Genesis Energy Holdings Limited
創新能源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 702)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Board") of Genesis Energy Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 were as follows:

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2008
(Expressed in Hong Kong Dollars)

	Notes	**2008 (unaudited) HK$'000**	2007 (unaudited) HK$'000
Continuing operations:			
Turnover	4	**19,926**	14,388
Direct cost		**(18,142)**	(15,485)
Gross profit / (loss)		**1,784**	(1,097)
Other revenue	6	**579**	2,091
Administrative and other operating expenses		**(9,365)**	(26,330)
Loss from operations		**(7,002)**	(25,336)
Finance costs	5	**(44)**	(110)
Loss before taxation		**(7,046)**	(25,446)
Taxation	7	**(698)**	(299)
Loss for the period from continuing operations	4	**(7,744)**	(25,745)
Discontinued operations:			
Loss for the period from discontinued operations	4	**-**	(18,945)
Loss for the period		**(7,744)**	(44,690)
Attributable to			
Continuing and discontinued operations			
- Equity holders of the Company		**(7,744)**	(44,690)
- Minority interests		**-**	-
Loss for the period		**(7,744)**	(44,690)

The notes on pages 6 to 17 form part of this interim financial report.

CONSOLIDATED INCOME STATEMENT *(CONTINUED)*
For the six months ended 30 June 2008
(Expressed in Hong Kong Dollars)

	Notes	**2008 (unaudited) HK$ (cents)**	2007 (unaudited) HK$ (cents)
Loss per share - Basic	9(a)		
From continuing and discontinued operations		**(0.18)**	(1.11)
From continuing operations		**(0.18)**	(0.64)
From discontinued operations		**N/A**	(0.47)
Loss per share – Diluted	9(b)		
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A
From discontinued operations		**N/A**	N/A

The notes on pages 6 to 17 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
At 30 June 2008
(Expressed in Hong Kong Dollars)

	Notes	At 30 June 2008 (Unaudited)		At 31 December 2007 (audited)	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	10		**159,072**		144,275
Intangible assets			**43,251**		43,362
Other financial assets	11		**2,345**		-
Prepaid lease payments			**3,777**		3,612
			208,445		191,249
Current assets					
Inventories		**156**		125	
Trade and other receivables	12	**8,875**		5,314	
Cash and cash equivalents	13	**52,647**		111,224	
		61,678		116,663	
Current liabilities					
Trade and other payables	14	**(8,383)**		(46,559)	
Current taxation		**(90)**		(504)	
		(8,473)		(47,063)	
Net current assets			**53,205**		69,600
Total assets less current liabilities			**261,650**		260,849
Non-current liabilities			**-**		-
NET ASSETS			**261,650**		260,849
CAPITAL AND RESERVES					
Share capital	15		**42,269**		42,249
Reserves			**219,257**		218,600
Total equity attributable to equity holders of the Company			**261,526**		260,849
Minority interests			**124**		-
TOTAL EQUITY			**261,650**		260,849

The notes on pages 6 to 17 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 – unaudited

(Expressed in Hong Kong Dollars)

	Attributable to equity holders of the Company								
	Share Capital HK$'000	Share Premium HK$'000	Contributed surplus HK$'000	Share Option Reserves HK$'000	(Accumulated Losses) HK$'000	Exchange Reserves HK$'000	Total HK$'000	Minority Interests HK$'000	Total Equity HK$'000
At 1 January 2008	42,249	364,389	81,043	18,589	(263,887)	18,466	260,849	-	260,849
Shares issued under share option scheme	20	358	-	-	-	-	378	-	378
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	8,043	8,043	-	8,043
Capital injection of minority interest	-	-	-	-	-	-	-	124	124
Loss for the period	-	-	-	-	(7,744)	-	(7,744)	-	(7,744)
At 30 June 2008	42,269	364,747	81,043	18,589	(271,631)	26,509	261,526	124	261,650
At 1 January 2007	35,851	227,057	81,043	4,461	(255,951)	11,651	104,112	-	104,112
Share issued under the placing	3,740	114,774	-	-	-	-	118,514	-	118,514
Shares issued under share option scheme	2,478	21,506	-	(4,128)	-	-	19,856	-	19,856
Equity-settled share-based transactions	-	-	-	11,743	-	-	11,743	-	11,743
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	693	693	-	693
Loss for the period	-	-	-	-	(44,690)	-	(44,690)	-	(44,690)
At 30 June 2007	42,069	363,337	81,043	12,076	(300,641)	12,344	210,228	-	210,228

The notes on pages 6 to 17 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2008
(Expressed in Hong Kong Dollars)

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash outflow from operating activities	**(3,776)**	(3,516)
Net cash outflow from investing activities	**(16,426)**	(51,987)
Net cash outflow before financing activities	**(20,202)**	(55,503)
Net cash (outflow) / inflow from financing activities	**(38,375)**	136,289
Net (decrease) / increase in cash and cash equivalents	**(58,577)**	80,786
Cash and cash equivalents at 1 January	**111,224**	51,269
Cash and cash equivalents at 30 June	**52,647**	132,055

The notes on pages 6 to 17 form part of this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong Dollars)

1. BASIS OF PREPARATION

The interim financial report of Genesis Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with the Hong Kong Accounting Standard ("HKASs") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2007 that is included in this interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's head office. The auditors have expressed a qualified opinion on those financial statements in their report dated 22 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements, which have been prepared in accordance with all applicable HKFRSs, which collectively term includes all applicable individual HKFRSs, HKASs and interpretation issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements are presented in Hong Kong dollars which is the functional currency of the Company. All financial information presented in Hong Kong dollars is rounded to the nearest thousand unless otherwise stated. The Group changed its presentation currency from Renminbi to Hong Kong dollars in 2007. Following the increase in foreign operations in 2007, the directors of the Company consider that

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Hong Kong dollars, being an internationally well-recognized currency, can provide more meaningful information to the Company's investors and cater for the need of the Group's global customers. The comparative figures in these unaudited financial statements are translated from Renminbi to Hong Kong dollars using the rate that approximate the closing rate for balance sheet items and average rates for the period under review for income statement items. The change in presentation currency has no significant impact on the financial position of the Group as at 30 June 2008 and 31 December 2007, or the results and cash flows of the Group for the period ended 30 June 2008 and 2007.

The HKICPA has issued a number of amendments, new and revised HKFRSs, which term collectively included HKASs and Interpretations that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2008. Management has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2008 on the basis of HKFRSs currently in issue, which management believes, do not have a significant impact on the Group's prior year financial position and results of operations.

The new and revised HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ended 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of this interim financial report. Therefore, the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period (see note 3).

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2008

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in this interim financial report.

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2008 *(Continued)*

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – Int 13	Customer Loyalty Programmes[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008

Management is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is 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.

4. TURNOVER AND SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(i) Business segments

The Group is currently engaged in the business of (i) the operation of natural gas pipeline network and refilling supplying natural gas and liquefied petroleum gas ("LPG") for vehicle use and sale of LPG in cylinder operations, and (ii) exploitation and sale of crude oil:

Natural gas and LPG:	The operation of (i) natural gas pipeline network and (ii) gas refilling stations supplying natural gas and LPG for vehicle use and sale of LPG for vehicle use and sale of LPG in cylinder.
Oil exploitation:	Exploitation and sale of crude oil.

4. TURNOVER AND SEGMENT REPORTING *(Continued)*

The Group was also involved in the operation of crude oil transportation, storage and unloading facilities investment which were discontinued during the year 2007.

There are no sales or trading transactions between the business segments. These segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is set out as follows:-

For the period ended 30 June 2008

	Continuing operations			Discontinued operations	
	Natural gas and LPG HK$'000	**Oil exploitation HK$'000**	**Total HK$'000**	**Crude oil transportation, storage and unloading services HK$'000**	**Consolidated HK''000**
Turnover -					
Revenue from external customers	17,712	2,214	19,926	-	19,926
Segments results	1,221	563	1,784	-	1,784
Unallocated operating income and expenses			(8,786)	-	(8,786)
Loss from operations			(7,002)	-	(7,002)
Finance costs			(44)	-	(44)
Loss before taxation			(7,046)	-	(7,046)
Taxation			(698)	-	(698)
Loss for the period			(7,744)	-	(7,744)

4. TURNOVER AND SEGMENT REPORTING *(Continued)*

For the period ended 30 June 2007

	Continuing operations			Discontinued operations	
	Natural gas and LPG HK$'000	**Oil exploitation HK$'000**	**Total HK$'000**	**Crude oil transportation, storage and unloading services HK$'000**	**Consolidated HK''000**
Turnover -					
Revenue from external customers	14,388	-	14,388	24,653	39,041
Segments results	(1,097)	-	(1,097)	2,682	1,585
Unallocated operating income and expenses			(24,239)	(3,667)	(27,906)
Loss from operations			(25,336)	(985)	(26,321)
Finance costs			(110)	(17,960)	(18,070)
Loss before taxation			(25,446)	(18,945)	(44,391)
Taxation			(299)	-	(299)
Loss for the period			(25,745)	(18,945)	(44,690)

(ii) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The Group mainly operates in the People's Republic of China (the "PRC") including Hong Kong and the United States of America (the "USA").

For the period ended 30 June 2008

	The PRC HK$'000	The USA HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers			
Attributable to:			
- Continuing operations	17,712	2,214	19,926
- Discontinued operations	-	-	-
	17,712	2,214	19,926

4. TURNOVER AND SEGMENT REPORTING *(Continued)*

For the period ended 30 June 2007

	The PRC HK$'000	The USA HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers			
Attributable to:			
- Continuing operations	14,388	-	14,388
- Discontinued operations	24,653	-	24,653
	39,041	-	39,041

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:-

	Six months ended 30 June 2008 HK$'000	2007 HK'000
a) Finance costs		
Continuing operations:		
Interest expenses on financial liabilities not at fair value through profit or loss - Interest on bank loans advances and other borrowing wholly repayable within five years	**44**	110
Discontinued operations:		
Interest expenses on financial liabilities not at fair value through profit or loss - Interest on bank loans advances and other borrowing wholly repayable within five years	**-**	17,960
	44	18,070
b) Staff costs (including director's remuneration)		
Continuing operations:		
Salaries, wages and other benefits	**4,371**	4,257
Equity-settled share-based payment expenses	**-**	12,106
Contributions to defined contribution retirement plan	**119**	92
	4,490	16,455
Discontinued operations		
Salaries, wages and other benefits	**-**	3,166
Contributions to defined contribution retirement plan	**-**	214
	-	3,380

5. LOSS BEFORE TAXATION *(Continued)*

c) Other items	Six months ended 30 June 2008 HK$'000	Six months ended 30 June 2007 HK$'000
Continuing operations		
Cost of inventories	**11,219**	8,279
Depreciation of property, plant and equipment	**6,923**	7,206
Amortization of		
- prepaid lease payments	**80**	42
- intangible assets	**131**	-
Operating lease charges: minimum lease payments		
- property rentals	**1,173**	474
Net loss on exchange difference	**-**	4,321
Discontinued operations		
Cost of services	**-**	21,967
Depreciation of property, plant and equipment	**-**	17,936
Amortization of prepaid lease payments	**-**	13

6. OTHER REVENUE

	Six months ended 30 June 2008 HK$'000	Six months ended 30 June 2007 HK$'000
Continuing operations		
- Interest income on bank deposits	**546**	2,052
- Dividend income	**18**	-
- Others	**15**	39
	579	2,091
Discontinued operations		
- Others	**-**	106
	579	2,197

7. TAXATION

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2008 HK$'000	Six months ended 30 June 2007 HK$'000
Continuing operations		
- Provision for PRC income tax for the period	**698**	299
Discontinued operations	**-**	-
	698	299

7. TAXATION *(continued)*

a) Continuing Operations

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any income subject to Hong Kong profits tax for the period ended 30 June 2008 and 2007. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the period.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises (2007: 33%).

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. The Group has already assessed the impact of the New Tax Law regarding this withholding tax and considered the New Tax Law would not have a significant impact on the results of operations of the Group for the period ended 30 June 2008 and financial position of the Group as at 30 June 2008.

No provision for income tax of the United States has been made in the financial statements of the overseas subsidiaries in Utah, the United States of America, as the subsidiaries have no estimated assessable income for the six months ended 30 June 2008 and 30 June 2007.

b) Discontinued Operations

No provision for PRC income tax has been made in the financial statements of Xinjiang Xingmei Oil-Pipeline Co., Ltd. ("Xingmei"), a former subsidiary of the Company established in the PRC, as Xingmei has no estimated assessable income for the six months ended 30 June 2007. Xingmei was disposed of in October 2007.

8. DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the six months ended 30 June 2008 (2007: Nil).

9. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$7,744,000 (six months ended 30 June 2007: HK$44,690,000) and the weighted average of 4,225,466,000 ordinary shares (2007: 3,992,735,000 ordinary shares) in issue during the period, calculated as follows:-

	2008 **HK$'000**	2007 HK$'000
Continuing operations	**7,744**	25,745
Discontinuing operations	**-**	18,945
	7,744	44,690

Weighted average number of ordinary shares	**Number of shares**	
	At 30 June 2008 '000	At 30 June 2007 '000
Issued ordinary share at 1 January	**4,224,884**	3,585,134
Effect of shares issued by the placing	**-**	35,342
Effect of share option exercised	**582**	372,259
Weighted average number of ordinary shares at 30 June	**4,225,466**	3,992,735

b) Diluted loss per share

No disclosure of diluted loss per share for six months ended 30 June 2008 and for six months ended 30 June 2007 is shown as the Company's outstanding share options have antidilutive effect.

10. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group incurred capital expenditure of property, plant and equipment with a cost of HK$14,081,000 (for the six months ended 30 June 2007: HK$19,096,000).

11. OTHER FINANCIAL ASSETS

During the six months ended 30 June 2008, the Group acquired financial assets representing shares of listed companies in Hong Kong with a cost of HK$2,345,000 (31 December 2007: Nil). There is no significant difference between the fair value and the cost of the financial assets as at 30 June 2008.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2008 HK$'000	At 31 December 2007 HK$'000
Utility and other deposits	**7,078**	3,731
Prepayments and other receivable	**950**	928
Prepaid lease payments	**292**	292
Others	**555**	363
	8,875	5,314

13. CASH AND CASH EQUIVALENTS

	At 30 June 2008 HK$'000	At 31 December 2007 HK$'000
Deposits with bank within three months of maturity	**30,000**	80,000
Cash at bank and in hand	**22,647**	31,224
	52,647	111,224

14. TRADE AND OTHER PAYABLES

	At 30 June 2008 HK$'000	At 31 December 2007 HK$'000
Accrued expenses and other creditors	**4,321**	3,620
Due to minority equity holder of a subsidiary (note (i))	**2,838**	6,591
Due to controlling shareholder (note (ii))	**1,224**	36,348
	8,383	46,559

Notes:

(i) The amount due to minority shareholder, 庫爾勒市燃氣公司, is unsecured, interest free and has no fixed terms of repayment.

(ii) The amount due to controlling shareholder of the Company, Hong Chang Group Limited, is unsecured, interest free and has no fixed terms of repayment.

15. SHARE CAPITAL

During the six months ended 30 June 2008, the number of issued ordinary share of the Company was increased from 4,224,883,936 shares to 4,226,883,936 shares following the issue of 2,000,000 new ordinary shares of HK$0.01 each as result of the exercise of option to subscribe for shares of the Company under the share option scheme of the Company.

16. COMMITMENTS

a) Capital commitments outstanding as at 30 June 2008 not provided for in the financial statements of the Group were as follows:

	At 30 June 2008 HK$'000	At 31 December 2007 HK$'000
Contracted for		
Continuing operations		
- acquisition of motor vehicles	**-**	576
- capital contribution in a subsidiary	**3,126**	5,078
	3,126	5,654
Authorised but not contracted for		
Continuing operations		
- operation of an oil exploitation project	**134,138**	126,149
	137,264	131,803

b) As at 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2008 HK$'000	At 31 December 2007 HK$'000
Within 1 year	**2,204**	2,666
After 1 year but within 5 years	**791**	1,941
	2,995	4,607

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to two years without an extension option. None of the leases includes contingent rentals.

17. MATERIAL RELATED PARTY TRANSACTIONS

a) Amounts due to minority shareholder and controlling shareholder

The amount due to minority shareholder and controlling shareholder of the Group are disclosed in the note 14(i) and (ii) to the financial statements.

b) Operating lease income

During the six months ended 30 June 2008, the Group leased out the natural gas pipeline under operating leases to a minority equity holder of its subsidiary, 庫爾勒市燃氣公司 from which the Group received pipeline leasing income of approximately HK$500,000 (for the six months ended 30 June 2007: HK$504,000).

c) Key management personnel remuneration

Details of compensation paid to key management personnel including the directors of the Company are as follows:-

	At 30 June 2008 HK$'000	At 30 June 2007 HK$'000
Salaries and other benefits including the contribution to defined contribution retirement plan	**2,005**	2,156

18. POST BALANCE SHEET EVENTS

a) Subsequent to the balance sheet date, the Group entered into an agreement with an independent third party on 4 July 2008 in relation to acquisition of oil fields in the United States of America at consideration of US$750,000. Details of the transaction were disclosed in the Company's announcement dated 8 July 2008.

b) Subsequent to the balance sheet date, a 50% owned joint venture of the Group entered into a legal binding Memorandum of Understanding on 17 July 2008 in respect of the formation of a proposed joint venture to be engaged in the oil and natural gas exploration business in Tasmania, Australia. Details of the transaction were disclosed in the Company's joint announcement dated 22 July 2008.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2008, Genesis Energy Holdings Limited (the "Company" or "Genesis Energy") and its subsidiaries (collectively known as the "Group") recorded a turnover of HK$19.9 million (2007: HK$14.4 million) from continuing operations. Loss for the period from continuing operations was HK$7.7 million (2007: HK$25.7 million).

It has not been easy for the first six months of 2008. The first horizontal drilling was done in Utah in the first quarter of this year. However, the construction and rework of the facilities have been seriously affected and delayed due to the unprecedented snowstorm in the region. The oil production has not been stable until recently in the third quarter. The first drilling in our Xun Yi Oilfield, Shaanxi was initially scheduled in May this year. Unfortunately, the horrendous scale of the tragedy from the massive May 12 Wenchuan Earthquake has adversely affected the entire schedule of the drilling and other related logistics. The quake has as well seriously affected and delayed the progress of the project in Inner Mongolia, in which the Group serves as operator of the E Tuo Ke Oil & Gas Field.

Upstream Operations

Grassy Trails oil field, Utah, the United States
The acquisition of Grassy Trails oil field was completed in June 2007. Grassy Trails oil field located in both Emery County and Carbon County, Utah, with an area of approximately 26km². It was discovered in 1962 and it has yielded approximately 600,000 barrels of golden-colored, light, sweet crude oil since then. In February 2008, we have completed the first horizontal drilling on Federal 12-13, and the proven reserve of crude oil on Grassy Trails has been revised up to about 1.36 million barrels. However, due to the unprecedented snowstorm in the region, the follow up set up and rework of the supporting facilities have been seriously affected and delayed. The production of oil has not been stable until recently in August.

Four Corners Area oil field, the United States
In May 2008, the Group entered into an agreement to form a joint venture (the "JV") with an oil exploration company in Nevada (the "U.S. Party") to acquire an oil field located in the Four Corners Area of Colorado, New Mexico, Utah and Arizona from an independent third party at a total consideration of USD750,000. The JV is owned as to 51% by the Group and 49% by the U.S. Party. Pursuant to the JV Agreement, after the Group has first received all the initial capital and additional contribution with respect to the first well to be drilled by the JV, the Group and the U.S. Party will then share 51% and 49% of the net profits generated from the oil exploitation project respectively. The oil field in Four Corners Area encompasses an area of approximately 6.5 square km, with historical oil production of approximately 114,000 barrels since 1984. According to our latest reserve report done in August 2008, the estimated proven reserve of the said oil field is approximately 700,000 barrels. As the said oil field has proven historical production record, the investment risk is relatively low. Rework on the existing wells has been done and commercial production has commenced subsequent to date of this report.

Xun Yi oil field, Shaanxi, the PRC

In August 2007, the Group entered into a legally binding cooperation agreement with a PRC partner in relation to an oil exploration and exploitation project in Shaanxi Province, the PRC. It covers a site area of over 500 km². Pursuant to the cooperation agreement, the PRC partner shall provide the use of the oil development zone, while the Group shall carry out exploration and exploitation works. The Group and the PRC partner shall each share 95% and 5% respectively of profits generated from the project. The oil field is located in Shaanxi Province and stretches across the northern part of Xun Yi County, Zhi Tian Town, Qiu Po Tou Town, Ma Lan Town, Qi Li Chuan in the eastern part of Xun Yi County and Cheng Guan Town. According to a preliminary technical report by our geologists, petroleum initially in place is approximately 510 million barrels of crude oil. The drilling programme was unfortunately adversely affected by the May 12 Wenchuan Earthquake. The drilling of the very first well has just started in mid September this year. Despite the delay, the Board is still confident that this is the kind of business model to drive our further developments in the fuel-producing Shaanxi-Gansu-Ningxia area.

E Tuo Ke oil and gas field, Inner Mongolia, the PRC

In February 2008, the Group entered into a legally binding operating agreement with another PRC partner, pursuant to which the Group is commissioned to be the operator of the E Tuo Ke Oil & Gas Field in Inner Mongolia (內蒙古鄂托克油田, "E Tuo Ke"). As the operator of the project, the Group will provide related investigation, exploration and operating services for a number of prospects in E Tuo Ke to which our PRC partner holds the exploration right together with the ownership. The owner will fund the operating costs of our team for E Tuo Ke. The Group will receive a 7% management fee based on the net sales revenue of E Tuo Ke, after deducting depreciation as well as certain direct expenses. Pursuant to the agreement, the Group has commissioned The College of Earth Sciences, Jilin University to conduct a new geological study of the E Tuo Ke block in order to draw up a detailed drilling scheme, which is scheduled to be completed in September 2008. Our PRC partner in Inner Mongolia will enjoy strong leverage of our experience in oil and gas exploration and production while this agreement will open up for us a new stream of management fee revenues. This collaboration model will bring a low risk opportunity for the Group to enjoy returns from a project of great potential.

Downstream Operation

Natural Gas Pipeline Network

The natural gas pipeline network is operated by our subsidiary Lejion Gas Co. Ltd. ("Lejion Gas"), which the Group owns as to 72% of its equity interest. Last year, Lejion Gas entered into a short term contracting agreement with the local government that the business of sale of piped natural gas would be operated by the local government while Lejion could focus its resources to the business of refilling stations which supply natural gas and LPG for vehicle use. This reallocation of resources has brought improvement to the sales of natural gas at refilling stations.

FINANCIAL REVIEW

Turnover and Loss Attributable to Shareholders

Turnover from continuing operations for the Group for the six months ended 30 June 2008 increased by 38% to HK$19.9 million (2007: HK$14.4 million). Loss for the period from continuing operation was substantially narrowed down by 70% to HK$7.7 million (2007: loss of HK$25.7 million).

Turnover was mainly sourced from natural gas pipeline network that recorded a turnover of RMB17.7 million for the six months ended 30 June 2008, representing a 23% increase comparing with the corresponding period of last year (2007: HK$14.4 million). The revenue of HK$2.2 million was contributed by the oil exploitation in Grassy Trails oil field, in Utah.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2008, the net assets of the Group were HK$261.7 million (31 December 2007: HK$260.8 million) while its total assets were HK$270.1million (31 December 2007: HK$307.9 million). As at 30 June 2008 and 31 December 2007, the Group's gross borrowings net of cash and bank balances was nil, therefore the gearing ratio based on total assets was 0% accordingly. The current ratio as at balance sheet date was 7.3 (31 December 2007: 2.5). In terms of the gearing ratio and current ratio, the balance sheet of the Group as at 30 June 2008 was sound and healthy, together with the anticipating cash flow from the upstream operation, it will place the Group in a strong financial position to take advantage of new attractive oil and gas investment opportunities that may arise.

Foreign Exchange Fluctuation

The Group is exposed to currency risk primarily through sales and purchases transactions and recognized assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. At 30 June 2008, no related hedges were made by the Group. In respect of trade and other receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

OUTLOOK

Drilling has commenced in the oil project in Shaanxi Province which is our first move in the region. Being an oil field operator in E Tuo Ke oil field will bring a low risk opportunity for the group to enjoy returns from a project of great potential. To meet new opportunities associated with new challenges, in addition to the oil field in the PRC and United States, the Group has been actively developing the oil exploration and exploitation operation internationally as well.

In June 2008, the Group form a strategic 50/50 joint venture with New Times Group Holdings Limited (HKEx: 166) for possible investment in oil and gas sector. The first project of this JV was the signing of a legally binding memorandum of understanding ("MOU") with Empire Energy Corporation International (OTCBB: EEGC) and related parties in July 2008 in respect of a proposed joint venture for oil and gas exploration business in Australia.

Pursuant to the MOU, Genesis Energy and New Times JV will extend to Empire Energy a secured loan of up to AUD5 million (approximately HK$38 million) for the granting of an option to enter into a joint venture agreement for the exploration and development of any oil and gas resources in an oil and gas field in Tasmania, Australia, subject to the result of drilling of the first exploration well to be performed by Empire Energy. Empire Energy through a wholly-owned subsidiary holds a valid Tasmanian exploration license SEL 13/98, which covers 15,410 square kilometers and most of the prospective parts of the Tasmania Basin in Tasmania.

According to the seismic survey results as well as other test information, Empire Energy has recently estimated that its 14 identified structures on SEL 13/98 may hold undiscovered prospective petroleum resources of between 535 million and 2.29 billion barrels, potentially between US$53 billion and US$229 billion of US$100 per barrel. The drilling of the first exploration well by Empire Energy will start by end of September 2008.

Despite the subprime crisis in the United States and the tightening of macro-economic control measures in mainland China will have certain impacts on the regional economy, the Group will actively search for quality Chinese and overseas oil and gas assets as investment opportunities. We are still committed to build our Group into one of the leading players in oil and gas sector in the greater China region; and targeting at creating best possible return for our investors.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed approximately 160 employees. The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises all Independent Non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements of the Company.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008 except for Code Provision A.4.1 which requires that non-executive directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive Directors (including Independent Non-executive Directors) of the Company is appointed for a specific term. However, as all of them are subject to the retirement provisions of the Bye-laws of the Company, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealing by all directors in the securities of the Company.

All directors have complied with the required standard regarding directors' securities dealings set out in the Model Code during the six months ended 30 June 2008.

By Order of the Board
Kong Siu Tim
Executive Director

Hong Kong, 22 September 2008

As at the date of this announcement, the Board comprises three executive Directors namely Ms. Xing Xiao Jing, Mr. Kong Siu Tim and Mr. Ma Ji; and three independent non-executive Directors namely Mr. Ni Zhenwei, Mr. Yip Ching Shan and Mr. Wong Kwok Chuen Peter.