating to the acquisition of Jilin Hengli.

iv. **Other Creditors**

Due to the significant staff and management turnover subsequent to the change of shareholder of Jilin Hengli on 12 June 2007, certain underlying books and records of Jilin Hengli could not be located and therefore the completeness and accuracy of the balances of creditors could not be ascertained as at 30 November 2007.

Included in the balance sheet of Qian An was an amount due to PetroChina Company Limited, an equity joint venture holder of Qian An and an Independent Third Party of the Company, amounted to HK$2,822,123 as at 30 November 2007, being the latest practicable date for ascertaining information for disclosure in this indebtedness statement. The amount due is unsecured, interest-free and repayable on demand.

Securities and guarantees

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had not made by pledge on or created any securities over its assets and had not provided any corporate guarantee.

Contingent liabilities

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following contingent liabilities:

i. According to the PRC tax rules and regulations, other payables outstanding over three years should be treated as other income and are subject to the corporate income tax at 33% on that amount. Accordingly, there are contingent liabilities of income tax of Jilin Hengli as at 30 November 2007 amounting to approximately HK$1,687,182. In the opinion of the Directors, such income tax liabilities were remote and no provision has been made in the financial information.

ii. According to the PRC tax rules and regulations, for fund advance to shareholder remained unsettled for more than one year, it is deemed as return on investment paid to shareholder and the shareholder is subject to individual income tax at 20% on that amount. An enterprise is obliged to pay withholding tax in this respect. Failure to pay withholding tax may result in a maximum penalty of three times the amount of withholding tax undercharged. As at 30 November 2007, fund advanced to Mr Xu Ying, a former shareholder of Jilin Hengli, which remained unsettled for more than one year, amounted to HK$7,188,312. Accordingly, there are contingent liabilities of withholding tax of Jilin

Hengli amounted to HK$4,312,987 as at 30 November 2007. In the opinion of the Directors, such withholding tax liabilities and penalty, if any, were remote and no provision has been made in the financial information.

iii. Pursuant to the regulations of the PRC, Qian An is required to participate in defined contribution retirement plans organized by the respective municipal government for its employees. The Directors noted that, Qian An has not participated in the employees' pension schemes for certain employees and provision of retirement benefits scheme contribution has not been made. In the opinion of the Directors, such retirement benefits scheme contributions were remote and no provision has been made in the financial information.

iv. Qian An has operated in China for many years. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, the management of the Company believes that there are no probable liabilities, except for the amounts which have already been reflected in the financial information that will have a material adverse effect on the financial position of Qian An.

v. Except for limited insurance coverage for certain assets subject to significant operating risks, Qian An does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, Qian An does not carry any third-party liability insurance against claims relating to personal injury, property and environmental damages or business interruption insurance since such insurance coverage is not customary in the PRC. While the effect of under-insurance coverage on future incidents cannot be reasonably assessed at present, the management of the Company believes that it may have a material impact on the operating results but will not have a material adverse effect on the financial position of Qian An.

Operating lease commitment

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group's total future minimum lease payments under non-cancellable operating leases payable within one year amounted to HK$313,194.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance lease or hire purchase commitments or any guarantees or other material contingent liabilities outstanding as at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement.

The Directors have confirmed that there were no other indebtedness and contingent liabilities of the Enlarged Group as at 30 November 2007.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business as at 30 November 2007.

The Directors have confirmed there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement.

3. GENERAL OUTLOOK OF THE GROUP'S BUSINESS

The Group will continue to explore into more energy related projects such as other oil and gas acquisition potentials both in the PRC and overseas. The Group anticipates more major developments which relate to oil and gas acquisitions will be achieved. Such acquisitions will continue to provide the Company with a stable cash flow and positive return in investment, while the Group is also seeking mid to long-term potentials on clean energy projects such as natural gas and coalbed methane development.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 July 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

ACCOUNTANTS' REPORT ON ALLIED RESOURCES

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants, Lak & Associates C.P.A. Limited, Certified Public Accountants, Hong Kong.

力 恒 會 計 師 事 務 所 有 限 公 司

LAK & ASSOCIATES C.P.A. LIMITED

Certified Public Accountants
3rd Floor, Chinachem Tower
34–37 Connaught Road Central
Hong Kong

31 January 2008

The Board of Directors
Enviro Energy International Holdings Limited
Suite 7A, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Allied Resources Limited ("Allied Resources") set out in Section I to IV below, for inclusion in the circular of Enviro Energy International Holdings Limited (the "Company") dated 31 January 2008 (the "Circular") in connection with the proposed acquisition of the entire equity interest in Allied Resources. The Financial Information comprises the balance sheet of Allied Resources as at 31 July 2007, and the income statement, the statement of changes in equity and the cash flow statement of Allied Resources for the period from 21 July 2006 (date of incorporation) to 31 July 2007 (the "Relevant Period"), and a summary of significant accounting policies and other explanatory notes.

Allied Resources was incorporated on 21 July 2006 in Hong Kong with limited liability. Allied Resources has entered into respective equity transfer agreements dated 9 January 2007 and 19 January 2007, a consultancy agreement dated 19 January 2007 and a supplemental deed dated 31 July 2007 to acquire the entire equity interest of Jilin Hengli Industries Liability Co., Ltd. (吉林恒利實業有限責任公司) ("Jilin Hengli"), as to 50% each from Mr. Xu Ying and Mr. Xu Gui, both being independent third parties of Allied Resources and its connected persons. Save for the acquisition of Jilin Hengli on 12 June 2007, Allied Resources has not conducted any material business activities since its incorporation.

Jilin Hengli was incorporated on 12 May 1998 in the People's Republic of China (the "PRC") with limited liability. Jilin Hengli is principally engaged in investment holding. Jilin Hengli beneficially owns 50% of the equity interest of Qian An Oil Development Co., Ltd. (English translation of 乾安石油開發有限責任公司 for identification purpose) ("Qian

An"), an equity joint venture company established on 4 November 1997 under the laws of PRC. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum under a joint venture agreement that will expire on 19 December 2016. Either joint venturer can negotiate for an extension of the agreement by giving a notice to the other not less than three months before the expiration of the agreement.

No audited financial statements of Allied Resources have been prepared since its date of incorporation.

The Financial Information has been prepared based on the unaudited management accounts of Allied Resources for the Relevant Period (the "HKFRS Financial Statements") and in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which were audited by us, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

DIRECTORS' RESPONSIBILITY

The directors of Allied Resources are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRS. This responsibility included designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the HKFRS Financial Statements and the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the financial information for the period from 21 July 2006 (date of incorporation) to 31 July 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the HKFRS Financial Statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Going Concern Basis for the Preparation of the Financial Information

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial information concerning the net current liabilities and net liabilities of Allied Resources of HK$93,761,467 and HK$10,261 as at 31 July 2007 respectively. As explained in note 2 to the financial information, Allied Resources is currently undertaking a number of measures to improve its liquidity and financial position. The financial information has been prepared on a going concern basis, the validity of which depends upon future funding being available.

The financial information does not include any adjustment that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the financial information concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

2. Adverse Opinion in the Absence of Group Financial Statement

Group accounts in the form of consolidated financial statement and the relevant disclosure have not been prepared as the directors consider that to do so would involve expenses and delay out of proportional to the value to shareholder of Allied Resources. In our opinion, it is not in accordance with the Companies Ordinance and Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" issued by the HKICPA.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial information for the period from 21 July 2006 (date of incorporation) to 31 July 2007, for the purpose of this report, as to whether they give a true and fair view of the state of affairs of Allied Resources as at 31 July 2007 and of its results and cash flows for the period from 21 July 2006 (date of incorporation) to 31 July 2007.

I. FINANCIAL INFORMATION

(A) Income Statement

	Note	For the period from 21 July 2006 (date of incorporation) to 31 July 2007 HK$
Revenue	*7*	–
Other income	*8*	1,432
General and administrative expenses		(11,694)
Loss before taxation	*9*	(10,262)
Income tax	*10a*	–
Loss for the period		(10,262)

(B) Balance Sheet

	Note	As at 31 July 2007 HK$
Non-current assets		
Interest in a subsidiary	*12*	93,751,206
Current assets		
Prepayments and other receivables	*13*	408,023
Cash and cash equivalents	*14*	401,055
		809,078
Current liabilities		
Amount due to the ultimate holding company	*15*	82,999,999
Amount due to a director	*15*	2,198,600
Accrued liabilities and other payables	*16*	9,371,946
		94,570,545
Net current liabilities		(93,761,467)
NET LIABILITIES		(10,261)
CAPITAL AND RESERVES		
Issued capital	*17*	1
Accumulated losses		(10,262)
TOTAL EQUITY		(10,261)

(C) Statement of Changes in Equity

	Note	Issued capital HK$	Accumulated losses HK$	Total HK$
Issued during the period	*17*	1	–	1
Loss for the period		–	(10,262)	(10,262)
As at 31 July 2007		1	(10,262)	(10,261)

(D) Cash Flow Statement

	Note	For the period from 21 July 2006 (date of incorporation) to 31 July 2007 HK$
Operating activities		
Loss from operating activities		(10,262)
Adjustments for:		
Bank interest income		(1,432)
Operating loss before changes in working capital		(11,694)
Increase in prepayments		(2,523)
Net cash used in operating activities		(14,217)
Investing activities		
Bank interest income		1,432
Payment for acquisition of a subsidiary		(84,784,760)
Net cash used in investing activities		(84,783,328)
Financing activities		
Issuance of share		1
Cash advance from a director		2,198,600
Cash advance from the ultimate holding company		82,999,999
Net cash from financing activities		85,198,600
Net increase in cash and cash equivalents		401,055
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period		401,055
Analysis of balance of cash and cash equivalents		
Bank balances	*14*	401,055

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Allied Resources was incorporated on 21 July 2006 in Hong Kong with limited liability.

The principal activity of Allied Resources is investment holding.

Allied Resources has entered into respective equity transfer agreements dated 9 January 2007 and 19 January 2007, a consultancy agreement dated 19 January 2007 and a supplemental deed dated 31 July 2007 to acquire the entire equity interest of Jilin Hengli, as to 50% each from Mr. Xu Ying and Mr. Xu Gui, both being independent third parties of Allied Resources and its connected persons. Save for the acquisition of Jilin Hengli on 12 June 2007, Allied Resources has not conducted any material business activities since its incorporation.

The principal place of business of Allied Resources is Flat/Room 1604, 16/F, 9 Queen's Road Central, Hong Kong.

In the opinion of the directors, the immediate parent and ultimate holding company of Allied Resources is Global Richland, which is incorporated in the British Virgin Islands with limited liability.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Allied Resources.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information have been prepared in accordance with HKFRSs (which also include all applicable Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance, except that consolidated financial statements are not prepared as the directors consider that to do so would involve expenses and delay out of proportional to the value to shareholder of Allied Resources. This represents a departure from the requirements of Hong Kong Accounting Standard No. 27 issued by the HKICPA.

The Financial Information also complies with the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as applicable to the Accountants' Report included in Listing documents.

The Financial Information has been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, if applicable.

The presentation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Allied Resources' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

Allied Resources had net current liabilities and net liabilities of HK$93,761,467 and HK$10,261 as at 31 July 2007. In the opinion of the directors, Allied Resources will have sufficient resources to satisfy its future working capital and other financing requirements, after taking into consideration an undertaking made by the ultimate holding company and the director to provide continuing financial support to Allied Resources so as to enable Allied Resources to continue in business as a going concern and to meet its liabilities and obligations as and when they fall due.

Based on the above, the directors are of the opinion that Allied Resources will remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis. The Financial Information does not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should Allied Resources be unable to continue as a going concern.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of Allied Resources during the Relevant Period, Allied Resources has adopted all the new and revised standards and interpretations issued by the HKICPA that are effective for the accounting periods beginning on 1 January 2007 throughout the Relevant Period.

At the date of this report, the HKICPA has issued the following standards and interpretations that are not yet effective. Allied Resources has not early adopted these new and revised standards and interpretations. The directors of Allied Resources anticipate that the application of these new and revised standards and interpretations will have no material impact on the results and financial position of Allied Resources.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-INT 12	Service Concession Arrangements[3]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to the Relevant Period presented, unless otherwise stated.

(a) Subsidiary

A subsidiary is an entity in which Allied Resources, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which Allied Resources has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiary is included in Allied Resources' income statement to the extent of dividends received and receivable. Allied Resources' interests in a subsidiary is stated at cost less any impairment losses.

(b) Impairment of assets

At each balance sheet date, Allied Resources reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, Allied Resources estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(c) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of Allied Resources' cash management are also included as a component of cash and cash equivalents for the purpose of cash flow statement.

(e) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(f) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be recognised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of recognised or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(g) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Allied Resources has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of expenditures expected to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(h) Related parties

For the purposes of this Financial Information, a party is considered to be related to Allied Resources if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control Allied Resources or exercise significant influence over Allied Resources in making financial and operating policy decisions, or has joint control over Allied Resources;

(ii) Allied Resources and the party are subject to common control;

(iii) the party is an associate of Allied Resources or a joint venture in which Allied Resources is a venturer;

(iv) the party is a member of key management personnel of Allied Resources or Allied Resources' parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of Allied Resources or of any entity that is a related party of Allied Resources.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(i) Foreign currency transaction

The Financial Information is presented in Hong Kong dollars, which is Allied Resources' functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Allied Resources and when the revenue can be measured reliably, on the following basis.

Interest income is accrued using the effective interest method.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Allied Resources makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Assessment of impairment of investment

The guidance of HKAS 39 is followed by Allied Resources in determining when an investment has other-than-temporary impairment. This determination requires significant judgement. In making this judgement, Allied Resources evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, operating and financing cash flows.

6. FINANCIAL RISK MANAGEMENT

Exposure to foreign exchange, credit, interest rate, price and liquidity risks arises in the normal course of Allied Resources' businesses. These risks are mitigated by Allied Resources' financial management policies and practices described below.

(a) Foreign exchange risk

Allied Resources has foreign currency transactions in relation to the acquisition of a subsidiary which expose to foreign currency risk. Allied Resources does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rates of Renminbi and United States Dollars.

(b) Credit risk

All cash and cash equivalents are deposited with a major bank located in Hong Kong.

The carrying amounts of other receivables and cash and cash equivalents included in the balance sheet represent Allied Resources' maximum exposure to credit risk in relation to its financial assets. These financial assets are actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposure to credit risk.

(c) Fair value and cash flow interest rate risks

Allied Resources' exposure to fair value and cash flow interest risks is minimal as Allied Resources does not have any material long term financial assets and liabilities.

(d) Price risk

Allied Resources is not significantly exposed to price risk as Allied Resources has no significant financial instruments that subject to commodity prices or equity price.

(e) Liquidity risk

Allied Resources is exposed to liquidity risk. As at 31 July 2007, the current liabilities of Allied Resources exceeded its current assets by HK$93,761,467. The maintenance of Allied Resources as a going concern depends on the availability of ongoing financial support.

(f) Capital management

Allied Resources manages its capital to ensure that Allied Resources will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance.

The capital structure of Allied Resources consists of cash and cash equivalents, amount due to the ultimate holding company, amount due to a director and equity attributable to equity shareholder of Allied Resources, comprising issued capital and accumulated losses.

Allied Resources manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

Allied Resources' overall strategy remains unchanged during the Relevant Period.

Allied Resources is not subject to externally imposed capital requirements.

7. REVENUE

Allied Resources had no revenue during the Relevant Period.

8. OTHER INCOME

	For the period from 21 July 2006 (date of incorporation) to 31 July 2007
	HK$
Bank interest income	1,432

9. LOSS BEFORE TAXATION

Allied Resources' loss before taxation is arrived at after crediting:

	For the period from 21 July 2006 (date of incorporation) to 31 July 2007
	HK$
Bank interest income	1,432

During the Relevant Period, Allied Resources did not pay any directors' remuneration, auditors' remuneration and employees' remuneration.

10. INCOME TAX

(a) No provision for Hong Kong profits tax has been made as Allied Resources has no assessable profits during the Relevant Period.

(b) Reconciliation between taxation charge and Allied Resources' accounting loss at the applicable tax rate is set out below:

	For the period from 21 July 2006 (date of incorporation) to 31 July 2007
	HK$
Loss before taxation	(10,262)
Tax at the statutory rate of 17.5%	(1,796)
Tax effect of income not taxable for taxation purposes	(250)
Tax effect of expenses not deductible for taxation purposes	2,046
Tax charge for the period	–

(c) There are no unprovided deferred tax in respect of the Relevant Period and as at 31 July 2007.

11. DIRECTORS' REMUNERATION

No remuneration has been paid or payable to Allied Resources' directors during the Relevant Period.

12. INTEREST IN A SUBSIDIARY

	As at 31 July 2007
	HK$
Unlisted shares, at cost	93,751,206

Particulars of the subsidiary are as follows:

Name	**Registered capital**	**Place of incorporation and registration**	**Percentage of equity directly attributable to Allied Resources**	**Principal activity**
Jilin Hengli	RMB2,000,000	People's Republic of China	100	Investment holding

Allied Resources has entered into respective equity transfer agreements dated 9 January 2007 and 19 January 2007, a consultancy agreement dated 19 January 2007 and a supplemental deed dated 31 July 2007 to acquire the entire equity interests in Jilin Hengli for a total consideration of RMB92,000,000 (equivalent to approximately HK$93,401,760) from Mr. Xu Ying and Mr. Xu Gui, both being independent third parties of Allied Resources and its connected persons.

Group financial statements have not been prepared as in the opinion of the directors, it would involve expense and delay out of proportional to the value to the shareholder of Allied Resources.

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 July 2007
	HK$
Prepayments	2,523
Other receivables	405,500
	408,023

The carrying amounts of prepayments and other receivables approximate to their fair values. All prepayments and other receivables are denominated in Hong Kong dollars.

14. CASH AND CASH EQUIVALENTS

	As at 31 July 2007
	HK$
Bank balances	401,055

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amount of the cash and cash equivalents approximates to its fair value. All cash and cash equivalents are denominated in Hong Kong dollars.

15. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY/A DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due to the ultimate holding company/a director approximate to their fair values.

16. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 July 2007
	HK$
Accrued liabilities	53,246
Other payables	9,318,700
	9,371,946

The accrued liabilities and other payables are in relation to acquisition of a subsidiary. The carrying amounts of accrued liabilities and other payables approximate to their fair values.

Included in accrued liabilities and other payables are the following amounts denominated in a currency other than the functional currency of Allied Resources to which they relate:

	As at 31 July 2007
United States Dollars	6,809
Renminbi	9,000,000

17. SHARE CAPITAL

	As at 31 July 2007
	HK$
Authorised:	
10,000 ordinary shares of HK$1 each	10,000
Issued and fully paid:	
1 ordinary share of HK$1 each	1

Allied Resources was incorporated in Hong Kong on 21 July 2006 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. At the time of incorporation, one ordinary share of HK$1 each was issued at par to the shareholder.

18. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the Financial Information, the following is a summary of significant related party transactions entered in the ordinary course of business between Allied Resources and its related parties during the period and balances arising from related party transactions at the balance sheet date are indicated below:

(a) Settlement of Liabilities on Behalf of Allied Resources

	For the period from 21 July 2006 (date of incorporation) to 31 July 2007
	HK$
Director	
Lau Kwok Kwong	2,600

(b) Balances with Related Parties

	As at 31 July 2007
	HK$
Non-trade balance due to the ultimate holding company	82,999,999
Non-trade balance due to a director	2,198,600

No remuneration has been paid or payable to Allied Resources' directors during the Relevant Period.

19. DIVIDEND

No dividend has been paid or declared by Allied Resources during the Relevant Period.

20. CONTINGENT LIABILITIES

Allied Resources has no significant contingent liabilities as at 31 July 2007.

21. COMMITMENTS

Allied Resources has no significant commitments as at 31 July 2007.

III. SUBSEQUENT EVENTS

No significant events occurred subsequent to 31 July 2007.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Allied Resources in respect of any period subsequent to 31 July 2007. In addition, no dividend or distribution has been declared, made or paid by Allied Resources in respect of any period subsequent to 31 July 2007.

ACCOUNTANTS' REPORT ON JILIN HENGLI

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants, Lak & Associates C.P.A. Limited, Certified Public Accountants, Hong Kong.

力 恒 會 計 師 事 務 所 有 限 公 司

LAK & ASSOCIATES C.P.A. LIMITED
Certified Public Accountants
3rd Floor, Chinachem Tower
34–37 Connaught Road Central
Hong Kong

31 January 2008

The Board of Directors
Enviro Energy International Holdings Limited
Suite 7A, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Jilin Hengli Industries Liability Co., Ltd. (吉林恒利實業有限責任公司) ("Jilin Hengli") set out in Section I to IV below, for inclusion in the circular of Enviro Energy International Holdings Limited (the "Company") dated 31 January 2008 (the "Circular") in connection with the proposed acquisition of the entire equity interest in Allied Resources Limited ("Allied Resources"). The Financial Information comprises the balance sheets of Jilin Hengli as at 31 December 2004, 2005 and 2006 and 31 July 2007, and the income statements, the statements of changes in equity and the cash flow statements of Jilin Hengli for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Allied Resources was incorporated on 21 July 2006 in Hong Kong with limited liability and acts as an investment holding company. On 12 June 2007, Allied Resources acquired the entire equity interest in Jilin Hengli. Save for the acquisition of Jilin Hengli, Allied Resources has not conducted any material business activities since its incorporation.

Jilin Hengli was incorporated on 12 May 1998 in the People's Republic of China (the "PRC") with limited liability. Jilin Hengli is principally engaged in investment holding. On 8 October 2000, Jilin Hengli acquired 50% equity interest in Qian An Oil Development Co., Ltd. (English translation of 乾安石油開發有限責任公司 for identification purpose) ("Qian An").

Qian An was incorporated on 4 November 1997 in the PRC. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum. On 5 July 2002, Jilin Hengli and PetroChina Company Limited ("PetroChina"), entered into a revised joint venture agreement regarding the operation of Qian An. The joint venture agreement will expire on 19 December 2016. Either joint venturer can negotiate for an extension of the agreement by giving a notice to the other not less than three months before the expiration of the agreement.

The statutory financial statements of Jilin Hengli for each of the years ended 31 December 2005 and 2006, which were prepared in accordance with the applicable accounting principals and regulations of the PRC ("PRC GAAP"), were audited by 吉林典華會計師事務所有限公司, Certified Public Accountants in the PRC. No audited financial statements of Jilin Hengli have been issued for the seven months ended 31 July 2007. No statutory financial statements of Jilin Hengli have been prepared for the year ended 31 December 2004 as there is no statutory audit requirement for a loss making company in the country of its incorporation.

The Financial Information has been prepared based on the audited financial statements of Jilin Hengli for each of the years ended 31 December 2005 and 2006 and unaudited management accounts of Jilin Hengli for the year ended 31 December 2004 and the seven months ended 31 July 2007 (the "HKFRS Financial Statements") and in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which were audited by us, after making such adjustments as we consider appropriate, except for the limitation in evidence available to us as mentioned below.

DIRECTORS' RESPONSIBILITY

The directors of Jilin Hengli are responsible for the preparation and the true and fair presentation of the HKFRS Financial Statements. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRS. This responsibility included designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the HKFRS Financial Statements and the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the financial information for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the HKFRS Financial Statements and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion.

For the financial information for the seven months ended 31 July 2006, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the financial information consists of making inquiries, primarily of person responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Limitation of Scope Relating to Other Payables

Included in the balance sheets of Jilin Hengli as at 31 December 2004, 2005 and 2006 and 31 July 2007 were other payables amounted to RMB4,827,956, RMB4,855,464, RMB4,855,482 and RMB4,855,418 respectively. Due to the significant staff and management turnover subsequent to the change of shareholder of Jilin Hengli on 12 June 2007, certain underlying books and records of Jilin Hengli could not be located. Accordingly, we were unable to obtain direct confirmations from the creditors. There were no other satisfactory procedures that we could adopt to satisfy ourselves as to the completeness and accuracy of the balances at the balance sheet dates. Any adjustment to the other payables may have a consequential significant effect on the profit for the year/period and net assets as at the balance sheet dates.

2. Limitation of Scope Relating to Withholding Tax Liabilities

As explained in note 22(ii) to the financial information, according to the PRC tax rules and regulations, for fund advance to shareholder remained unsettled for more than one year, it is deemed as return on investment paid to shareholder and the shareholder is subject to individual income tax at 20% on that amount. An enterprise is obliged to pay withholding tax in this respect. Failure to pay withholding tax may result in a maximum penalty of three times the amount of withholding tax undercharged. Save for the supporting documents and information made available to us, in our opinion, Jilin Hengli should make a full provision for withholding tax liabilities of RMB653,139, RMB1,965,752 and RMB4,090,122 and any tax penalty for each of the years ended 31 December 2005 and 2006 and the seven months ended 31 July 2007 respectively. Any adjustment to the withholding tax liabilities may have a consequential significant effect on the profit for the year/period and net assets as at the balance sheet dates.

3. Limitation of Scope Relating to Investment in a Jointly Controlled Entity

We have examined the financial information of Qian An for each of the three years ended 31 December 2006 and seven months ended 31 July 2007. We were unable to obtain sufficient evidence to assess whether Jilin Hengli's share of net assets of RMB4,851,907, RMB6,277,654, RMB8,704,288 and RMB3,758,499 as at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively and share of profit of jointly controlled entity amounting RMB3,561,936, RMB4,848,019, RMB7,123,645 and RMB2,107,387 for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007 respectively were fairly stated because the scope of our examination work was limited in respect of Qian An's financial information as set out below:

(i) Carrying amounts of property, plant and equipment

As explained in note 13(b)(ii) to the financial information, included in property, plant and equipment are the oil and gas properties with carrying amounts of RMB75,140,673, RMB65,691,827, RMB78,274,269 and RMB67,729,640 as at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively. Qian An depreciated oil and gas properties using straight-line method under PRC GAAP. According to the Hong Kong Financial Reporting Standard 6 "Exploration for and Evaluation of Mineral Resources" and Hong Kong Accounting Standard 16 "Property, Plant and Equipment", oil and gas properties should be depreciated using unit of production method. Unit of production rates are based on oil and gas reserves estimated to be recoverable from existing facilities. However, due to the absence of sufficient information, it is impracticable to quantify the depreciation by using unit of production method.

In addition, we have been unable to obtain sufficient information, or to carry out alternative procedures necessary to assess whether any provision of dismantlement is required in respect of the oil and gas properties by using the anticipated method of dismantlement required in accordance with the current legislation and industry practices.

As a result, we are unable to ascertain whether the carrying amounts of the oil and gas properties included in property, plant and equipment are fairly stated.

Any adjustments to the above figures may have consequential significant effects on the profit for the year/period and the net assets as at the balance sheet dates.

(ii) Deferred taxation

As described in the preceding paragraph 3(i), because reliable information regarding the carrying amounts of property, plant and equipment of Qian An has not been made available, we have been unable to quantify the amount of temporary difference for deferred tax purposes. The financial information therefore does not comply with the Hong Kong Accounting Standard 12 "Income Taxes".

(iii) Related party disclosure

As explained in note 13(b)(iii) to the financial information, Qian An had entered into extensive transactions with other members of China National Petroleum Corporation, the immediate parent of PetroChina, the joint venture partner of Qian An, for the Relevant Periods. Save for the supporting documents and information made available to us, we were uncertain as to the accuracy and completeness of related party disclosures for the Relevant Periods as required by the Hong Kong Accounting Standard 24 "Related Party Disclosures".

(iv) Provision for retirement benefits scheme contributions

As explained in note 13(b)(iv) to the financial information, pursuant to the regulations of the PRC, Qian An is required to participate in defined contribution retirement plans orgainsed by the respective municipal government for its employees. However, Qian An has not participated in the employees' pension schemes for certain employees. Save for the supporting documents and information made available to us, it is impracticable to quantify the under provision of retirement benefits scheme contributions for its employees. Accordingly, we have not been provided with adequate evidence to satisfy ourselves as to the completeness and accuracy of the provision for retirement benefits scheme contributions understated in the financial information. Any adjustments to the provision may have a consequential significant effect on the profit for the year/period and net assets as at the balance sheet dates.

DISCLAIMER OF OPINION AND REVIEW CONCLUSION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial information for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007, for the purpose of this report, as to whether they give a true and fair view of the state of affairs of Jilin Hengli as at 31 December 2004, 2005 and 2006 and 31 July 2007 and of its results and cash flows for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007.

Because of the significance of the possible effect of the limitation in evidence available to us as set out above, we are unable to reach a review conclusion as to whether material modifications should be made to the financial information for the seven months ended 31 July 2007.

I. FINANCIAL INFORMATION

(A) Income Statements

		Year ended 31 December			Seven months ended 31 July	
		2004	2005	2006	2006	2007
	Note	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
					(Unaudited)	
Revenue	*7*	–	–	–	–	–
Other income	*8*	115	1,163	363,759	54	392
General and administrative expenses		(8,223)	(4,686)	(153,051)	(4,350)	(44,283)
Impairment loss on amount due from a related party		(418,386)	(2,857,868)	(3,540,616)	–	(1,392,370)
Impairment loss on other receivables		(87,860)	(300,000)	(362,700)	–	(200,000)
Share of profit of jointly controlled entity	*13c*	3,561,936	4,848,019	7,123,645	4,067,160	2,107,387
Profit before taxation	*9*	3,047,582	1,686,628	3,431,037	4,062,864	471,126
Income tax	*10*	(265)	(544)	(756)	(444)	(328)
Profit for the year/period		3,047,317	1,686,084	3,430,281	4,062,420	470,798

(B) Balance Sheets

	Note	As at 31 December 2004 RMB	As at 31 December 2005 RMB	As at 31 December 2006 RMB	As at 31 July 2007 RMB
Non-current assets					
Plant and equipment	12	–	–	–	–
Investment in a jointly controlled entity	13c	4,851,907	6,277,654	8,704,288	3,758,499
		4,851,907	6,277,654	8,704,288	3,758,499
Current assets					
Amount due from a jointly controlled entity	14	2,824,979	2,739,884	3,606,896	9,560,071
Amount due from a related party	14	–	–	–	–
Other receivables	15	–	124,000	144,310	–
Cash and cash equivalents	16	27,697	276,637	392,980	638
		2,852,676	3,140,521	4,144,186	9,560,709
Current liabilities					
Other payables	17	4,827,956	4,855,464	4,855,482	4,855,418
Net current (liabilities)/assets		(1,975,280)	(1,714,943)	(711,296)	4,705,291
NET ASSETS		2,876,627	4,562,711	7,992,992	8,463,790
CAPITAL AND RESERVES					
Paid-up capital	18	2,000,000	2,000,000	2,000,000	2,000,000
Retained earnings		876,627	2,562,711	5,992,992	6,463,790
TOTAL EQUITY		2,876,627	4,562,711	7,992,992	8,463,790

(C) Statements of Changes in Equity

	capital Paid-up *RMB*	(Accumulated losses)/ retained earnings *RMB*	Total *RMB*
As at 1 January 2004	2,000,000	(2,170,690)	(170,690)
Profit for the year	–	3,047,317	3,047,317
As at 31 December 2004 and 1 January 2005	2,000,000	876,627	2,876,627
Profit for the year	–	1,686,084	1,686,084
As at 31 December 2005 and 1 January 2006	2,000,000	2,562,711	4,562,711
Profit for the year	–	3,430,281	3,430,281
As at 31 December 2006 and 1 January 2007	2,000,000	5,992,992	7,992,992
Profit for the period	–	470,798	470,798
As at 31 July 2007	2,000,000	6,463,790	8,463,790
(Unaudited)			
As at 1 January 2006	2,000,000	2,562,711	4,562,711
Profit for the period	–	4,062,420	4,062,420
As at 31 July 2006	2,000,000	6,625,131	8,625,131

(D) Cash Flow Statements

		Year ended 31 December			Seven months ended 31 July	
		2004	2005	2006	2006	2007
	Note	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
					(Unaudited)	
Operating activities						
Profit from operating activities		3,047,582	1,686,628	3,431,037	4,062,864	471,126
Adjustments for:						
Bank interest income		(115)	(1,163)	(1,059)	(54)	(392)
Gain on disposal of plant and equipment		–	–	(362,700)	–	–
Impairment loss on amount due from a related party		418,386	2,857,868	3,540,616	–	1,392,370
Impairment loss on other receivables		87,860	300,000	362,700	–	200,000
Share of profit of jointly controlled entity		(3,561,936)	(4,848,019)	(7,123,645)	(4,067,160)	(2,107,387)
Operating loss before changes in working capital		(8,223)	(4,686)	(153,051)	(4,350)	(44,283)
Decrease/(increase) in other receivables		–	(424,000)	(20,310)	2,804,740	(55,690)
Increase/(decrease) in other payables		8,578	27,508	17	(3,068,883)	(63)
Cash generated from/(used in) operations		355	(401,178)	(173,344)	(268,493)	(100,036)
Tax paid		(265)	(544)	(756)	–	(328)
Net cash from/(used in) operating activities		90	(401,722)	(174,100)	(268,493)	(100,364)
Investing activities						
Bank interest income		115	1,163	1,059	54	392
Dividend received from a jointly controlled entity		2,680,000	2,837,189	3,830,000	–	1,100,000
Repayment from a jointly controlled entity		–	670,178	–	–	–
Advance to a related party		(2,680,000)	(2,857,868)	(3,540,616)	–	(1,392,370)
Net cash from/(used in) investing activities		115	650,662	290,443	54	(291,978)
Financing activities						
Net cash from financing activities		–	–	–	–	–

		Year ended 31 December			Seven months ended 31 July	
		2004	2005	2006	2006	2007
	Note	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
					(Unaudited)	
Net increase/(decrease) in cash and cash equivalents		205	248,940	116,343	(268,439)	(392,342)
Cash and cash equivalents at beginning of year/period		27,492	27,697	276,637	276,637	392,980
Cash and cash equivalents at end of year/period		27,697	276,637	392,980	8,198	638
Analysis of balances of cash and cash equivalents						
Bank and cash balances	*16*	27,697	276,637	392,980	8,198	638

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Jilin Hengli was incorporated in the PRC with limited liability on 12 May 1998.

The principal activity of Jilin Hengli is investment holding. On 8 October 2000, Jilin Hengli acquired 50% equity interest in Qian An.

The principal place of business of Jilin Hengli is Block B, Changchun International Building, 16 Xi An Road, Changchun, the PRC.

The immediate parent of Jilin Hengli is Allied Resources, which was incorporated on 21 July 2006 in Hong Kong. Effective from 12 June 2007, the directors consider the ultimate holding company of Jilin Hengli to be Global Richland, which is incorporated in the British Virgin Islands with limited liability.

The Financial Information is presented in Renminbi, which is the same as the functional currency of Jilin Hengli.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information have been prepared in accordance with HKFRS (which also include all applicable Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information also complies with the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as applicable to the Accountants' Report included in Listing documents.

The Financial Information has been prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, if applicable.

The presentation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Jilin Hengli's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of Jilin Hengli during the Relevant Periods, Jilin Hengli has adopted all the new and revised standards and interpretations issued by the HKICPA that are effective for the accounting periods beginning on 1 January 2007 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following standards and interpretations that are not yet effective. Jilin Hengli has not early adopted these new and revised standards and interpretations. The directors of Jilin Hengli anticipate that the application of these new and revised standards and interpretations will have no material impact on the results and financial position of Jilin Hengli.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-INT 12	Service Concession Arrangements[3]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[4]
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all years/period presented, unless otherwise stated.

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of the assets to their estimated residual value, if any, over their estimated useful lives from the date on which they become fully operational, using the straight-line method. The principal useful lives are as follows:

Office equipment	5 to 8 years
Motor vehicles	10 years

The gain or loss arising from the retirement or disposal of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(b) Jointly controlled entities

A joint venture company is an entity set up by contractual arrangement, whereby Jilin Hengli and other parties undertake an economic activity. The joint venture company operates as a separate entity in which Jilin Hengli and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

Jilin Hengli's share of the post-acquisition results and reserves of jointly controlled entity is included in the income statement and reserves, respectively. Jilin Hengli's interests in jointly controlled entity is stated in the balance sheet at Jilin Hengli's share of net assets under the equity method of accounting, less any impairment losses.

Equity accounting is discontinued from the date on which Jilin Hengli 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 Jilin Hengli has obligations or guaranteed obligations in respect of the jointly controlled entity.

(c) Impairment of assets

At each balance sheet date, Jilin Hengli reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, Jilin Hengli estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(d) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of Jilin Hengli's cash management are also included as a component of cash and cash equivalents for the purpose of cash flow statement.

(f) Other payables

Other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be recognised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of recognised or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(h) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Jilin Hengli has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of expenditures expected to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Related parties

For the purposes of this Financial Information, a party is considered to be related to Jilin Hengli if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control Jilin Hengli or exercise significant influence over Jilin Hengli in making financial and operating policy decisions, or has joint control over Jilin Hengli;

(ii) Jilin Hengli and the party are subject to common control;

(iii) the party is an associate of Jilin Hengli or a joint venture in which Jilin Hengli is a venturer;

(iv) the party is a member of key management personnel of Jilin Hengli or Jilin Hengli's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of Jilin Hengli or of any entity that is a related party of Jilin Hengli.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Jilin Hengli and when the revenue can be measured reliably, on the following bases:

Interest income is accrued using the effective interest method.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Jilin Hengli makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Impairment of bad and doubtful debts

The policy for impairment of bad and doubtful debts of Jilin Hengli is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each debtor. If the financial conditions of debtors of Jilin Hengli were to deteriorate resulting in an impairment of their ability to make payments, additional impairment may be required.

(b) Depreciation

Jilin Hengli depreciates its plant and equipment on a straight line basis over the estimated useful life as set out in note 4(a), commencing from the date the plant and equipment is placed into productive use. The estimated useful life and dates that Jilin Hengli places the plant and equipment into productive use reflects the directors' estimate of the periods that Jilin Hengli intend to derive future economic benefits from the use of Jilin Hengli's plant and equipment.

(c) Assessment of impairment of plant and equipment

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(d) Assessment of impairment of investment

The guidance of HKAS 39 is followed by Jilin Hengli in determining when an investment has other-than-temporary impairment. This determination requires significant judgement. In making this judgement, Jilin Hengli evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, operating and financing cash flows.

6. FINANCIAL RISK MANAGEMENT

Exposure to foreign exchange, credit, interest rate, price and liquidity risks arises in the normal course of Jilin Hengli's businesses. These risks are mitigated by Jilin Hengli's financial management policies and practices described below.

(a) Foreign exchange risk

The main operation of Jilin Hengli is in PRC with most of the transactions settled in Renminbi. Management believes that Jilin Hengli does not have significant foreign currency exchange risk.

(b) Credit risk

The carrying amounts of amount due from a jointly controlled entity, other receivables and cash and cash equivalents included in the balance sheet represent Jilin Hengli's maximum exposure to credit risk in relation to its financial assets. Majority of cash and cash equivalents are placed with state-owned banks and financial institutions.

No other financial assets carry a significant exposure to credit risk.

(c) Fair value and cash flow interest rate risks

Jilin Hengli's exposure to fair value and cash flow interest risks is minimal as Jilin Hengli does not have any material long term financial assets and liabilities.

(d) Price risk

Jilin Hengli is not significantly exposed to price risk as Jilin Hengli has no significant financial instruments that subject to commodity prices or equity price.

(e) Liquidity risk

Jilin Hengli is exposed to liquidity risk. As at 31 December 2004, 2005 and 2006, the current liabilities of Jilin Hengli exceeded its current assets by RMB1,975,280, RMB1,714,943 and RMB711,296 respectively. The maintenance of Jilin Hengli as a going concern depends on the availability of ongoing financial support.

(f) Capital management

Jilin Hengli manages its capital to ensure that Jilin Hengli will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance.

The capital structure of Jilin Hengli consists of cash and cash equivalents and equity attributable to equity shareholder of Jilin Hengli, comprising paid-up capital and retained earnings.

Jilin Hengli manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

Jilin Hengli's overall strategy remains unchanged during the Relevant Periods.

Jilin Hengli is not subject to externally imposed capital requirements.

7. REVENUE

Jilin Hengli had no revenue during the Relevant Periods.

8. OTHER INCOME

	Year ended 31 December			Seven months ended 31 July	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Bank interest income	115	1,163	1,059	54	392
Gain on disposal of plant and equipment	–	–	362,700	–	–
	115	1,163	363,759	54	392

9. PROFIT BEFORE TAXATION

Jilin Hengli's profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Seven months ended 31 July	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Auditors' remuneration	500	500	1,500	1,500	2,000
Impairment loss on amount due from a related party	418,386	2,857,868	3,540,616	–	1,392,370
Impairment loss on other receivables	87,860	300,000	362,700	–	200,000
Staff costs					
– Salaries, wages and other benefits	2,700	–	–	–	4,200
– Retirement benefits scheme contributions	–	–	–	–	–
Total staff costs	2,700	–	–	–	4,200
Gain on disposal of plant and equipment	–	–	362,700	–	–
Bank interest income	(115)	(1,163)	(1,059)	(54)	(392)

10. INCOME TAX

Income tax in the income statement represents:

	Year ended 31 December			Seven months ended 31 July	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Current tax – PRC	265	544	756	444	328

Pursuant to the PRC tax rules and regulations, Jilin Hengli is subject to tax at a fixed rate of 1.26% on assessable income determined by the PRC tax authority. No disclosure of reconciliation between tax expenses and accounting profit at applicable tax rates is made.

There are no material unprovided deferred tax assets and liabilities as at the balance sheet dates.

11. DIRECTORS' REMUNERATION

No remuneration has been paid or payable to Jilin Hengli's directors during the year/period.

12. PLANT AND EQUIPMENT

	Motor vehicles
	RMB
Cost	
As at 1 January 2004, 31 December 2004, 1 January 2005, 31 December 2005 and 1 January 2006	453,200
Disposal	(453,200)
As at 31 December 2006, 1 January 2007 and 31 July 2007	–
Accumulated depreciation	
As at 1 January 2004, 31 December 2004, 1 January 2005, 31 December 2005 and 1 January 2006	453,200
Eliminated on disposal	(453,200)
As at 31 December 2006, 1 January 2007 and 31 July 2007	–
Carrying amount	
As at 31 December 2004	–
As at 31 December 2005	–
As at 31 December 2006	–
As at 31 July 2007	–

13. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	As at 31 December			As at 31 July
	2004	2005	2006	2007
	RMB	*RMB*	*RMB*	*RMB*
Share of net assets	4,851,907	6,277,654	8,704,288	3,758,499

(a) Details of the jointly controlled entity are as follows:

Name	Registered capital held	Place of incorporation/ registration	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing
Qian An	RMB1,000,000	PRC	50	50	50

Qian An was incorporated on 4 November 1997 in the PRC. On 8 October 2000, Jilin Hengli acquired 50% equity interest in Qian An. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum. On 5 July 2002, Jilin Hengli and PetroChina, entered into a revised joint venture agreement regarding the operation of Qian An. The joint venture agreement will expire on 19 December 2016. Either joint venturer can negotiate for an extension of the agreement by giving a notice to the other not less than three months before the expiration of the agreement.

(b) The Income Statements for the Relevant Periods and Balance Sheets as at balance sheet dates of Qian An are set out below:

Income statements

		Year ended 31 December			Seven months ended 31 July	
		2004	**2005**	**2006**	**2006**	**2007**
	Note	*RMB*	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Revenue	*i*	42,851,069	51,430,333	68,575,580	38,372,681	35,134,635
Other income		3,957	7,769	7,811	1,610	150,682
Operating expenses						
Purchases, services and other		(9,909,797)	(12,568,443)	(12,418,758)	(8,479,832)	(6,965,197)
Staff costs	*iv*	(3,471,812)	(4,620,159)	(4,390,088)	(3,068,317)	(3,296,258)
Depreciation		(15,081,020)	(16,080,380)	(20,434,269)	(10,022,318)	(12,819,466)
Selling expenses		(159,227)	(93,867)	(113,895)	–	(57,507)
General and administrative expenses		(1,809,682)	(1,984,532)	(8,766,984)	(1,017,810)	(5,073,495)
Impairment loss on other receivables		(258,895)	–	–	–	–
Taxes other than income taxes		(638,127)	(807,392)	(981,229)	(3,645,237)	(577,304)
Other expense, net		(387,710)	(213,783)	(6,316)	–	(137,608)
Total operating expenses		(31,716,270)	(36,368,556)	(47,111,539)	(26,233,514)	(28,926,835)
Profit from operation		11,138,756	15,069,546	21,471,852	12,140,777	6,358,482
Finance costs		(46,122)	(19,026)	–	–	–
Profit before taxation		11,092,634	15,050,520	21,471,852	12,140,777	6,358,482
Income tax		(3,968,762)	(5,354,482)	(7,224,561)	(4,006,457)	(2,143,709)
Profit for the year/period		7,123,872	9,696,038	14,247,291	8,134,320	4,214,773
Dividend						
Interim dividend		–	6,844,545	9,394,023	9,394,023	14,106,350

Balance sheets

	Note	As at 31 December 2004 RMB	2005 RMB	2006 RMB	As at 31 July 2007 RMB
Non-current assets					
Property, plant and equipment	ii	86,381,769	87,216,388	93,855,173	82,751,998
Current assets					
Inventories		500,832	331,589	313,662	2,421,013
Prepayment and other receivables		137,015	96,180	111,978	591,850
Cash and cash equivalents		1,374,875	1,720,454	7,096,597	386,208
		2,012,722	2,148,223	7,522,237	3,399,071
Current liabilities					
Amounts due to equity holders		20,221,192	11,824,444	9,252,365	7,529,073
Amounts due to related parties		17,311,407	24,868,914	31,622,677	27,673,756
Trade payables		22,720,251	16,811,543	16,021,114	15,153,863
Other payables and accruals		1,872,169	2,109,773	5,274,710	3,887,500
Bank loan, secured		600,000	–	–	–
Other loan		–	600,000	–	–
Dividend payable		2,154,801	2,739,884	3,606,896	9,560,071
Tax payable		13,810,856	14,979,261	13,687,717	9,700,471
		78,690,676	73,933,819	79,465,479	73,504,734
Net current liabilities		(76,677,954)	(71,785,596)	(71,943,242)	(70,105,663)
Total assets less current liabilities		9,703,815	15,430,792	21,911,931	12,646,335
Non-current liabilities					
Deferred taxation		–	2,875,484	4,503,355	5,129,336
NET ASSETS		9,703,815	12,555,308	17,408,576	7,516,999
CAPITAL AND RESERVES					
Paid-up capital		2,000,000	2,000,000	2,000,000	2,000,000
Reserves		7,703,815	10,555,308	15,408,576	5,516,999
TOTAL EQUITY		9,703,815	12,555,308	17,408,576	7,516,999

Notes:

(i) Revenue represents sales of cruel oil to PetroChina, net of value-added tax.

(ii) Included in property, plant and equipment are the oil and gas properties with carrying amounts of RMB75,140,673, RMB65,691,827, RMB78,274,269 and RMB67,729,640 as at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively. Qian An depreciated oil and gas properties using straight-line method under PRC GAAP. In addition, Qian An had no sufficient information to assess whether any provision of dismantlement is required in respect of the oil and gas properties by using the anticipated method of dismantlement required in accordance with the current legislation and industry practices.

(iii) Qian An had entered into extensive transactions with other members of China National Petroleum Corporation, the immediate parent of PetroChina for the Relevant Periods. However, in view of voluminous transactions involved, Qian An has not identified all those related parties transactions.

(iv) Pursuant to the regulations of the PRC, Qian An is required to participate in defined contribution retirement plans organized by the respective municipal government for its employees. The Directors of Jilin Hengli noted that, Qian An has not participated in the employees' pension schemes for certain employees and provision of retirement benefits scheme contribution has not been made.

(v) Qian An had no significant capital commitments at each balance sheet date. The contracts of each work did not fix a contract price but a unit price of work performed. The extent of capital commitment required depends on results of fieldwork, the amount of oil and gas reserves discovered and the scale and method of work required.

(c) The financial positions and results of Jilin Hengli's portion of investment in Qian An are summarized as follows:

	As at 31 December			As at 31 July
	2004	**2005**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB*
Non-current assets	43,190,884	43,608,194	46,927,587	41,375,999
Current assets	1,006,361	1,074,112	3,761,119	1,699,535
Non-current liabilities	–	(1,437,742)	(2,251,678)	(2,564,668)
Current liabilities	(39,345,338)	(36,966,910)	(39,732,740)	(36,752,367)
Net assets	4,851,907	6,277,654	8,704,288	3,758,499

	Year ended 31 December			Seven months ended 31 July	
	2004	**2005**	**2006**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Income	21,427,513	25,719,051	34,291,696	19,187,146	17,642,658
Expenses	(15,881,196)	(18,193,791)	(23,555,770)	(13,116,757)	(14,463,417)
Income tax	(1,984,381)	(2,677,241)	(3,612,281)	(2,003,229)	(1,071,854)
Profit for the year	3,561,936	4,848,019	7,123,645	4,067,160	2,107,387

(d) As at the end of each balance sheet date, there are no contingent liabilities and commitments relating to Jilin Hengli's interests in Qian An.

14. AMOUNTS DUE FROM A JOINTLY CONTROLLED ENTITY AND RELATED PARTY

Particulars of the amounts due from a jointly controlled entity and related party, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance, are as follows:

	As at 31 December			As at 31 July
	2004	**2005**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB*
Jointly controlled entity *(note 19)*				
Qian An	2,824,979	2,739,884	3,606,896	9,560,071
Related party *(note 19)*				
Mr. Xu Ying	418,386	3,276,254	6,816,870	8,209,240
Less: Provision for impairment loss	(418,386)	(3,276,254)	(6,816,870)	(8,209,240)
	–	–	–	–

Maximum amount outstanding from a jointly controlled entity and related party during the year/period:

	As at 31 December			As at 31 July
	2004	**2005**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB*
Qian An	5,504,979	6,247,251	6,136,896	9,560,071
Mr. Xu Ying	418,386	3,276,254	6,816,870	8,209,240

Movement on the provision for impairment loss on amount due from a related party is as follows:

	As at 31 December			As at 31 July
	2004	**2005**	**2006**	**2007**
	RMB	*RMB*	*RMB*	*RMB*
At beginning of year/period	–	418,386	3,276,254	6,816,870
Impairment loss on amount due from a related party	418,386	2,857,868	3,540,616	1,392,370
At end of year/period	418,386	3,276,254	6,816,870	8,209,240

Mr. Xu Ying is a director of the jointly controlled entity, Qian An during the year/period. Prior to 12 June 2007, Mr. Xu Ying was also a shareholder and director of Jilin Hengli.

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due from a jointly controlled entity and related party approximate to their fair values.

15. OTHER RECEIVABLES

	As at 31 December			As at 31 July
	2004	2005	2006	2007
	RMB	*RMB*	*RMB*	*RMB*
Other receivables	87,860	511,860	894,870	950,560
Less: Provision for impairment loss	(87,860)	(387,860)	(750,560)	(950,560)
	–	124,000	144,310	–

Movement on the provision for impairment loss on other receivables is as follows:

	As at 31 December			As at 31 July
	2004	2005	2006	2007
	RMB	*RMB*	*RMB*	*RMB*
At beginning of year/period	–	87,860	387,860	750,560
Impairment loss on other receivables	87,860	300,000	362,700	200,000
At end of year/period	87,860	387,860	750,560	950,560

The carrying amounts of other receivables approximate to their fair values. All other receivables are denominated in Renminbi.

16. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 July
	2004	2005	2006	2007
	RMB	*RMB*	*RMB*	*RMB*
Bank balances	26,141	272,811	392,191	638
Cash balances	1,556	3,826	789	–
	27,697	276,637	392,980	638

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

All cash and cash equivalents are denominated in Renminbi.

17. OTHER PAYABLES

The carrying amounts of other payables approximate to their fair values. All other payables are denominated in Renminbi.

18. PAID-UP CAPITAL

	As at 31 December			As at 31 July
	2004	2005	2006	2007
	RMB	*RMB*	*RMB*	*RMB*
Registered and paid-up capital	2,000,000	2,000,000	2,000,000	2,000,000

19. RELATED PARTY TRANSACTIONS

In addition to the related party information shown elsewhere in the Financial Information, the following is a summary of significant related party transactions entered into the ordinary course of business between Jilin Hengli and its related parties during the year/period and balances arising from related party transactions at the balance sheet dates indicated below:

(i) Settlement of liabilities on behalf of Jilin Hengli

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Mr. Xu Ying	–	–	–	–	4,200

(ii) Balances with related parties

	As at 31 December			As at 31 July
	2004	2005	2006	2007
	RMB	*RMB*	*RMB*	*RMB*
Non-trade balance due from a jointly controlled entity	2,824,979	2,739,884	3,606,896	9,560,071
Non-trade balance due from a related party	418,386	3,276,254	6,816,870	8,209,240
Less: Provision for impairment loss	(418,386)	(3,276,254)	(6,816,870)	(8,209,240)
	–	–	–	–

(iii) No remuneration has been paid or payable to Jilin Hengli's directors during the year/period.

20. FIRST-TIME ADOPTION OF HKFRSS

Reconciliation of equity as at 1 January 2004 (date of transition to HKFRS):

	RMB
Equity attributable to the equity holder of Jilin Hengli reported in the PRC GAAP Financial Statements	(54,742)
Incorporation expense charged to income statement	(115,948)
Equity attributable to the equity holder of Jilin Hengli reported in the HKFRS Financial Statements	(170,690)

21. DIVIDEND

No dividend has been paid or declared by Jilin Hengli during the year/period.

22. CONTINGENT LIABILITIES

(i) Included in the balance sheet as at 31 December 2004, 2005 and 2006 and 31 July 2007 are the other payables of approximately RMB4,800,000 outstanding over three years. According to the PRC tax rules and regulations, other payables outstanding over three years should be treated as other income and are subject to the corporate income tax at 33% on that amount. Accordingly, there are contingent liabilities of income tax of Jilin Hengli as at the balance sheet date amounted to approximately RMB1,600,000. In the opinion of the directors, such income tax liabilities were remote and no provision has been made in the financial information.

(ii) As set out in note 14 to the financial information, amount due from Mr. Xu Ying represented funds advance to a former shareholder. According to the PRC tax rules and regulations, for fund advance to shareholder remained unsettled for more than one year, it is deemed as return on investment paid to shareholder and the shareholder is subject to individual income tax at 20% on that amount. An enterprise is obliged to pay withholding tax in this respect. Failure to pay withholding tax may result in a maximum penalty of three times the amount of withholding tax undercharged. As at 31 December 2005 and 2006 and 31 July 2007 fund advance to Mr. Xu Ying which remained unsettled for more than one year, amounted to RMB1,088,564, RMB3,276,254 and RMB6,816,870 respectively. Accordingly, there are contingent liabilities of withholding tax of Jilin Hengli amounted to RMB653,139, RMB1,965,752 and RMB4,090,122 and any tax penalty thereon for each of the years ended 31 December 2005 and 2006 and the seven months ended 31 July 2007 respectively. In the opinion of the directors, such withholding tax liabilities and penalty, if any, were remote and no provision has been made in the financial information.

(iii) Jilin Hengli shared 50% of the following contingent liabilities of a jointly controlled entity, Qian An.

- As set out in note 13(b)(iv) to the financial information, pursuant to the regulations of the PRC, Qian An is required to participate in defined contribution retirement plans organized by the respective municipal government for its employees. The directors of Jilin Hengli noted that, Qian An has not participated in the employees' pension schemes for certain employees and provision of retirement benefits scheme contribution has not been made. In the opinion of the directors, such retirement benefits scheme contributions were remote and no provision has been made in the financial information.

- Qian An has operated in China for many years. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the financial information that will have a material adverse effect on the financial position of Qian An.

- Except for limited insurance coverage for certain assets subject to significant operating risks, Qian An does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, Qian An does not carry any third-party liability insurance against claims relating to personal injury, property and environmental damages or business interruption insurance since such insurance coverage is not customary in the PRC. While the effect of under-insurance coverage on future incidents cannot be reasonably assessed at present, management believes that it may have a material impact on the operating results but will not have a material adverse effect on the financial position of Qian An.

23. COMMITMENTS

As at 31 December 2004, 2005 and 2006 and 31 July 2007, Jilin Hengli had no significant commitments.

III. SUBSEQUENT EVENTS

No significant events occurred subsequent to 31 July 2007.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Jilin Hengli in respect of any period subsequent to 31 July 2007. In addition, no dividend or distribution has been declared, made or paid by Jilin Hengli in respect of any period subsequent to 31 July 2007.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Lak & Associates C.P.A. Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

力 恒 會 計 師 事 務 所 有 限 公 司

LAK & ASSOCIATES C.P.A. LIMITED
Certified Public Accountants
3rd Floor, Chinachem Tower
34-37 Connaught Road Central
Hong Kong

31 January 2008

The Board of Directors
Enviro Energy International Holdings Limited
Suite 7A, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Dear Sirs,

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Enviro Energy International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Allied Resources Limited ("Allied Resources") and its subsidiary and jointly controlled entity (together with the Group hereinafter referred to as the "Enlarged Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of the entire equity interest in Allied Resources might have affected the financial information presented, for inclusion in Appendix III to the circular dated 31 January 2008 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 114 to 126 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 July 2007 or any future date; or

- the results and cash flows of the Enlarged Group for the year ended 31 July 2007 or for any future period.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully

Lak & Associates C.P.A. Limited
Certified Public Accountants
Hong Kong
31 January 2008

Fung Lak
Practising Certificate Number P01301

Terms defined herein apply to this appendix only.

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group which has been prepared by the directors of the Company in accordance with paragraph 31 of Chapter 7 of the Listing Rules is for the purpose of illustrating the effect as if the Acquisition had taken place on 31 July 2007 for the unaudited pro forma consolidated balance sheet and on 1 August 2006 for the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement. The directors of the Company are of the opinion that no material seasonal factors are noted, which would have a material impact on the unaudited pro forma consolidated income statement and cashflow statement of the Enlarged Group.

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition of the entire issued share capital in the Allied Resources Limited ("Allied Resources") and Jilin Hengli Industries Liability Co., Ltd. ("Jilin Hengli") at an aggregate consideration of HK$365.88 million (the "Consideration").

The accompanying unaudited pro forma financial information of the Enlarged Group is based on certain assumptions, estimates, uncertainties, and other currently available financial information, and is provided for illustrative purposes only because of its hypothetical nature, it may not give a true picture of the actual financial position and financial results of the Enlarged Group's operations that would have been attained had the Acquisition actually occurred on the dates indicated herein. Further, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or result of operations.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the Accountants' Report of the Target Group as set out in Appendix II, the Accountants' Report of Allied Resources and its subsidiary Jilin Hengli, and the historical financial information on the Group as set out in Appendix I and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following table is the unaudited pro forma consolidated income statement for the year ended 31 July 2007 which derived from a combination of (i) the audited consolidated income statement of the Group for the financial year ended 31 July 2007, as set out in Appendix I to this circular; and (ii) the audited income statement of Allied Resources for the period from 21 July 2006 (date of incorporation) to 31 July 2007 and the audited income statement of Jilin Hengli for the year ended 31 December 2006 as set out in Appendix II to this circular. Such information is adjusted to reflect the effect of the Acquisition.

The unaudited pro forma consolidated income statement of the Enlarged Group is prepared to provide the pro forma financial information of the Enlarged Group as if the Acquisition had been completed at the beginning of the year ended 31 July 2007. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 July 2007 or any future financial periods.

	The Group (Audited) *HK$*	**Allied Resources** (Audited) *HK$*	**Jilin Hengli** (Audited) *HK$* *(Note 3)*	**Pro forma of the Enlarged Group** (Unaudited) *HK$*
Revenue	3,373,893	–	–	3,373,893
Cost of sales	(2,864,823)	–	–	(2,864,823)
Gross profit	509,070	–	–	509,070
Other income	6,151,259	1,432	355,025	6,507,716
Administrative and operating expenses	(52,633,888)	(11,694)	(149,376)	(52,794,958)
Impairment loss on amount due from a related party	–	–	(3,455,608)	(3,455,608)
Impairment loss on other receivables	–	–	(353,992)	(353,992)
Loss from operating activities	(45,973,559)	(10,262)	(3,603,951)	(49,587,772)
Finance cost	–	–	–	–
Share of profit of jointly controlled entity	–	–	6,952,611	6,952,611
(Loss)/profit before taxation	(45,973,559)	(10,262)	3,348,660	(42,635,161)
Income tax	–	–	(738)	(738)
Net (loss)/profit attributable to equity shareholders of the Company	(45,973,559)	(10,262)	3,347,922	(42,635,899)

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following table is the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 July 2007, which has been prepared for the purpose of illustration as if the Acquisition has been completed on 31 July 2007. It is based on the audited consolidated balance sheet of the Group as at 31 July 2007 as set out in Appendix I to this circular, and audited balance sheet of Allied Resources and Jilin Hengli as at 31 July 2007 as set out in Appendix II, as adjusted for the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet is prepared to provide the unaudited pro forma financial information on the Enlarged Group as if the completion of the Acquisition had taken place on 31 July 2007. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 July 2007 or at any future date.

	The Group (Audited) *HK$*	Allied Resources (Audited) *HK$*	Jilin Hengli (Audited) *HK$* *(Note 3)*	Group Pro forma Adjustment *HK$*	*Note*	Pro forma of the Enlarged Group (Unaudited) *HK$*
Non-current assets						
Plant and equipment	524,363	–	–			524,363
Interests in jointly-controlled entity			3,891,591			3,891,591
Investment in subsidiary	–	93,751,206	–	(93,751,206)		–
Goodwill	–	–	–	368,277,966	*1(a)*	368,277,966
	524,363	93,751,206	3,891,591			372,693,920
Current assets						
Amount due from jointly-controlled entity	–	–	9,898,603			9,898,603
Trade receivables	197,696	–	–			197,696
Deposit, prepayment and other receivables	94,546,247	408,023	–	(93,600,000)	*1(b)*	1,354,270
Cash and cash equivalents	395,115,097	401,055	660	(84,400,000)	*1(c)*	311,116,812
	489,859,040	809,078	9,899,263			322,567,381

	The Group (Audited) *HK$*	Allied Resources (Audited) *HK$*	Jilin Hengli (Audited) *HK$* *(Note 3)*	Group Pro forma Adjustment *HK$*	*Note*	Pro forma of the Enlarged Group (Unaudited) *HK$*
Current liabilities						
Amount due to an equity holder	–	82,999,999	–	(82,999,999)	*1(d) & (e)*	–
Amounts due to director	–	2,198,600	–	(2,198,600)	*1(e)*	–
Trade payables	50,519	–	–			50,519
Other payables, deposit received and accrued liabilities	7,186,784	9,371,946	5,027,353	2,598,599	*1(e)*	24,184,682
	7,237,303	94,570,545	5,027,353			24,235,201
Net current assets/ (liabilities)	482,621,737	(93,761,467)	4,871,910			298,332,180
Net assets/(liabilities)	483,146,100	(10,261)	8,763,501			671,026,100
Capital and reserves						
Share capital	5,372,730	1	2,070,822	(1,795,823)	*1(g)*	5,647,730
Reserves	477,773,370	(10,262)	6,692,679	180,922,583	*1(g)*	665,378,370
Total equity	483,146,100	(10,261)	8,763,501			671,026,100

UNAUDITED PRO FORMA CONSOLIDATED CASHFLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma cashflow statement of the Enlarged Group which illustrates the financial impact of the Acquisition on the cash flow of the Group assuming that the Acquisition had taken place at the beginning of the year ended 31 July 2007. The unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared based on:

(a) the audited consolidated cash flow statement of the Group for the year ended 31 July 2007, as set out in Appendix I to this circular: and

(b) the audited consolidated cash flow statement of Allied Resources for the period from 21 July 2006 (date of incorporation) to 31 July 2007 and Jilin Hengli for the year ended 31 December 2006, as set out in Appendix II to this circular.

As it is prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flow position of the Enlarged Group for the financial year ended 31 July 2007 in respect of which it is prepared or for any future financial periods.

	The Group (Audited) *HK$*	Allied Resources (Audited) *HK$*	Jilin Hengli (Audited) *HK$* *(Note 3)*	Group Pro forma adjustment *HK$*	*Note*	Pro forma of the Enlarged Group (Unaudited) *HK$*
Operating activities						
Profit/(loss) before taxation	(45,973,559)	(10,262)	3,348,660			(42,635,161)
Adjustments for:						
Depreciation	514,406	–	–			514,406
Plant and equipment written-off	21,450	–	–			21,450
Gain on disposal of fixed assets	(262)	–	(353,992)			(354,254)
Impairment loss on other receivables	–	–	353,992			353,992
Impairment loss on amount due from a related party	–	–	3,455,608			3,455,608
Bank interest income	(210,907)	(1,432)	(1,033)			(213,372)
Share of profits of a jointly-controlled entity	–	–	(6,952,612)			(6,952,612)
Waiver of amount due to a director	(4,987,329)	–	–			(4,987,329)
Share-based payment expense	37,228,098	–	–			37,228,098
Operating loss before changes in working capital	(13,408,103)	(11,694)	(149,377)			(13,569,174)

	The Group (Audited) HK$	Allied Resources (Audited) HK$	Jilin Hengli (Audited) HK$ (Note 3)	Group Pro forma adjustment HK$	*Note*	Pro forma of the Enlarged Group (Unaudited) HK$
Operating loss before changes in working capital	(13,408,103)	(11,694)	(149,377)			(13,569,174)
Decrease in inventories	3,874	–	–			3,874
Decrease in trade receivables	496,551	–	–			496,551
(Increase)/decrease in deposits, prepayment and other receivables	232,563	(2,523)	(19,822)			210,218
Decrease in trade payables	(1,475,866)	–	–			(1,475,866)
Decrease in deposits received	(1,384,558)	–	–			(1,384,558)
Increase in others payables and accrued liabilities	4,061,978	–	17			4,061,995
Cash used in operations	(11,473,561)	(14,217)	(169,182)			(11,656,960)
Tax paid	–	–	(738)			(738)
Net cash used in operating activities	(11,473,561)	(14,217)	(169,920)			(11,657,698)
Investing activities						
Bank interest income	210,907	1,432	1,033			213,372
Dividend received from jointly-controlled entity	–	–	3,738,044			3,738,044
Purchase of plant and equipment	(373,304)	–	–			(373,304)
Proceeds from disposal of fixed assets	262	–	–			262
Cash advance made to a related party	–	–	(3,455,608)			(3,455,608)
Deposit paid for acquisition of a subsidiary	(93,600,000)	–	–	93,600,000	*1(b)*	–
Acquisition of subsidiaries	–	(84,784,760)	–	(186,966,446)	*1(b), (c), & (f)*	(271,751,206)
Net cash generated from/(used in) investing activities	(93,762,135)	(84,783,328)	283,469			(271,628,440)

	The Group (Audited) *HK$*	Allied Resources (Audited) *HK$*	Jilin Hengli (Audited) *HK$* *(Note 3)*	Group Pro forma adjustment *HK$*	*Note*	Pro forma of the Enlarged Group (Unaudited) *HK$*
Financing activities						
Issuance of share	–	1	–			1
Advance from ultimate holding company	–	82,999,999	–	(82,999,999)	*1(d), (e)*	–
Advance from director	3,280,000	2,198,600	–	(2,198,600)	*1(e)*	3,280,000
Advance from third parties	–	–	–	85,198,599	*1(d) & (e)*	85,198,599
Repayment to director	(1,480,000)	–	–			(1,480,000)
Proceeds from issue of ordinary shares	506,278,050	–	–			506,278,050
Proceeds from exercise of share options	647,700	–	–			647,700
Proceeds from shares to be issued under share option scheme	2,010,713	–	–			2,010,713
Share issue expense	(10,836,727)	–	–			(10,836,727)
Net cash generated from financing activities	499,899,736	85,198,600	–			585,098,336
Net increase in cash and cash equivalents	394,664,040	401,055	113,549			301,812,198
Cash and cash equivalents at beginning of year/period	485,791	–	269,995			755,786
Effect of foreign exchange rate changes	(34,734)	–	–			(34,734)
Cash and cash equivalents at end of year/period	395,115,097	401,055	383,544			302,533,250

NOTES ON THE ADJUSTMENTS TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

1. Under HKFRS 3 Business Combinations ("HKFRS 3") and HKAS 31 Interests in Joint Ventures ("HKAS 31") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Group will apply the purchase method to account for the acquisition of Allied Resources and its subsidiary Jilin Hengli and equity method to account for the acquisition of 50% equity interests of Qian An Oilfield. In applying those methods, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded on the consolidated balance sheet of the Group at their fair values at the date of completion.

   For the purpose of preparing the Unaudited Pro Forma Financial Information, the fair value of the Target Group's identifiable assets and liabilities as of 31 July 2007 is assumed to be the same as their carrying values. The Group will assess, by taking into account, including but not limited to, that the Group will extend the joint venture agreement between PetroChina and Jilin Hengli upon expiry of the existing agreement due to mutual beneficial business relationship and that the Group plans to enhance its daily exploitation capacity, the fair value of the identifiable assets, including intangible assets, liabilities and contingent liabilities of Target Group at date of acquisition and allocate goodwill to the Target Group. Accordingly, goodwill on Acquisition will be subject to further changes upon completion of the Acquisition and may be different from that estimated based on the basis stated above for the purpose of preparation of the Unaudited Pro Forma Financial Information.

The adjustment reflects the following:

a. Estimated goodwill of HK$368,277,966 arising from the acquisition of Target Group, which is derived from the calculation as follows:

	Notes	*HK$*
Fair value of net assets other than investment in subsidiary of Allied Resources		(93,761,467)
Loan owed and payable by Allied Resources to the Vendor assigned to the Company	*(d)*	82,600,000
		(11,161,467)
Fair value of net assets of Jilin Hengli		8,763,501
Goodwill		368,277,966
Total consideration		365,880,000
Satisfied by:		
Cash consideration for acquisition of Allied Resources	*(b) & (c)*	178,000,000
Fair value of shares issued for acquisition of Allied Resources	*(g)*	187,880,000
		365,880,000

The excess of the cost of acquisition over the Group's share of the net fair value of Target Group's identifiable assets, liabilities and contingent liabilities will be recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition will be recognized in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognized in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

b. Being adjustment of refundable deposit paid in the amount of HK$93.6 million to Global Richland Investment Limited ("Global Richland") up to 31 July 2007 for the Proposed Acquisition of Allied Resources.

c. Being adjustment of subsequent refundable deposits of HK$35 million and HK$49.4 million to Global Richland on 16 August 2007 and 20 September 2007 respectively under the Exclusivity Agreement, the Supplemental Deeds and the Share Purchase Agreement. The Company entered into two supplemental deeds to the Exclusivity Agreement with Global Richland on 19 July 2007 and 16 August 2007, 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.

d. The amount represents the amount due from subsidiary, Allied Resources, arising from the Acquisition. Pursuant to the Agreement, the Group has agreed to buy and Global Richland has agreed to sell the Loan owed and payable by Allied Resources to Global Richland in the sum of HK$82.6 million upon the date of completion. The acquisition was assumed to be completed on 31 July 2007.

e. The amount represents the reclassification of the amount due to Global Richland of HK$399,999 and amount due to a director of HK$2,198,600 to other payables, deposit received and accrued liabilities in the Enlarged Group.

f. The amount represents the consideration of HK$8,966,446 for acquisition of Jilin Hengli by Allied Resources to be paid after the completion of the acquisition. The amount will be paid in Renminbi so it will be subject to further changes upon completion of the Acquisition due to changes in exchange rate.

g. The adjustment represents the effect of the issuance of 110,000,000 new shares of HK$0.0025 each by the Company at an issue price of HK$1.708 per share to Global Richland for part of the Consideration to acquire the entire issue capital of Allied Resources.

2. For the purpose of preparing the unaudited pro forma financial information, translation of amounts in RMB to HK$ has been made at the exchange rate of HK$1 = RMB 0.9658, the closing rate as at 31 July 2007 for the balance sheet, and HK$1 = RMB 1.0246, the average exchange rate for the year ended 31 December 2006 for the income statement and cash flow statement, respectively.

3. Translation of currency from RMB to HK$ for Jilin Hengli's financial information:

a. The income statement of Jilin Hengli for the year ended 31 December 2006:

	Jilin Hengli	**Jilin Hengli**
	RMB	*HK$*
		(Note 2)
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income	363,759	355,025
General and administrative expenses	(153,051)	(149,376)
Impairment loss on amount due from a related party	(3,540,616)	(3,455,608)
Impairment loss on other receivable	(362,700)	(353,992)
Loss from operating activities	(3,692,608)	(3,603,951)
Share of profit of jointly controlled entity	7,123,645	6,952,611
Profit before taxation	3,431,037	3,348,660
Income tax	(756)	(738)
Net profit attributable to equity shareholders of the Company	3,430,281	3,347,922

b. The balance sheet of Jilin Hengli as at 31 July 2007:

	Jilin Hengli	**Jilin Hengli**
	RMB	*HK$*
		(Note 2)
Non-current assets		
Interests in jointly controlled entity	3,758,499	3,891,591
Current assets		
Amount due from jointly controlled entity	9,560,071	9,898,603
Cash and cash equivalents	638	660
	9,560,709	9,899,263
Current liabilities		
Other payables	4,855,418	5,027,353
Net current assets	4,705,291	4,871,910
Net assets	8,463,790	8,763,501
Capital and reserves		
Paid-up capital	2,000,000	2,070,822
Retained earnings	6,463,790	6,692,679
Total equity	8,463,790	8,763,501

c. The cash flow statement of Jilin Hengli for the year ended 31 December 2006:

	Jilin Hengli *RMB*	Jilin Hengli *HK$* *(Note 2)*
Operating activities		
Profit before taxation	3,431,037	3,348,660
Adjustments for:		
Gain on disposal of plant and equipment	(362,700)	(353,992)
Impairment loss on other receivables	362,700	353,992
Impairment loss on amount due from a related party	3,540,616	3,455,608
Interest income	(1,059)	(1,033)
Share of profit of a jointly controlled entity	(7,123,645)	(6,952,612)
Operating loss before changes in working capital	(153,051)	(149,377)
Increase in other receivables	(20,310)	(19,822)
Increase in others payables	17	17
Cash used in operations	(173,344)	(169,182)
Tax paid	(756)	(738)
Net cash used in operating activities	(174,100)	(169,920)
Investing activities		
Bank interest income	1,059	1,033
Dividend received from jointly controlled entity	3,830,000	3,738,044
Advance made to a related party	(3,540,616)	(3,455,608)
Net cash generated from investing activities	290,443	283,469
Financing activities	–	–
Net cash generated from financing activities	–	–
Net increase in cash and cash equivalents	116,343	113,549
Cash and cash equivalents at beginning of year	276,637	269,995
Cash and cash equivalents at end of year	392,980	383,544

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 November 2007 of the market value of the 50% equity interest in the Qian-209 Oilfield and Qianshen-12 Oilfield.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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香港灣仔港灣道6-8號瑞安中心3111-18室
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31 January 2008

The Directors
Enviro Energy International Holdings Limited (the "Company")
Unit A, 7th Floor,
Guangdong Investment Tower
No. 148 Connaught Road
Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Enviro Energy International Holdings Limited (referred to as the "Company") for us to provide our opinion on the market value of the 50% equity interest in the Qian-209 Oilfield and Qianshen-12 Oilfield (referred to as "Qian An Oilfield") in Jilin Province, the People's Republic of China (referred to as the "PRC"), which is held by Qian An Oil Development Co., Ltd. (referred to as "QODC"), which is a joint operating company owned by PetroChina Company Limited (50%) and Jilin Hengli Industries Liability Co., Ltd. (referred to as "Jilin Hengli") (50%), as at 30 November 2007 (the "date of valuation").

This report describes the backgrounds of the Company and QODC, the geological information of Qian An Oilfield, and the basis of valuation and assumptions. It also explains the valuation methodology utilized and presents our conclusion of value.

PURPOSE OF VALUATION

We understand that the purpose of our valuation is to express an independent opinion on the market value of the 50% equity interest in Qian An Oilfield as at 30 November 2007 in connection with a very substantial acquisition of the Company.

BASIS OF VALUATION

Our valuation was carried out on the basis of market value. Market value is defined as *"the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"*.

We have adopted "HKIS Valuation Standards on Trade-related Business Assets and Business Enterprises" in preparing this valuation report.

BACKGROUND OF THE COMPANY

The Company is principally engaged in the provision of network infrastructure solutions and services in Hong Kong as well as Shanghai and the Guangdong Province, the PRC. The Company designs, installs, implements and maintains a wide range of network infrastructure solutions and services, including infrastructure construction and infrastructure maintenance and reinforcement which are basic solutions and services to set up, maintain, reinforce and enhance the security, functionality and efficiency of its customers' networks and computer systems. In addition, the Company also offers other professional value-added solutions and services to its customers in order to enhance the functionality and extensibility of their networks and computer systems. The Company intends to diversify to the upstream hydrocarbon development and production projects by the acquisition of Allied Resources Limited which indirectly owned 50% of the equity interest in QODC.

BACKGROUND OF QODC

QODC is an equity joint venture company established under PRC laws. 50% of the equity interest in QODC is owned by Jilin Hengli and the other 50% of the equity interest is ultimately owned by PetroChina Company Limited. QODC is principally engaged in the exploitation of petroleum resources activities and production of petroleum.

GEOLOGICAL INFORMATION OF QIAN AN OILFIELD

Qian An Oilfield is located in Songyuan Municipal Qian An District, Jilin Province, the PRC. It covers two formations namely Qian-209 and Qianshen-12.

Qian-209 has an area of 2.5 km^2. As at June 2006, there were 37 oil and water injection wells (with 1 well suspended). The area is 140-150 meters above sea level and is located in a flat land area. Formation depth is around 1,900-1,950 meters with net pay between 6-11 meters. The formation is sandstone and is structurally trapped hydrocarbon accumulation. Crude oil density is 847kg/m^3 (32-33 API) with viscosity of 13.02 cp (50 degrees C).

Qianshen-12 has a total area of 12 km^2. The structure is located in Songliao basin in the centre of a graben and is a structurally trapped hydrocarbon accumulation. As at June 2006, there were 25 oil and water injection wells (with 3 wells suspended) in Qianshen-12 area. The area is flat farm land and is 135-145 meters above sea level. Total daily oil production is approximately 40 tons occupying a total developed area of 2 km^2. There are at least 10 km^2 that has not been developed and another 100 infill wells will be drilled.

According to the technical report named "China Jilin Qain An Oilfield Geological & Engineering Report" (referred to as the "Assessment Report") prepared by the Jilin Petroleum Research Institute, Songyuan, Jilin, the PRC, dated June 2006 , the proven oil in place in the contract area is approximately to be 21.67 million barrels.

Most of the wells in the contract area are on pump and some of the wells have been perforated in both zones. It is estimated an additional 15% increase in current production rate can be achieved if proper pump change and load optimization are implemented in the existing wells. In Qianshen-12 contract area, it is estimated an additional 80 oil wells can be drilled and 20 additional water wells can be implemented. Using an average oil rate of 2.0 t/d, the overall oil production after all the wells have been drilled will increase the current oil production from 56 tons/d to 200 tons/d. An additional 5% recovery of oil will be achieved which translates to a total recoverable oil reserve of 6.06 million barrels.

SOURCE OF INFORMATION

For the purpose of our valuation, we were furnished with the financial and operational data related to Qian An Oilfield, which was given by the senior management of the Company.

The valuation of Qian An Oilfield required consideration of all pertinent factors affecting the economic benefit of Qian An Oilfield and its abilities to generate future investment returns. The factors considered in the valuation included, but were not limited to the following:

- The business nature of Qian An Oilfield;
- The financial and operational information of Qian An Oilfield;
- The specific economic environment and competition for the market in which Qian An Oilfield is currently exposed or will be exposed to;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of Qian An Oilfield, including the continuity of income and the projected future results.

SCOPE OF WORKS

In the course of our valuation work for Qian An Oilfield, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Interviewed with the senior management of the Company;
- Obtained all relevant financial and operational information of Qian An Oilfield;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to Qian An Oilfield, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of Qian An Oilfield; and
- Presented all relevant information on the backgrounds of the Company and QODC, the geological information of Qian An Oilfield, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Due to changing environment in which Qian An Oilfield is or will be exposed to, a number of assumptions had to be established in order to sufficiently support our concluded opinion of value of Qian An Oilfield. The major assumptions adopted in our valuation were that:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where Qian An Oilfield is exposed to;
- There will be no major changes in the current taxation law in the jurisdiction related to Qian An Oilfield, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- The financial information in respect of Qian An Oilfield was prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company; and
- Exchange rates and interest rates will not differ materially from those presently prevailing.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing Qian An Oilfield. They are the market approach, the cost approach and the income approach.

The market approach provides indications of value by comparing the subject to similar assets that have been sold in the market.

The cost approach provides indications of value by studying the amounts required to recreate the asset for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the asset.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar asset with a similar risk profile.

Among the three approaches, the cost approach was regarded not appropriate in the valuation, as it only considers the costs of recreating Qian An Oilfield and the costs may not represent the market value. The income approach was also considered inadequate in the valuation, as it involves much more assumptions compared to the other two approaches. Therefore, we determined that the market approach was the most appropriate approach for the valuation of Qian An Oilfield.

We used the market approach by referring to Global Upstream M&A Review 2007 (referred to as the "M&A Review") issued by John S. Herold, Inc. which has a profound history in research and consultation focusing on valuation, strategy, and performance measurement of the world leading oil and gas companies since 1948. The M&A Review provides a comprehensive analysis of more than 280 significant upstream transactions in relation to oilfields that were announced in 2006. In our valuation, a total of eleven transactions in relation to oilfields completed in Asia-Pacific with proved oil reserve disclosed were considered.

Considering Qian An Oilfield is located in China and has the information on the proved oil reserve available in the Assessment Report, it is comparable to the eleven transactions completed in Asia-Pacific. Therefore, the M&A Review is appropriate for valuing Qian An Oilfield.

According to the M&A Review, the weighted average acquisition value assigned to Asian-Pacific proved reserves in 2006 is US$19.33 per barrel of oil equivalent.

During our valuation, we have reviewed the Assessment Report and the background of the Jilin Petroleum Research Institute, Songyuan, Jilin, the PRC. The Jilin Petroleum Research Institute was set up in 1978 and has about thirty years of research experience in oilfields. Jilin Petroleum Research Institute is an approved technical adviser of PetroChina

Company Limited in Jilin Province, the PRC. Therefore, we have no reason to doubt the reasonableness of adopting the Assessment Report prepared by the Jilin Petroleum Research Institute. We conclude that it is appropriate to adopt the Assessment Report for the valuation. The Assessment Report states that Qian An Oilfield has the proven oil in place in the contract area of approximately 21.67 million barrels and the total recoverable reserve is 6.06 million barrels.

The adjustment for oil price rises was made in order to take into account the impact of the increases in oil prices over the period from 31 December 2006 up to the date of valuation of Qian An Oilfield.

On the other hand, we did not make any adjustment for differences in the location of Qian An Oilfield, as we considered that there would be virtually no limitation on the global merger and acquisition market arising from globalization of economy.

REMARKS

For the purpose of this valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company to estimate the value of Qian An Oilfield. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, QODC, PetroChina Company Limited, Jilin Hengli, Qian An Oilfield, or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 50% equity interest in Qian An Oilfield as at 30 November 2007 was **HK$650,000,000 (HONG KONG DOLLARS SIX HUNDRED AND FIFTY MILLION ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, QODC, PetroChina Company Limited., Jilin Hengli, Qian An Oilfield, or the value reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Dr. Tony Cheng
BSc, MUD, MBA(Finance), MSc(Eng), PhD(Econ),
MHKIS, MCIArb, AFA, SCIFM, FCIM, MASCE, MIET,
MIEEE, MASME, MIIE, MAIC
Director

Notes:

Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 15 years' experience in valuing similar assets or companies engaged in similar business activities as that of Qian An Oilfield worldwide.

Set out below is the management discussion and analysis of the operating results and business review extracted from the respective annual reports of the Company for the three years ended 31 July 2005, 2006 and 2007:

THE GROUP
For the year ended 31 July 2005

BUSINESS REVIEW

During the year under review, the Group continued to invest and to strengthen its position to provide the best-of-breed information technology solutions and services in Hong Kong and Mainland China, including information technology integrations and solutions, software development for e-commerce and human resources management, as well as information technology services and consultations.

The Group launched a self-branded human resources management information system solution during the year, which was newly developed last year. The solution is a web-based software, which could simplify the processes in human resources management, including leave records, salary calculation, staff training management and performance appraisal. The web-based operation mode could especially fit for multi-national corporations in managing human resources duties in a number of branch offices all over the world. Given powerful functionalities and specialization of the solution, we are confident that it could enable the Group to obtain favourable returns.

In view of the Group's continuing business development, the Group collaborated with a number of internationally renowned software vendors, in order to provide our customers with solutions in areas of data storage and management, data encryption, data backup and recovery, network management and system security. In addition, the Group has started its root in Hong Kong and aimed at accelerating its business expansion into the market of Mainland China. Having footprint in Hong Kong, Guangzhou, Shanghai and Hangzhou, the Group could effectively provide its customers with one-stop-trans-territorial solutions and services.

FINANCIAL REVIEW

For the year ended 31 July 2005, turnover of the Group increased by 41.8% to HK$22,514,073 (2004: HK$15,881,000). This is mainly attributable to the increase in revenues from the sales of computer hardware and software, as a result of the establishment of new business relationships with information technology companies in Hong Kong and effective promotional campaigns carried out throughout the year.

The gross profit margin ratio for the year ended 31 July 2005 was about 10.1%, while it was about 13.9% in the previous year. The decrease was attributable to the increase in the revenue generated from the sales of computer hardware which comparatively had a lower gross profit margin ratio.

As a result of an impairment of an investment in a jointly-controlled entity made during the year under review, the loss before tax for the year ended 31 July 2005 increased by 11.9% to HK$13,619,267 (2004: HK$12,165,261).

LIQUIDITY AND FINANCIAL RESOURCES

For the year under review, the Group financed its operations primarily with internally generated cash flows and the balance of the net proceeds from the listing of the Company's shares on GEM on 18 February 2003. As at 31 July 2005, a loan of HK$5,000,000 was advanced from a director, which was unsecured, interest free and fully settled subsequent to the balance sheet date.

As at 31 July 2005, the Group had net assets of HK$3,678,633 (2004: HK$16,050,500), of which HK$7,513,302 (2004: HK$13,788,000) were bank and cash balances.

As at 31 July 2005, the Group did not have any composite banking facilities (2004: HK$4.5 million).

CAPITAL STRUCTURE

The shares of the Company were listed on the GEM of the Stock Exchange on 18 February 2003. On 13 August 2004, a total of 11,340,000 share options were exercised at a subscription price of HK$0.11 per share and resulted in the issue of 11,340,000 new ordinary shares in the Company of HK$113,400. The excess of the cash consideration received over the nominal value of the issued shares of HK$1,134,000 was credited to the share premium account.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Other than those disclosed in the prospectus dated 30 January 2003 under the section headed "Business Objectives and Implementation Plans" and the Company's announcements dated 24 October 2003 and 21 October 2004, the Company did not have any plan for material investments and acquisition of material capital assets as at 31 July 2005.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 July 2005.

COMMENTS ON SEGMENTAL INFORMATION

The directors of the Company consider that the Group's primary segment reporting basis is by business segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide.

The directors of the Company consider that no analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during the current and the prior year.

EMPLOYEE INFORMATION

As at 31 July 2005, the Group had 33 full-time employees (2004: 30) working in Hong Kong and Mainland China. The total staff costs, including directors' emoluments, amounted to HK$8,072,868 for the year under review (2004: HK$7,733,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CHARGE ON GROUP ASSETS

As at 31 July 2004, the Group's time deposits of HK$3 million was pledged to secure general banking facilities granted to the Group. During the year under review, the pledged time deposits of HK$3 million were released as a result of withdrawal of the bank facilities at the request of the Group.

GEARING RATIO

The gearing ratio of the Group, based on total liabilities to total assets, was 0.67 as at 31 July 2005 (2004: 0.39). The increase in gearing ratio was mainly due to the decrease in shareholders' equity caused by enlarged accumulated losses during the year ended 31 July 2005.

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 rate between Hong Kong dollars, Renminbi, as well as United States dollars.

CONTINGENT LIABILITIES

As at 31 July 2005, the Group did not have any significant contingent liabilities (2004: Nil).

OUTLOOK

The Group's missions are to help our customers to maximize their return by advanced resources management, as well as to apply latest technologies through our best practice for this purposes. The Group's performance will be driven by offering self-branded web-based resources management information system solution, distributing our global partners' technology products and offering our best consultation services.

A booming economy is expected with China's entering into the World Trade Organization. In view of that, the state enterprises and private enterprises will have a bigger demand in their information technologies requirement to cope with the growing market. The Group has a long track record in providing unsurpassed information technology solutions and services. The investment we have been made throughout the years has enabled us to build a sustainable foundation which is essential for the future growth of our business in Hong Kong and Mainland China.

For the year ended 31 July 2006

BUSINESS REVIEW

During the year under review, the Group continued to strengthen its performance of main streams line of business, including information technology solutions and services, software development for e-commerce and human resources management, as well as information technology services and consultations, in order to grasp growth opportunities.

The Group focused on developing and brand building for our self-developed human resources management information system. The self-branded solution is a web-based software, which could simply the processes in human resources management, including leave records, salary calculation, staff training management and performance appraisal. The web-based operation mode could especially fit for multi-national corporations in managing human resources duties in a number of branch offices all over the world.

FINANCIAL REVIEW

For the year ended 31 July 2006, the Group recorded a turnover of HK$6,988,225, representing a decrease of 69% as compared with HK$22,514,073 of last year. The gross profit margin ratio for the year was 5%, while it was about 10% in the pervious year. The decrease was mainly attributable to gross loss incurred as a result of failure of some software development projects during the year. The Group has strengthened its controls to closely monitor costing and progress of the software development projects.

The loss from operating activities for the year ended 31 July 2006 decreased by 43% from HK$13,619,267 to HK$7,786,129, as a result of decrease in overall administrative and operating expenses by 41% from HK$13,999,422 last year to HK$8,247,844 in this year. Such decrease was due to more efficient method of resources allocation applied by the Group, as a result of performance review conducted during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year under review, the Group financed its operations primarily with internally generated cash flows and the balance of the net proceeds from the listing of the Company's shares on GEM on 18 February 2003. As at 31 July 2006, a loan of HK$3,187,329 was advanced from a director, which was unsecured, interest-free and repayable on demand.

As at 31 July 2006, the Group had net liabilities of approximately HK$4,164,328 (2005: net assets of HK$3,678,633), of which HK$485,791 (2005: HK$7,513,302) were bank and cash balances.

As at 31 July 2006, the Group did not have any composite banking facilities (2005: Nil).

For the year ended 31 July 2006, there was no change in the capital structure and issued capital of the Group.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 July 2006, the Group had not authorised or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 July 2006.

COMMENTS ON SEGMENTAL INFORMATION

The directors of the Company consider that the Group's primary segment reporting basis is by business segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide.

The directors of the Company consider that no analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered in or located in Hong Kong during the current and the prior year.

EMPLOYEE INFORMATION

As at 31 July 2006, the Group had 28 full-time employees (2005: 33) working in Hong Kong and Mainland China. The total staff costs, including directors' emoluments, amounted to HK$5,305,372 for the year under review (2005: HK$8,072,868). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CHARGE ON GROUP ASSETS

As at 31 July 2006, the Group did not have any charge on group assets or any significant contingent liabilities (31 July 2005: Nil).

GEARING RATIO

The gearing ratio of the Group calculated as a ratio of total liabilities to total assets was 2.36 as at 31 July 2006 as compared to 0.67 as at 31 July 2005.

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 rate between Hong Kong dollars, Renminbi, as well as United States dollars.

CONTINGENT LIABILITIES

As at 31 July 2006, the Group did not have any significant contingent liabilities (2005: Nil).

OUTLOOK

The information technology industry in 2006 continued on the path of increasing competition. We intend to continue our emphasis on disciplined cost-control, monitoring the performance of the Group's business, eliminating loss-making businesses and targeting higher levels of efficiency and effectiveness.

For the year ended 31 July 2007

BUSINESS REVIEW

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

During the year, the Group's objective was to create Shareholders' value by finding and enhancing petroleum and coalbed methane reserves around the world principally through the application of the CO_2 sequestration technology.

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 Limited ("Allied Resources"), a company incorporated in Hong Kong with limited liability, with a view to acquiring the entire issued share capital of Allied Resources (the "Proposed Acquisition"). A refundable deposit of HK$3.6 million, which will form part of the consideration, was paid to Global Richland on 10 April 2007.

Allied Resources, a wholly-owned subsidiary of Global Richland, entered into an equity transfer agreement dated 19 January 2007 to acquire the entire equity interest of 吉林恒利實業有限責任公司 (Jilin Hengli Industries Liability Co., Ltd.) ("Jilin Hengli"), a company established under the laws of the PRC. Jilin Hengli beneficially owns 50% of the equity interest of 乾安石油開發有限責任公司 (Qian An Oil Development Co., Ltd.) ("Qian An"), an equity joint venture company established under PRC laws. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

On 19 July 2007, the Company entered into a supplemental deed to the Exclusivity Agreement with Global Richland (the "Supplemental Deed"), pursuant to which Global Richland had agreed to, among others, further extend the exclusivity period up to 31 December 2007 (the "Extended Exclusivity Period"). An additional refundable deposit of HK$90 million, which will form part of the consideration of the Proposed Acquisition, was paid to Global Richland in July 2007.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the Shareholders in the extraordinary general meeting held on 23 March 2007, the Company had changed its name from "Sys Solutions Holdings Limited" and "軟迅科技控股有限公司" to "Enviro Energy International Holdings Limited" and "環能國際控股有限公司" to reflect the change in the business focus of the Group. The Certificate of Incorporation on Change of Name issued by the Registrar of Companies in each of the Cayman Islands and Hong Kong has certified that the Company's name was changed and registered with effect from 3 April 2007 and 25 May 2007 respectively.

FINANCIAL REVIEW

For the year ended 31 July 2007, the Group recorded a revenue of HK$3,373,893, representing a decrease of 52% as compared with HK$6,988,225 of last year. The gross profit margin for the year was 15%, while it was about 5% in the pervious year. During the year, the Company focused on more profitable network infrastructure maintenance and reinforcement services, which contributed a higher gross profit margin.

The loss from operating activities for the year ended 31 July 2007 increased by 490% from HK$7,786,129 to HK$45,973,559 as a result of increase in overall administrative and operating expenses by 538% from HK$8,247,844 to HK$52,633,888 this year. The main reason for this increase in loss was because the Group has applied HKFRS 2 "Share-based Payment" in the current year, which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The Share-based Payment amount to HK$37,228,098 (2006: Nil) was recognized in the book of the Company for the year ended 31 July 2007.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period.

FUND RAISING

With a view to enlarging the Company's shareholder base and strengthening the financial position of the Company, the Company issued a total of 24,000,000, 49,995,000 and 179,091,000 new shares of HK$0.01, HK$0.005 and HK$0.005 each at the issue price of HK$0.40, HK$0.80 and HK$2.55 per share, for cash, on 26 February, 28 May and 16 July 2007 respectively. Part of the total net proceeds of approximately HK$498 million from the placings have been, and the balance is intended to be, used for financing the development and management of enviro-energy projects and other potential investment opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year under review, the Group financed its operations primarily with internally generated cash flows and fund raised by the above-mentioned share placing activities.

As at 31 July 2007, the Group had net assets of HK$483,146,100 (2006: net liabilities of HK$4,164,328) of which HK$395,115,097 (2006: HK$485,791) were bank and cash balances.

As at 31 July 2007, the Group did not have any composite bank facilities (2006: Nil).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 July 2007, the Group had not authorised or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

In view of the high growth potential and promising prospect of the enviro-energy industry, the Board considers that the future of the energy-related pursuit of the Company will benefit from the expected continuous growth in the enviro-energy and resources market.

The Board believed that the Acquisition will generate substantial profit and cash flow to the Company. Details of the aforesaid Acquisition are set out in the Chairman's Statement of this annual report.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 July 2007.

COMMENTS ON SEGMENTAL INFORMATION

The directors of the Company (the "directors") consider that the Group's primary segment reporting basis is by business segment. The Group's operating businesses are structured and managed separately, according to the nature of their operations and products and services they provide.

The directors consider that no analysis for geographical segment is presented as over 90% of the Group's revenue, assets and liabilities were derived from services rendered or located in Hong Kong during the current and the prior year.

EMPLOYEE INFORMATION

As at 31 July 2007, the Group had 18 full time employees (2006: 28), around 88% of whom were located in Hong Kong. The total staff costs, including directors' emoluments, amounted to HK$45,089,340 (2006: HK$5,305,372) of which a share-based payment of HK$37,228,098 (2006: Nil) was included for the year under review.

The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus, and 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 July 2007, the Group did not have any charge on group assets or any significant contingent liabilities (31 July 2006: Nil).

GEARING RATIO

The gearing ratio of the Group calculated as a ratio of total liabilities to total assets (2006: net liabilities) was 0.01 as at 31 July 2007 as compared to 2.36 as at 31 July 2006.

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 rate between Hong Kong dollars, Renminbi and United States dollars.

CONTINGENT LIABILITIES

As at 31 July 2007, the Group did not have any significant contingent liabilities (2006: Nil).

PROSPECTS

The management of the Company is pleased to report to our Shareholders that during the last quarter, a series of successful financing events had been achieved with funding of more than approximately HK$498 million being raised. The successful financing enable the Company to fund potential projects both in the PRC and overseas related to CO_2 reduction and energy production in this region. It also demonstrated to the financial community that investment into projects of the Company can be rewarding and challenging. As the investment community and general public realize the potential market of this new industry, which anticipates to explode in the next few years, more financial support from private and public sectors are anticipated which will help to grow this industry in an exponential fashion. As a pioneer in this new sector, the Company will significantly benefit from this new market.

The demand for CO_2 reduction in the PRC and worldwide has created a new industry in which the Company is a pioneer, and is expanding its market share. The focus on the PRC provides the Company with tremendous opportunities to expand into the PRC's oil, coal, natural gas and coalbed methane industries which require top notch technology and funding to achieve its national goal in energy supply. The management of the Company is pleased to have continuous support from the PRC's major operation partners such as PetroChina, China United Coalbed Methane Corp ("CUCBM") and its overseas affiliate such as Alberta Research Council to work closely together on projects that will shape the environment and energy industry in the PRC.

CO_2 emission reduction has now become the focal point of many countries especially in developing countries. The PRC, as a major developing country with tremendous economic growth, has also become one of the largest CO_2 emitters. CO_2 geological sequestration is one of the innovative solutions in reducing CO_2 emission into atmosphere by burying CO_2 in deep underground formation. The PRC has both good sources (CO_2) and sink (underground storage space) that, if used properly, can store at least 25% of CO_2 emitted annually. The process is complicated and requires tremendous amount of capital and government support to achieve its goal. The Company and its affiliated groups have set its goal to be the first foreign company in the PRC to initiate this technology and fund the infrastructure required to implement a nation-wide CO_2 geological sequestration system.

The Company anticipates that these potential projects will bring high return to our Shareholders in the upcoming future and that the Company will also be portrayed as a "Green" industry leader. With a systematic approach in implementing these projects, the goal of the Company's management is to develop and shape the Company into the largest foreign CO_2 geological sequestration operator in the PRC within five years.

Subsequent to the balance sheet date, the Company entered into a 2nd supplemental deed to the Exclusivity Agreement and Supplemental Deed with Global Richland on 16 August 2007 (the "2nd Supplemental Deed") and a conditional sale and purchase agreement with Global Richland on 14 September 2007 (the "Agreement") in relation to the Proposed Acquisition. The Company continues to pursue immediate cash flow project such as acquiring Jilin Qian An oilfield through the Proposed Acquisition. The Proposed Acquisition will be the first of its kind for Hong Kong listed company to participate into the PRC's oil upstream industry. Despite the regulatory approval process in Hong Kong and in the PRC, the Proposed Acquisition is anticipated to be completed in the near future. Qian An oilfields provide the Company with exceptional high potential in oilfield development and exploration. With proper reservoir management and more extensive exploration work including seismic acquisition, infill drilling, deep zone test, water injection patter reversal and other measures, we anticipate the two oilfields will have significant upside potential to the existing production and will provide steady good cash flow to the Company. The recent surge in oil price per barrel will also benefit the Company's cash flow position in the next few quarters.

The Group will continue to pursue other oil and gas acquisition potentials both in the PRC and overseas. We anticipate more major development related to oil and gas acquisition will be achieved and such acquisition will continue to provide the Company with a stable cash flow and positive return in investment. In addition, the Group is also seeking mid to long-term potentials on clean energy projects such as natural gas and coalbed methane development. These gas properties will take time to develop from pilot stage to commercialisation stage. However, these types of plays also provide long-term reserve and steady production to the Company.

In conclusion, the Group has gradually morphed into a real enviro-energy company with focus on short-term cash flow and long-term solid return in capital investment and dominance in CO_2 geological sequestration technology.

We believe that increasing public awareness of environmental related issues and the growing desire of many countries to limit environmentally-damaging behavior and to promote the growth of alternative energy sources, the Group has poised to implement projects that reduce carbon emissions (key climate change issue) explanation on the applied technology, while to enhance energy reserves.

The management of the Company believes that by conducting the Company's business in a well-governed and socially responsible manner, its long-term interests and those of its Shareholders will be maximised.

THE TARGET GROUP

Allied Resources

Financial review

Allied Resources is an investment holding company and was incorporated on 21 July 2006. For the period from 21 July 2006 to 31 July 2007, Allied Resources did not generate any turnover. The audited loss for the period was approximately HK$10,000, which was mainly related to company's setup expenses.

Liquidity, financial resources and capital structure

For the period from 21 July 2006 to 31 July 2007, Allied Resources financed its operations primarily by loans from its ultimate holding company, Global Richland, and a director of approximately HK$85.2 million, which was unsecured, interest free and had no fixed terms of repayment.

As at 31 July 2007, Allied Resources had net liabilities of about HK$10,000. Bank and cash balances amounted to approximately HK$401,000.

As at 31 July 2007, Allied Resources did not have any composite banking facilities.

For the period under review, there was no change in the capital structure and issued capital.

Significant investments and future plans for material investments

As at 31 July 2007, Allied Resources had not authorized or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

Acquisitions and disposals of subsidiaries and affiliated company

On 12 June 2007, Allied Resources acquired 100% equity interest of Jilin Hengli which indirectly held 50% of equity interest in Qian An.

Employee information

As at 31 July 2007, Allied Resources only had one working director who did not receive any director's emoluments for the period under review. Allied Resources remunerated its employee based on his performance, experience and the prevailing industry practice.

Charge on Allied Resources assets

As at 31 July 2007, Allied Resources did not have any charge on its assets or any significant contingent liabilities.

Gearing ratio

As at 31 July 2007, the gearing ratio of Allied Resources calculated as a ratio of total liabilities to total assets was 1.00.

Foreign exchange exposure

Allied Resources did not generate any revenue but incurred costs in Hong Kong dollars and Renminbi. 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 and Renminbi.

Contingent liabilities

As at 31 July 2007, Allied Resources did not have any significant contingent liabilities.

JILIN HENGLI AND QIAN AN (COLLECTIVELY THE "HENGLI GROUP")
For the year ended 31 December 2004

Financial review

For the year ended 31 December 2004, the Hengli Group did not record any audited turnover, but received share of profits of a jointly controlled entity (i.e. Qian An) of approximately RMB3.6 million. The audited profit for the year was approximately RMB3.0 million.

Liquidity, financial resources and capital structure

For the year ended 31 December 2004, the Hengli Group financed its operations primarily by funds from a jointly controlled entity of approximately RMB2.8 million which was unsecured, interest free and had no fixed terms of repayment.

As at 31 December 2004, the Hengli Group had net assets of approximately RMB2.9 million. Bank and cash balances amounted to approximately RMB28,000.

As at 31 December 2004, the Hengli Group did not have any banking facilities.

For the year ended 31 December 2004, there was no change in capital structure and issued capital of the Hengli Group.

Significant investments and future plans for material investments

As at 31 December 2004, the Hengli Group had not authorized or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

Acquisitions and disposals of subsidiaries and affiliated company

During the year ended 31 December 2004, the Hengli Group had no materials acquisition or disposal of subsidiaries and affiliated company.

Employee information

As at 31 December 2004, the Hengli Group had 219 employees in Mainland China. The total staff costs, including director's emoluments, amounted to approximately RMB1.7 million for the year ended 31 December 2004. The Hengli Group remunerated its employees based on their performance, experience and the prevailing industry practice.

Charge on Hengli Group assets

As at 31 December 2004, the Hengli Group did not have any charge on its assets or any significant contingent liabilities.

Gearing ratio

As at 31 December 2004, the gearing ratio of the Hengli Group calculated as a ratio of total liabilities to total assets was 0.63.

Foreign exchange exposures

The Hengli Group did not generate any revenue but incurred costs in Renminbi. No risk on exposure to fluctuation in exchange rates was expected.

Contingent liabilities

As at 31 December 2004, the Hengli Group did not have any significant contingent liabilities.

For the year ended 31 December 2005

Financial review

For the year ended 31 December 2005, Hengli Group did not record any audited turnover (2004: nil), but had received share of profits of a jointly controlled entity of approximately RMB4.8 million after taking away all expenses. The Hengli Group recorded audited profit of approximately RMB1.7 million for the year ended 31 December 2005, as compared to audited profit of approximately RMB3.0 million for the same period last year.

Liquidity, financial resources and capital structure

For the year ended 31 December 2005, the Hengli Group financed its operations primarily from funds from a jointly controlled entity of approximately RMB2.7 million, which was unsecured, interest free and had no fixed terms of repayment.

As at 31 December 2005, the Hengli Group had net assets of approximately RMB4.6 million (2004: approximately RMB2.9 million). Bank and cash balances amounted to approximately RMB277,000 (2004: approximately RMB28,000).

As at 31 December 2005, the Hengli Group did not have any banking facilities (2004: nil).

For the year ended 31 December 2005, there was no change in the capital structure and issued capital of the Hengli Group.

Significant investments and future plans for material investments

As at 31 December 2005, the Hengli Group had not authorized or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

Acquisitions and disposals of subsidiaries and affiliated company

During the year ended 31 December 2005, the Hengli Group had no material acquisition or disposal of subsidiaries and affiliated company.

Employee information

As at 31 December 2005, the Hengli Group had 232 employees (2004: 219) in Mainland China. The total staff costs, including director's emoluments, amounted to approximately RMB2.3 million for the year ended 31 December 2005 (2004: approximately RMB1.7 million). The Hengli Group remunerated its employees based on their performance, experience and prevailing industry practice.

Charge on group assets

As at 31 December 2005, the Hengli Group did not have any charge on its assets or any significant contingent liabilities (2004: nil).

Gearing ratio

As at 31 December 2005, the gearing ratio of the Hengli Group calculated as a ratio of total liabilities to total assets was 0.52.

Foreign exchange exposures

The Hengli Group did not generate any revenue but incurred costs in Renminbi. No risk on exposure to fluctuation in exchange rates was expected.

Contingent liabilities

As at 31 December 2005, the Hengli Group did not have any significant contingent liabilities (2004: nil).

For the year ended 31 December 2006

Financial review

For the year ended 31 December 2006, the Hengli Group did not record any audited turnover (2005: nil) but had received share of profits of a jointly controlled entity of approximately RMB7.1 million (2005: approximately RMB4.8 million). The audited profit for the year was approximately RMB3.4 million (2005: approximately RMB3.0 million).

Liquidity, financial resources and capital structure

For the year ended 31 December 2006, the Hengli Group financed its operations primarily from the funds from a jointly controlled entity of approximately RMB3.6 million which was unsecured, interest free and had no fixed terms of repayment.

As a 31 December 2006, the Hengli Group had net assets of approximately RMB8.0 million (2005: approximately RMB4.6 million). Bank and cash balances were approximately RMB393,000 (2005: approximately RMB277,000).

As at 31 December 2006, the Hengli Group did not have any composite banking facilities (2005: nil).

For the year ended 31 December 2006, there was no change in capital structure and issued capital of the Hengli Group.

Significant investments and future plans for material investments

As at 31 December 2006, the Hengli Group had not authorized or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

Acquisitions and disposals of subsidiaries and affiliated company

During the year ended 31 December 2006, the Hengli Group had no material acquisition or disposal of subsidiaries and affiliated company.

Employee information

As at 31 December 2006, the Hengli Group had 223 employees (2005: 232) in Mainland China. The total staff costs, including director's emoluments, amounted to approximately RMB2.2 million (2005: approximately RMB2.3 million) for the year ended 31 December 2006. The Hengli Group remunerated its employees based on their performance, experience and prevailing industry practice.

Charge on group assets

As at 31 December 2006, the Hengli Group did not have any charge on its assets or any significant contingent liabilities (2005: nil).

Gearing ratio

As at 31 December 2006, the gearing ratio of the Hengli Group calculated as a ratio of total liabilities to total assets was 0.37.

Foreign exchange exposures

The Hengli Group did not generate any revenue but incurred costs in Renminbi. No risk on exposure to fluctuation in exchange rates was expected.

Contingent liabilities

As at 31 December 2006, the Hengli Group did not have any significant contingent liabilities (2005: nil).

For the seven months ended 31 July 2007

Financial review

For the period from 1 January 2007 to 31 July 2007, the Hengli Group did not record any audited turnover but had received share of profits of a jointly controlled entity of approximately RMB2.1 million while in the same period last year, the Hengli Group made an audited profit of approximately RMB4.1 million.

Liquidity, financial resources and capital structure

For the period under review, the Hengli Group financed its operations primarily from the funds from a jointly controlled entity of approximately RMB9.6 million, which was unsecured, interest free and had no fixed terms of repayment.

As a 31 July 2007, the Hengli Group had net assets of approximately RMB8.5 million. Bank and cash balances was approximately RMB1,000.

As at 31 July 2007, the Hengli Group did not have any banking facilities.

For the period under review, there was no change in capital structure and issued capital of the Hengli Group.

Significant investments and future plans for material investments

As at 31 July 2007, the Hengli Group had not authorized or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

Acquisitions and disposals of subsidiaries and affiliated company

During the period under review, the Hengli Group had no material acquisition or disposal of subsidiaries and affiliated company.

Employee information

As at 31 July 2007, the Hengli Group had 218 employees in Mainland China. The total staff costs, including director's emoluments, amounted to approximately RMB1.6 million for the seven months ended 31 July 2007. The Hengli Group remunerated its employees based on their performance, experience and prevailing industry practice.

Charge on group assets

As at 31 July 2007, the Hengli Group did not have any charge on its assets or any significant contingent liabilities (2006: nil).

Gearing ratio

As at 31 July 2007, the gearing ratio of the Hengli Group calculated as a ratio of total liabilities to total assets was 0.36.

Foreign exchange exposures

The Hengli Group did not generate any revenue but incurred costs in Renminbi. No risk on exposure to fluctuation in exchange rates was expected.

Contingent liabilities

As at 31 July 2007, the Hengli Group did not have any significant contingent liabilities.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

(i) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(ii) there are no other facts the omission of which would make any statement herein misleading; and

(iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(i) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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), were required to be entered into the register required to be kept under section 352 of the SFO or were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange are as follows:

(i) interests in Shares

Name	Capacity	Number of Shares	Approximate % of the Company's issued share capital
Mr. Chan	Interest in controlled corporation	1,182,540,000 *(Note)*	53.12
Mr. Ho	Beneficial owner	15,847,200	0.71
Dr. Arthur Ross Gorrell	Beneficial owner	2,625,000	0.12

Note: These Shares were held by Colpo, the entire issued share capital of which was solely and beneficially owned by Mr. Chan, who was therefore deemed to be interested in the Shares held by Colpo.

(ii) Interests in underlying Shares pursuant to share options

Name	Number of share options granted and not yet exercised	Exercisable period	Exercise Price per share (HK$)	Approximate % of issued Shares upon exercise of share options
Mr. Chan	15,847,200	29 December 2006 to 24 January 2013	0.064	0.71
	2,000,000	22 June 2007 to 24 January 2013	1.365	0.09
Mr. Chan Man Ching	2,000,000	22 June 2007 to 24 January 2013	1.365	0.09
Mr. Ho	2,000,000	22 June 2007 to 24 January 2013	1.365	0.09
Dr. Arthur Ross Gorrell	1,500,000	22 June 2007 to 24 January 2013	1.365	0.07
	700,000	29 October 2007 to 24 January 2013	2.440	0.03

Saved as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, none of the Directors or chief executive of the Company and their respective associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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 were required to be entered into the register required to be kept under section 352 of the SFO or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Name	Capacity and nature of interest	Number of Shares	Approximate % of issued Shares
Colpo	Beneficial owner	1,182,540,000 *(Note 1)*	53.12
Legg Mason Inc	Beneficial owner	153,832,000 *(Note 2)*	6.91
Fortis Investment Management SA	Interest in controlled corporations	178,940,000 *(Note 3)*	8.03

Notes:

(1) The entire issued share capital of Colpo was solely and beneficially owned by Mr. Chan, who was therefore deemed to be interested in 1,182,540,000 Shares held by Colpo.

(2) These Shares were held by Legg Mason International Equities (Singapore) Pte Limited in the capacity as an investment manager. Legg Mason International Equities (Singapore) Pte Limited, which was 100% held by LM International Holding LP, which in turn was ultimately 100% held by Legg Mason Inc.

(3) 176,890,000 Shares were held by Fortis Investment Management Japan Ltd. and 2,050,000 Shares were held by Fortis Investment Management Hong Kong Limited in the capacities as investment managers. The entire issued share capital of each of Fortis Investment Management Japan Ltd. and Fortis Investment Management Hong Kong Limited was wholly owned by Fortis Investment Management SA.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interests or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

3. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and were, or may be, material:

(i) a deed of indemnity dated 10 November 2006 made by Mr. Lam Chi Shing, Cyber Mission Ventures Limited, Cyber Profit Group Limited, Hankison Investments Limited, Expeditious Management Limited, Sun Strategic Investments Limited and Mr. Yuen Kin Tong in favour of the Company for itself and as trustee for its subsidiaries in respect of any claims for taxation against any member of the Group;

(ii) a deed of release entered into between the Company and Mr. Lam Chi Shing on 10 November 2006 and became effective on the same date, pursuant to which Mr. Lam Chi Shing had waived and released the Company from the repayment of a shareholder's loan in the sum of HK$4,987,329;

(iii) a placing agreement entered into between Colpo and Baron dated 22 December 2006, whereby Colpo has agreed to appoint Baron as the placing agent for the placing of 61,815,000 shares of HK$0.01 each beneficially owned by Colpo in the then issued share capital of the Company;

(iv) a placing agreement entered into between the Company and Baron on 22 January 2007, whereby the Company has agreed to appoint Baron as the placing agent and Baron has agreed to place not more than 24,000,000 shares of HK$0.01 each in the then issued share capital of the Company;

(v) a placing agreement entered into between the Company and CITIC Securities Corporate Finance (HK) Limited on 9 May 2007, whereby the Company has agreed to appoint CITIC Securities Corporate Finance (HK) Limited as the placing agent and CITIC Securities Corporate Finance (HK) Limited has agreed to place not more than 50,000,000 shares of HK$0.005 each in the then issued share capital of the Company;

(vi) a placing agreement entered into between BNP Paribas Capital (Asia Pacific) Limited, Colpo and the Company on 11 July 2007, pursuant to which BNP Paribas Capital (Asia Pacific) Limited has agreed to procure, on a best effort basis, purchasers to acquire, and Colpo has agreed to sell, up to 179,091,000 shares of HK$0.005 each in the then issued share capital of the Company;

(vii) a conditional subscription agreement entered into between Colpo and the Company on 11 July 2007 pursuant to which Colpo has agreed to subscribe of up to 179,091,000 new shares of HK$0.005 each in the then issued share capital of the Company;

(viii) the Exclusivity Agreement;

(ix) the Supplemental Deeds;

(x) the Agreement;

(xi) a master technical services agreement dated 10 October 2007 entered into between the Company and Petromin pursuant to which the Company has agreed to engage Petromin for provision of certain technical services to the Company;

(xii) the SPA Supplemental Deed; and

(xiii) a co-operation agreement dated 25 January 2008 entered into between the Company, Petromin and China United Coal Bed Methane Corp. Ltd. pursuant to which the parties thereto have agreed to jointly evaluate and implement deep un-mineable coal carbon dioxide sequestration and enhance coalbed methane production project in China.

Save as disclosed above, none of the members of the Group had entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the Latest Practicable Date that were or might be material.

4. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	**Qualification**
Lak & Associates C.P.A. Limited	Certified public accountants
BMI Appraisals Limited	Professional valuers

Lak & Associates C.P.A. Limited and BMI Appraisals Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Lak & Associates C.P.A. Limited and BMI Appraisals Limited was beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had been since 31 July 2007 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTOR'S INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors:

(i) had entered into any service contracts with any member of the Group which were not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation;

(ii) had any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(iii) was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance pending or threatened against any member of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or any of their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their respective associates were appointed to represent the interests of the Company and/or of the Group.

8. MISCELLANEOUS

(i) The secretary, qualified accountant and compliance officer of the Company is Mr. Chan Man Ching. Mr. Chan Man Ching is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 13 years' experience in accounting, auditing and taxation.

(ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited situated at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

(iii) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(iv) The head office and principal place of business of the Company is situated at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

(v) The audit committee of the Company ("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. Details of the members of the Audit Committee are set out below:

POON Lai Yin, Michael, aged 35, joined the Group in December 2006. He is the financial controller and company secretary of Sonavox International Holdings Limited ("**Sonavox**"), a company which shares are listed on GEM. He is responsible for financial reporting and monitoring the operations of the finance and accounting department of Sonavox. Mr. Poon has over ten years of experience in providing business advisory assurance, taxation and accounting services. Before joining Sonavox, he had provided business advisory and assurance services to certain listed companies. He graduated with a bachelor's degree in administrative studies with York University in Canada and a master's degree in practicing accounting with Monash University in Australia. He is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Poon is an independent non-executive director of Quaypoint Corporation Limited since November 2006, a company which shares are listed on the Main Board.

LO Chi Kit, aged 46, joined the Group in December 2006. He is a businessman who has extensive experience in senior management and business operations, in particular, in the waste treatment and the sale and purchase of fruit and vegetables business.

TAM Hang Chuen, aged 52, joined the Group in December 2006. He is a businessman with more than 20 years experience in senior management and business operations, in particular, in the printing industry. Mr. Tam has broad connection with commercial groups in Asian region.

(vi) The English text of this circular and the accompanying proxy form shall prevail over its Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong from the date of this circular up to and including 18 February 2008:

(i) the memorandum of association and Articles of Association of the Company;

(ii) the audited financial statements of the Group for each of the three financial years ended 31 July 2005, 2006 and 2007, the text of which is set out in Appendix I to this circular;

(iii) the letters from Lak & Associates C.P.A. Limited and BMI Appraisals Limited referred to in the section headed "Experts and Consents" in this Appendix;

(iv) the letter from Lak & Associates C.P.A. Limited on the financial information on the Target Group, the text of which is set out in Appendix II to this circular;

(v) the report from Lak & Associates C.P.A. Limited on the pro forma financial information on the Enlarged Group for the financial period ended 31 July 2007, the text of which is set out in Appendix III to this circular;

(vi) the valuation report prepared by BMI Appraisals Limited in respect of the market value of the 50% equity interest in the Oilfields, the text of which is set out in Appendix IV to this circular;

(vii) the circular of the Company to its Shareholders dated 29 November 2006 in relation to the General Offer; and

(viii) the material contracts referred to in the section headed "Material Contracts" in this Appendix.

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)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Enviro Energy International Holdings Limited (the "Company") will be held at Unit A, 7th Floor, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong on Monday, 18 February 2008 at 3:00 p.m. for the purposes of considering and if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**:

1. the terms and conditions of the conditional sale and purchase agreement dated 14 September 2007 and the supplemental deed dated 17 December 2007 (the "Agreements") entered into between, among others, the Company and Global Richland Investment Limited ("Global Richland"), a copy of which has been produced to this meeting marked "A" and signed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereby, be and are hereby approved, ratified and confirmed;

2. conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval of the listing of, and the permission to deal in, the 110,000,000 shares of HK$0.0025 each in the share capital of the Company (the "Consideration Shares"), the allotment and issue of the Consideration Shares credited as fully paid at an issue price of approximately HK$1.708 per Consideration Share to Global Richland or its nominee(s) pursuant to the Agreements be and is hereby approved and that any two directors of the Company be and are hereby authorised to allot and issue the Consideration Shares in accordance with the terms of the Agreements and to take all steps necessary, desirable or expedient in their opinions to implement or give effect to the allotment and issue of the Consideration Shares; and

3. any one of the directors of the Company be and is hereby authorised for and on behalf of the Company to sign and, where required, to affix the common seal of the Company onto any documents, instruments or agreements and to do all such acts and things and execute all such documents as he may in his discretion consider necessary or expedient for the purpose of implementing the Agreements, issuing and allotment of the Consideration Shares and the transactions contemplated thereby and in connection therewith."

By order of the Board
Chan Wing Him, Kenny
Chairman

Hong Kong, 31 January 2008

Notes:

(1) A form of proxy for use at the meeting is enclosed.

(2) Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend instead of him/her. A proxy need not be a member of the Company.

(3) The form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorized.

(4) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Extraordinary General Meeting or at any adjourned meeting (as the case may be) should they so wish.

(5) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.