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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Genesis Energy Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008, together with the comparative figures for the last year as follows:

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in Hong Kong Dollars)

	Notes	2008 HK$'000	2007 HK$'000
			(restated)
Continuing operations			
Turnover	4 & 11	40,064	30,314
Direct costs		(28,193)	(22,405)
Gross profit		11,871	7,909
Other income	5	1,210	4,653
Other gains and (losses), net	6	(12,299)	(3,300)
Distribution costs		(5,751)	(4,569)
Administrative expenses		(36,548)	(39,537)
Loss from operations		(41,517)	(34,844)
Finance costs	7(a)	–	(171)
Share of loss of a jointly controlled entity		(4,372)	–
Loss before taxation		(45,889)	(35,015)
Income tax	8(a)	(2,830)	(959)
Loss for the year from continuing operations		(48,719)	(35,974)

Consolidated Income Statement *(Continued)*

For the year ended 31 December 2008
(Expressed in Hong Kong Dollars)

	Notes	2008 HK$'000	2007 HK$'000 *(restated)*
Discontinued operations			
(Loss)/profit for the year from discontinued operations	9	(91,429)	28,038
Loss for the year	7	(140,148)	(7,936)
Attributable to:			
Equity holders of the Company		(140,148)	(7,936)
Minority interests		–	–
		(140,148)	(7,936)
(Loss)/ earning per share – Basic	10		
– From continuing and discontinued operations		(3.31) HK cents	(0.19) HK cents
– From continuing operations		(1.15) HK cents	(0.87) HK cents
– From discontinued operations		(2.16) HK cents	0.68 HK cents

Consolidated Balance Sheet

At 31 December 2008
(Expressed in Hong Kong Dollars)

	2008		2007	
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		42,300		144,275
Prepaid lease payments		1,233		3,612
Intangible assets		48,673		43,362
Investment in a jointly controlled entity - note 13		15,128		–
Available-for-sale investments		1,431		–
Pledged deposits		2,316		1,053
Deposits paid		2,084		2,084
		113,165		194,386
Current assets				
Inventories	51		125	
Other receivables, deposits and prepayments	3,703		2,177	
Note receivable	13,500		–	
Cash and cash equivalents	19,622		111,224	
	36,876		113,526	
Current liabilities				
Other payables and accruals	(16,532)		(46,559)	
Provision	(338)		–	
Taxation	(742)		(504)	
	(17,612)		(47,063)	
Net current assets		19,264		66,463
NET ASSETS		132,429		260,849
CAPITAL AND RESERVES				
Share capital		42,269		42,249
Reserves		90,038		218,600
Total equity attributable to equity holders of the Company		132,307		260,849
Minority interests		122		–
TOTAL EQUITY		132,429		260,849

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention as modified for certain financial instruments which are carried at fair value.

3. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

At the date of authorisation of the financial statements, the following HKFRSs were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)

3. ADOPTION OF NEW AND REVISED STANDARDS *(CONTINUED)*

At the date of authorisation of the financial statements, the following HKFRSs were in issue but not yet effective: *(Continued)*

HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	- HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	- HKFRS 5	(ii)

Effective date

(i) *Annual periods beginning on or after 1 January 2009*
(ii) *Annual periods beginning on or after 1 July 2009*
(iii) *Annual periods beginning on or after 1 July 2008*
(iv) *Annual periods beginning on or after 1 October 2008*
(v) *Annual periods ending on or after 30 June 2009*
(vi) *Transfers of assets from customers received on or after 1 July 2009*

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of their initial application.

4. TURNOVER

The principal activities of the Group are operation of (i) refilling stations supplying natural gas and LPG for vehicle use and sale of LPG in cylinder, and (ii) exploitation and sales of crude oil. The activities relating to operation of natural gas pipeline network were discontinued during the year as a result of disposal of a subsidiary and the activities of provision of crude oil transportation, storage and unloading services were discontinued in the prior year (note 9).

The amount of each significant category of revenue recognised in turnover during the year was as follows:

	2008 HK$'000	2007 HK$'000 *(Restated)*
Continuing operations		
Natural gas and LPG		
– sales of natural gas and LPG at refilling station	35,858	26,553
– sales of LPG in cylinder	-	3,467
Sales of crude oil	4,206	294
	40,064	30,314
Discontinued operations		
Pipeline leasing income	2,674	1,091
Provision of crude oil transportation, storage and unloading services	-	44,661
	2,674	45,752
	42,738	76,066

5. OTHER INCOME

	2008 HK$'000	2007 HK$'000 *(Restated)*
Continuing operations		
Interest income on bank deposits	743	4,653
Rental income	407	-
Others	60	-
	1,210	4,653

5. OTHER INCOME *(CONTINUED)*

	2008	2007
	HK$'000	HK$'000
		(Restated)
Discontinued operations		
Interest income on bank deposits	-	7
Others	-	179
	-	186
	1,210	4,839

6. OTHER GAINS AND (LOSSES), NET

	2008	2007
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Impairment loss on available-for-sale investments	(914)	-
Impairment loss on prepaid lease payments	(2,417)	-
Impairment loss on property, plant and equipment	(8,337)	-
Loss on disposal of property, plant and equipment	(830)	(71)
Exchange gains/(losses), net	199	(3,229)
	(12,299)	(3,300)
Discontinued operations		
Gain on disposal of property, plant and equipment	2,732	-
	(9,567)	(3,300)

7. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2008	2007
	HK$'000	HK$'000
		(Restated)
a) Finance costs		
Continuing operations		
Interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank loans and other borrowings wholly repayable within five years	-	171
Discontinued operations		
Interest expense on financial liabilities not at fair value through profit or loss		
– Interest on bank loans and other borrowings wholly repayable within five years	-	27,835
	-	28,006
b) Staff costs (including directors' remuneration)		
Continuing operations		
Salaries, wages and other benefits	11,560	9,422
Equity settled share-based payment expenses	3,877	17,627
Contributions to defined contribution retirement plan	187	164
	15,624	27,213
Discontinued operations		
Salaries, wages and other benefits	83	5,577
Contributions to defined contribution retirement plan	-	358
	83	5,935
	15,707	33,148

7. LOSS FOR THE YEAR *(CONTINUED)*

	2008 HK$'000	2007 HK$'000 *(Restated)*
c) Other items		
Continuing operations		
Cost of inventories	18,605	18,323
Auditors' remuneration		
– Current year	742	816
– Overprovision in prior year	(10)	-
Depreciation of property, plant and equipment	6,905	4,509
Amortisation of		
– prepaid lease payments *	306	283
– intangible assets #	218	20
Operating lease charges minimum lease payments		
– property rentals	3,022	940
Provision for assets retirement obligations	338	-
Discontinued operations		
Depreciation of property, plant and equipment		
– assets held for use under operating leases	9,221	11,704
– other assets	-	30,465
Amortisation of prepaid lease payments	-	23

* Included in "administrative expenses" as disclosed in the consolidated income statement.

[#] Included in "direct costs" as disclosed in the consolidated income statement.

8. TAXATION

a) Continuing operations

Taxation in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000 *(Restated)*
Current tax		
– PRC income tax		
Provision for the year	2,861	885
(Over)/ under-provision in prior years	(31)	74
	2,830	959

No provision for Hong Kong profits tax has been made as the group companies comprising the continuing operations did not have estimated assessable profits subject to Hong Kong profits tax during the years ended 31 December 2008 and 2007. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on the statutory rate of 25% (2007: 30%) on the assessment profit of the Group.

b) Discontinued operations

No provision for Hong Kong profits tax or PRC enterprise income tax has been made by the entities comprising the discontinued operations as these entities either had no assessable profit during the year or have unrelieved tax losses brought forward to offset the assessable profit.

9. DISCONTINUED OPERATIONS

On 18 December 2008, the Group completed the disposal of its natural gas pipeline network business to a independent third party for a consideration of HK$15,000,000 through disposal of the subsidiary, namely Statemoon Limited ("Statemoon").

On 24 October 2007, the Group's crude oil transportation, storage and unloading services operations were discontinued following the disposal of two subsidiaries, namely Bamber Resources Limited and Xinjiang Xingmei Oil-Pipeline Co., Ltd. (collectively known as "Bamber Group").

The (loss) / profit for the period / year from the discontinued operations is analysed as follows:

	2008 HK$'000	2007 HK$'000 *(restated)*
(Loss) / gain on disposal of Statemoon and/or Bamber Group	(87,531)	66,909
Loss for the year on		
- crude oil transportation, storage and unloading services operations	-	(28,076)
- natural gas pipeline network	(3,898)	(10,795)
	(91,429)	28,038

The results of the discontinued operations are as follows:

	Notes	2008 HK$'000	2007 HK$'000 *(Restated)*
Turnover	4 & 11	2,674	45,752
Cost of sales and services		(9,221)	(50,654)
Gross loss		(6,547)	(4,902)
Other income	5	-	186
Other gains and (losses), net	6	2,732	-
Administrative expenses		(83)	(6,320)
Loss from operations		(3,898)	(11,036)
Finance costs	7(a)	-	(27,835)
Loss before taxation		(3,898)	(38,871)
Income tax		-	-
Loss for the period/year	7	(3,898)	(38,871)

10. (LOSS) / EARNING PER SHARE

a) Basic (loss) / earning per share

The calculation of basic (loss) / earning per share is based on the loss attributable to equity holders of the Company of HK$140,148,000 (2007: HK$7,936,000) and the weighted average number of 4,226,179,000 ordinary shares (2007: 4,105,506,000 ordinary shares) in issue during the year, calculated as follows:

(i) (Loss) / earning attributable to equity holders of the Company

	2008	2007
	HK$'000	HK$'000
		(restated)
Continuing operations	(48,719)	(35,974)
Discontinued operations	(91,429)	28,038
	(140,148)	(7,936)

(ii) Weighted average number of ordinary shares

	2008	2007
	'000	'000
Issued ordinary shares at 1 January	4,224,884	3,585,134
Effect of shares issued under the placing	-	320,718
Effect of share options exercised	1,295	199,654
Weighted average number of ordinary shares at 31 December	4,226,179	4,105,506

b) Diluted (loss) / earning per share

Diluted (loss) / earning per share for the years ended 31 December 2008 and 2007 is not presented as the Company's outstanding share options during the years had anti-dilutive effect on the basic (loss) / earning per share from continuing and discontinued operations.

11. 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.

Business segments

The Group is currently engaged in the following businesses:

Continuing operations:

Natural gas and LPG:	Operation of gas refilling stations supplying natural gas and LPG for vehicle use and sale of LPG in cylinder
Oil exploitation:	Exploitation and sale of crude oil

The Group was also involved in the operation of natural gas pipeline network and crude oil transportation storage and unloading services which were discontinued as set out in note 9.

Discontinued operations:

Operation of natural gas pipeline network:	Leasing of the natural gas pipeline network
Crude oil transportation storage and unloading services:	Provision of crude oil transportation, storage and unloading facilities.

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.

11. SEGMENT REPORTING *(CONTINUED)*

Business segments *(Continued)*

Segment information about these businesses is set out as follows:

For the year ended 31 December 2008

	Continuing operations			Discontinued operations	
	Natural gas and LPG HK$'000	Oil exploitation HK$'000	Total HK$'000	Operation of natural gas pipeline network HK$'000	Consolidated HK$'000
Results					
Revenue from external customers	35,858	4,206	40,064	2,674	42,738
Segment results	13,785	(1,914)	11,871	(6,547)	5,324
Unallocated operating income and expenses			(53,388)	2,649	(50,739)
Loss from operations			(41,517)	(3,898)	(45,415)
Loss on disposal of a subsidiary			-	(87,531)	(87,531)
Share of loss of a jointly controlled entity			(4,372)	-	(4,372)
Loss before taxation			(45,889)	(91,429)	(137,318)
Income tax			(2,830)	-	(2,830)
Loss for the year			(48,719)	(91,429)	(140,148)
Assets and liabilities					
Segment assets	22,537	86,095	108,632	-	108,632
Unallocated assets	-	-	41,409	-	41,409
Total assets	22,537	86,095	150,041	-	150,041
Segment liabilities	1,500	4,482	5,982	-	5,982
Unallocated liabilities	-	-	11,630	-	11,630
Total liabilities	1,500	4,482	17,612	-	17,612
Other segment information					
Depreciation and amortisation	3,342	3,365	6,707	9,221	15,928
Unallocated depreciation and amortisation	-	-	722	-	722
	3,342	3,365	7,429	9,221	16,650
Capital expenditure incurred during the year	2,127	23,693	25,820	-	25,820
Unallocated capital expenditure incurred during the year	-	-	1,064	-	1,064
	2,127	23,693	26,884	-	26,884

11. SEGMENT REPORTING *(CONTINUED)*

Business segments *(Continued)*

For the year ended 31 December 2007

	Continuing operations			Discontinued operations			
	Natural gas and LPG HK$'000	Oil exploitation HK$'000	Total HK$'000 *(Restated)*	Operation of natural gas pipeline network HK$'000	Crude oil transportation, storage and unloading services HK$'000	Total HK$'000 *(Restated)*	Consolidated HK$'000
Results							
Turnover from external customers	30,020	294	30,314	1,091	44,661	45,752	76,066
Segment results	8,623	(714)	7,909	(10,613)	5,711	(4,902)	3,007
Unallocated operating income and expenses			(42,753)	(182)	(5,952)	(6,134)	(48,887)
Loss from operations			(34,844)	(10,795)	(241)	(11,036)	(45,880)
Finance costs			(171)	–	(27,835)	(27,835)	(28,006)
Gain on disposal of subsidiaries			–	–	66,909	66,909	66,909
Loss before taxation			(35,015)	(10,795)	38,833	28,038	(6,977)
Income tax			(959)	–	–	–	(959)
Loss for the year			(35,974)	(10,795)	38,833	28,038	(7,936)
Assets and liabilities							
Segment assets	25,594	63,803	89,397	104,460	–	104,460	193,857
Unallocated assets	–	–	114,055	–	–	–	114,055
Total assets	25,594	63,803	203,452	104,460	–	104,460	307,912
Segment liabilities	7,835	156	7,991	–	–	–	7,991
Unallocated liabilities	–	–	39,072	–	–	–	39,072
Total liabilities	7,835	156	47,063	–	–	–	47,063
Other segment information							
Depreciation and amortisation	3,416	1,028	4,444	11,704	30,488	42,192	46,636
Unallocated depreciation and amortisation	–	–	368	–	–	–	368
	3,416	1,028	4,812	11,704	30,488	42,192	47,004
Capital expenditure incurred during the year	2,592	63,539	66,131	–	300	300	66,431
Unallocated capital expenditure incurred during the year	–	–	2,145	–	–	–	2,145
	2,592	63,539	68,276	–	300	300	68,576

11. SEGMENT REPORTING *(CONTINUED)*

Geographical segments

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

For the year ended 31 December 2008

	The PRC HK$'000	The USA HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers attributable to:			
– Continuing operations	35,858	4,206	40,064
– Discontinued operations	2,674	–	2,674
	38,532	4,206	42,738
Segment assets			
– Continuing operations	66,387	83,654	150,041
Segment liabilities			
– Continuing operations	13,419	4,193	17,612
Capital expenditure incurred during the year			
– Continuing operations	4,450	22,434	26,884
– Discontinued operations	–	–	–
	4,450	22,434	26,884

11. SEGMENT REPORTING *(CONTINUED)*

Geographical segments *(Continued)*

For the year ended 31 December 2007

	The PRC HK$'000	The USA HK$'000	Total HK$'000 *(Restated)*
Segment revenue			
Revenue from external customers attributable to:			
– Continuing operations	30,020	294	30,314
– Discontinued operations	45,752	–	45,752
	75,772	294	76,066
Segment assets			
– Continuing operations	244,109	63,803	307,912
	244,109	63,803	307,912
Segment liabilities			
– Continuing operations	46,907	156	47,063
	46,907	156	47,063
Capital expenditure incurred during the year			
– Continuing operations	4,737	63,539	68,276
– Discontinued operations	300	–	300
	5,037	63,539	68,576

12. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: nil).

13. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	19,500	–
Less: share of post acquisition losses	(4,372)	–
	15,128	–

Particulars of the Group's jointly controlled entity are as follows:

Name of company	Form of business structure	Place of incorporation	Percentage of ordinary shares indirectly held	Principal activity
Smart Win International Limited	Limited company	The B.V.I.	50%	Investment holding

Summarised financial information in respect of the jointly controlled entity is set out below:

	2008 HK$'000
Total assets	30,403
Total liabilities	(147)
Net assets	30,256
Group's share of jointly controlled entity's net assets	15,128
Turnover	-
Expenses	(8,744)
Loss for the year	(8,744)
Group's share of jointly controlled entity's loss for the period	(4,372)

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2008, Genesis Energy Holdings Limited (the "Company" or "Genesis Energy") and its subsidiaries (collectively the "Group") recorded an increase in turnover from continuing operations by 32.1% to HK$40.1 million (2007: HK$30.3 million) and loss from continuing operations was HK$48.7 million (2007: loss of HK$36.0 million).

Turnover

HK$ '000	2008	2007	Change
Oil exploitation	4,206	294	↑ 1,330.6%
Natural gas and LPG	35,858	30,020	↑ 19.4%
	40,064	30,314	↑ 32.1%

Oil Exploitation

United States

The Group holds two blocks of oil fields in the United States. Both are located in Utah namely, Grassy Trails and Squaw Canyon (Four Corners Area of Colorado, New Mexico, Utah and Arizona). The acquisition of Grassy Trails oil field was completed in June 2007 while the acquisition of Squaw Canyon oil field was done in July 2008. As both of the said oil fields have proven historical production record, the investment risk has therefore been reduced.

In February 2008, we completed the first horizontal drilling on Federal 12-13 of Grassy Trails, and the proven reserve of crude oil on Grassy Trails has been revised up to about 1.8 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 August.

Regarding the Squaw Canyon oil field, rework on the existing wells has been done and commercial production has commenced since September. According to our reserve report done at the end of 2008, the estimated proven reserve of the said oil field is approximately 700,000 barrels.

Unfortunately, 2008 saw volatile energy price movements. Crude oil prices rose to record highs – dated Brent reached US$144.22 per barrel on 3 July. Following this mid-year peak, the unsettled financial markets and wider economic uncertainty saw the price drop back to US$36.55 at the end of the year. That has obviously affected our financial performance.

China

As Chinese, 2008 was a year we will all remember. In the space of a few months we went from the horrendous scale of a tragedy from the massive May 12 Wenchuan Earthquake to an unprecedentedly successful Olympics Games held in Beijing in August. Under this changing environment, the Group only managed to have our first drilling of test well in Xun Yi oil field, Shaanxi done in the fourth quarter, which was initially scheduled in May.

Subsequent to year end, in February 2009, the Group has successfully acquired the Liu Luo Yuan oil field located at Ganquan County, Shaanxi. This is a producing oil field with over 80 wells and a stable production of more than 1,000 tones each month. Due to the policy of regulated oil price in the PRC, the oil field is expected to have a stable contribution of cash flow to the Group.

Natural Gas and LPG

During the year, the Group has disposed of the natural gas pipeline network in Korla, Xinjiang. The business of natural gas network in Korla in the past few years had been unsatisfactory. Moreover, the cost of gas supply is expected to substantially increase while the retailed price is strictly regulated by the government policy of the PRC. The Board considers it is in the interests of the Company to cease this operation in order to minimize the increasing loss to be incurred by this operation. The booked loss on disposal was approximately HK$91.4 million. However, the Board considers that this move could reallocate the internal resources into developing other more promising business, in particular the upstream business in the oil and gas sector and our new business arm in the waste-to-energy segment.

The operation of gas refilling stations in the same area has experienced gradual growth in past two years and its performance is supposed to be relatively stable. Unfortunately, due to the expected substantial increase in the cost of gas supply from June 2009, provision for impairment loss of HK$10.8 million has been made for the business of gas refilling stations for the year.

Waste-to-Energy

Subsequent to year end, in early 2009, the Group has taken its first step into the waste-to-energy sector. We are acquiring 30% equity interest in a waste incineration power plant in Datong, Shanxi Province. Compared to conventional energy businesses, waste incineration power plant operations are less prone to demand changes and are not affected by fluctuated commodities prices. The Board considers the investment in waste power will help drive the Group's business development towards a more balanced and stable portfolio in the long term (details of the transaction has been set out in the Company's announcement dated 20 February 2009). At the same time, the Group has formed a strategic alliance with Frankfurt-listed Zhong De Waste Technology AG Industry, which has expertise in waste disposal, and both parties together are prepared to actively pursue viable business opportunities in new energy sectors. This move has never been a haste decision. With both energy demand and carbon emissions rising, China and the world need every sustainable, affordable energy source available. Genesis Energy is therefore intending to meet this growing demand, entering into alternative energy businesses with the potential to grow and compete far into the future.

FINANCIAL REVIEW

Result for the year

Turnover was mainly sourced from natural gas refilling stations that recorded a turnover of HK$35.8 million for the year ended 2008, representing a 19.4% increase comparing with that of last year (2007: HK$30.0 million). The revenue of HK$4.2 million was contributed by the oil exploitation in oil fields in the United States.

The consolidated gross profit in 2008 amounted to HK$11.9 million, representing an improvement as compared with those in the past few financial years. The management has implemented stringent cost control and the administrative expenses have slightly reduced by 7.5% to HK$36.5 million (2007: HK$39.5 million). The loss for the year from the continuing operations amounted to HK$48.7 million (2007: HK$35.9 million); among which, the impairment loss for the operation of natural gas refilling stations amounted to HK$10.8 million. The loss for the year as a whole was HK$140.1 million (2007: loss of HK$7.9 million), in which, it includes the loss from the discontinued operation of the natural gas pipeline network amounting to HK$91.4 million. In order to turnaround the financial position, apart from cost control, the Group has been actively seeking for additional stable source of revenue. Our recent penetration into the waste-to-energy segment is our medium to long term plan to achieve a stable cash flow but with moderate risk in addition to our oil and gas operations.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2008, the net assets of the Group were HK$132.4 million (31 December 2007: HK$260.8 million) while its total assets were HK$150.0 million (31 December 2007: HK$307.9 million). As at 31 December 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 2.1 (31 December 2007: 2.4). In terms of the gearing ratio and current ratio, the balance sheet of the Group as at 31 December 2008 was sound and healthy; it will place the Group in a strong financial position to take advantage of new attractive investment opportunities that may arise, in particular those relate to waste-to-energy and oil and gas operation.

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 31 December 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed approximately 102 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 year, neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 audited financial statements for the year ended 31 December 2008.

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 year except regarding Code Provision A.4.1, none of the existing non-executive Directors (including independent non-executive Directors) of the Company is appointed for a specific term since all of them are subject to the retirement provisions of the Bye-laws of the Company.

By order of the Board
Genesis Energy Holdings Limited
Kong Siu Tim
Chairman

Hong Kong, 17 April 2009

As at the date of this announcement, the Board comprises three executive directors namely Mr. Kong Siu Tim, Mr. Jiang Rizhong and Mr. Wan Tze Fan Terence; and three independent non-executive directors namely Mr. Ni Zhenwei, Mr. Yip Ching Shan and Mr. Wong Kwok Chuen Peter.