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 2009

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 2009, together with the comparative figures for the last year as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(Expressed in Hong Kong Dollars)

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations			
Turnover	4	15,155	4,206
Direct costs		(20,241)	(6,120)
Gross loss		(5,086)	(1,914)
Other revenue	5	2,283	1,133
Other gains and (losses), net	6	1,049	(357)
Administrative and other operating expenses		(23,897)	(34,734)
Loss from operations		(25,651)	(35,872)
Finance costs	7(a)	(1,767)	–
Share of loss of a jointly controlled entity		(5,522)	(4,372)
Loss before income tax expenses	7	(32,940)	(40,244)
Income tax expenses	8	–	–
Loss for the year from continuing operations		(32,940)	(40,244)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	9	14,015	(99,904)
Loss for the year		(18,925)	(140,148)

Consolidated Statement of Comprehensive Income

(Continued)

For the year ended 31 December 2009
(Expressed in Hong Kong Dollars)

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Other comprehensive income, after tax			
Exchange differences on translating foreign operation		364	7,351
Less: Reclassification of exchange reserve to profit or loss upon disposal of a foreign subsidiary		(16,456)	–
Other comprehensive income for the year		(16,092)	7,351
Total comprehensive income for the year		(35,017)	(132,797)
Loss attributable to:			
Equity holders of the Company		(18,784)	(140,148)
Minority interests		(141)	–
		(18,925)	(140,148)
Total comprehensive income attributable to:			
Equity holders of the Company		(34,876)	(132,797)
Minority interests		(141)	–
		(35,017)	(132,797)
Earnings/ (loss) per share – Basic and diluted			
– From continuing and discontinued operations	10	(0.43) HK cents	(3.31) HK cents
– From continuing operations		(0.75) HK cents	(0.95) HK cents
– From discontinued operations		0.32 HK cents	(2.36) HK cents

Consolidated Statement of Financial Position

At 31 December 2009
(Expressed in Hong Kong Dollars)

	Notes	2009 HK$'000	2009 HK$'000	2008 HK$'000	2008 HK$'000
Non-current assets					
Property, plant and equipment			115,805		42,300
Prepaid lease payments			–		1,233
Intangible assets			95,434		48,673
Goodwill	14		4,230		-
Interest in a jointly controlled entity	13		9,606		15,128
Available-for-sale investments			–		1,431
Pledged deposits			1,130		2,316
Deposits paid			2,276		2,084
Total non-current assets			228,481		113,165
Current assets					
Inventories		446		51	
Trade and other receivables, deposits and prepayments	15	6,740		3,703	
Note receivable		–		13,500	
Cash and cash equivalents		10,535		19,622	
Total current assets		17,721		36,876	
Total assets			246,202		150,041
Current liabilities					
Other payables and accruals		(21,767)		(16,532)	
Provision		(338)		(338)	
Taxation		–		(742)	
Total current liabilities		(22,105)		(17,612)	
Net current (liabilities)/assets		(4,384)		19,264	
Total assets less current liabilities			224,097		132,429
Non-current liabilities					
Convertible note		(16,824)		–	
Deferred tax liabilities		(12,461)		–	
Amount due to a controlling equity holder		(46,521)		–	
Total non-current liabilities			(75,806)		
NET ASSETS			148,291		132,429
Capital and reserves attributable to equity holders of the Company					
Share capital			43,861		42,269
Reserves			104,289		90,038
Equity attributable to equity holders of the Company			148,150		132,307
Minority interests			141		122
TOTAL EQUITY			148,291		132,429

Notes to the Financial Statements

1. STATEMENT OF COMPLIANCE

The 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. The 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 by the inclusion of certain financial instruments at fair value.

3. ADOPTION OF NEW AND REVISED STANDARDS

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes. Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation.

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

HKAS 1 (Revised), Presentation of Financial Statements – The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively. All income and expenses arising from transaction with non-owners are presented under the "Statement of Comprehensive Income"; while the owners' changes in equity are presented in the "Statement of Changes in Equity".

HKFRS 8, Operating Segments - HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendments to HKFRS 5 [2]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 9	Financial Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

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

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existed at the inception of the lease and retrospectively recognise the lease as a finance lease if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. TURNOVER

The principal activities of the Group are operation of exploitation and sale of crude oil. The activities relating to the operation of refilling stations supplying natural gas and LPG for vehicle use and sale of LPG in cylinders were discontinued during the year as a result of the disposal of Excellent Century Limited and its subsidiaries (note 9). The amount of each significant category of revenue recognised in turnover during the year was as follows:

	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations		
Sale of crude oil	15,155	4,206
	15,155	4,206
Discontinued operations (note 9)		
Natural gas and LPG		
– sale of natural gas and LPG at refilling stations	19,279	35,858
Pipeline leasing income	-	2,674
	19,279	38,532
	34,434	42,738

5. OTHER REVENUE

	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations		
Interest income on bank deposits	193	675
Rental income	583	407
Compensation (note)	1,481	–
Others	26	51
	2,283	1,133
Discontinued operations (note 9)		
Interest income on bank deposits	5	68
Others	-	9
	5	77
	2,288	1,210

Note: During the year, the Group received compensation of HK$4,481,000 (2008: HK$Nil) from an operating consultant for causing a technical fault in the production of crude oil which resulted in less crude oil being produced from the Liuluoyu oil field since it was acquired by the Group. The fault was only temporary and production has now been resumed to the normal level. The Group expects it will take up to 36 months to make up the loss in production caused by the fault. Accordingly, the directors are of the opinion that it would be appropriate to recognise the compensation received as other income over a period of three years started from February 2009

6. OTHER GAINS AND (LOSSES), NET

	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations		
Impairment loss on available-for-sale investments	-	(914)
Impairment loss on goodwill (note 14)	(4,000)	–
Fair value loss on note receivable	(1,000)	–
Loss on disposal of property, plant and equipment	-	(88)
Exchange gains, net	408	645
Excess of the Group's share of net fair value of interests acquired over the cost of acquisition	4,585	–
Gain on disposal of available-for-sale investments	1,056	–
	1,049	(357)
Discontinued operations (note 9)		
Gain on disposal of property, plant and equipment	–	1,990
Impairment loss on prepaid lease payments	–	(2,417)
Impairment loss on property, plant and equipment	–	(8,337)
Exchange losses, net		(446)
	–	(9,210)
	1,049	(9,567)

7. LOSS BEFORE INCOME TAX EXPENSES

Loss before income tax expenses is arrived at after charging/ (crediting):

	2009 HK$'000	2008 HK$'000 (Restated)
a) Finance costs		
Continuing operations		
Imputed interest on convertible note	1,555	–
Interest on borrowing repayable within one year	212	-
	1,767	-
b) Staff costs (including directors' remuneration)		
Continuing operations		
Salaries, wages and other benefits	10,612	10,497
Equity-settled share-based payment expenses	-	3,877
Contributions to defined contribution retirement plan	169	172
	10,781	14,546
Discontinued operations (note 9)		
Salaries, wages and other benefits	599	1,146
Contributions to defined contribution retirement plan	-	15
	599	1,161
	11,380	15,707

7. LOSS BEFORE INCOME TAX EXPENSES *(Continued)*

Loss before income tax expenses is arrived at after charging/ (crediting) *(continued)*:

	2009 HK$'000	2008 HK$'000 (Restated)
c) Other items		
Continuing operations		
Auditor's remuneration		
- Current year	913	686
- Overprovision in prior year	–	(10)
Depreciation of property, plant and equipment	7,741	3,707
Amortisation of intangible assets #	122	218
Operating lease charges minimum lease payments		
– property rentals	2,527	3,022
Provision for assets retirement obligations	–	338
Discontinued operations (note 9)		
Cost of inventories	9,717	18,605
Auditor's remuneration	62	56
Depreciation of property, plant and equipment		
– assets held for use under operating leases	–	9,221
– other assets	1,624	3,198

Included in "direct costs" as disclosed in the consolidated statement of comprehensive income.

8. INCOME TAX EXPENSES

(i) No provision for Hong Kong profits tax has been made as the group companies comprising the continuing operations did not have any estimated assessable profits subject to Hong Kong profits tax during the years ended 31 December 2009 and 2008. The subsidiaries in the PRC are subject to statutory tax rate of 25%. During the years ended 31 December 2009 and 2008, the PRC subsidiaries have no assessable income subject to the PRC income tax. The subsidiaries in the United States are subject to a tax rate of 34%. These subsidiaries incurred losses for tax purpose during the years ended 31 December 2009 and 2008.

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009 HK$'000	2008 HK$'000 (Restated)
Loss before income tax expenses	(32,940)	(40,244)
Notional tax on loss before taxation, calculated at the applicable tax rates	(8,270)	(11,752)
Tax effect of non-deductible expenses	6,526	8,043
Tax effect of non-taxable income	(3,962)	(1,126)
Utilisation of tax losses previously not recognised	(54)	-
Tax effect of tax losses not recognised	5,760	4,835
Actual income tax expense	-	-

9. DISCONTINUED OPERATIONS

On 11 May 2009, the Group entered into a sale agreement to dispose of Excellent Century Limited and its subsidiaries ("Excellent Group") which was engaged in sale of natural gas and LPG at refilling stations to an independent third party of a consideration of HK$21,000,000. The disposal was effected to streamline the non-core business. The disposal was completed on 8 July 2009, the date on which the control of the Excellent Group was passed to the acquirer.

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

9. DISCONTINUED OPERATIONS *(Continued)*

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

	2009 HK$'000	2008 HK$'000 (Restated)
Gain/(loss) on disposal of Excellent Group/Statemoon	11,593	(87,531)
Profit/(loss) for the period on		
- Natural gas pipeline network	-	(3,898)
- Sale of natural gas and LPG at refilling stations	2,422	(8,475)
	14,015	(99,904)

The results of the discontinued operations are as follows:

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Turnover	4	19,279	38,532
Cost of sales and services		(11,462)	(31,294)
Gross profit		7,817	7,238
Other revenue	5	5	77
Other gains and (losses), net	6	-	(9,210)
Selling expenses		(3,693)	(5,752)
Administrative expenses		(1,056)	(1,896)
Profit/(loss) before income tax expenses		3,073	(9,543)
Income tax expenses		(651)	(2,830)
Profit/(loss) for the period		2,422	(12,373)

A gain of HK$11,593,000 arose on the disposal of Excellent Group (2008: loss on disposal of Statemoon of HK$87,531,000), being the disposal proceeds less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the disposal.

For the purpose of presenting discontinued operations, the comparatives in the consolidated statement of comprehensive income and related notes to the financial statements have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

10. EARNINGS / (LOSS) PER SHARE

a) Basic earnings / (loss) per share

The calculation of basic earnings / (loss) per share is based on the loss attributable to equity holders of the Company of HK$18,784,000 (2008: HK$140,148,000) and the weighted average number of 4,360,388,000 ordinary shares (2008: 4,226,179,000 ordinary shares) in issue during the year, calculated as follows:

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

	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operations	(32,799)	(40,244)
Discontinued operations	14,015	(99,904)
	(18,784)	(140,148)

(ii) Weighted average number of ordinary shares

	2009 '000	2008 '000
Issued ordinary shares at 1 January	4,226,884	4,224,884
Effect of shares issued for acquisition	63,133	-
Effect of share options exercised	70,371	1,295
Weighted average number of ordinary shares at 31 December	4,360,388	4,226,179

b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2009 and 2008 is not presented as the Company's outstanding share options and convertible note during the years had an anti-dilutive effect on the basic loss per share.

11. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two (2008: three) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

<u>Continuing operations</u>

Oil exploitation:	Exploitation and sale of crude oil

<u>Discontinued operations</u>

Natural gas and LPG:	Operation of gas refilling stations supplying natural gas and LPG for vehicle use and sale of LPG in cylinders
Operation of natural gas pipeline network:	Leasing of the natural gas pipeline network

There are no sales or trading transactions between the business segments. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segments' result used by the chief operating decision-maker in the assessment of segment performance.

11. SEGMENT REPORTING *(Continued)*

a) Business segments

Segment information about these businesses is set out as follows:

For the year ended 31 December 2009

	Continuing operations	Discontinued operations	
	Oil exploitation HK$'000	Natural gas and LPG HK$'000	Consolidated HK$'000
Results			
Revenue from external customers	15,155	19,279	34,434
Segment results	(5,086)	7,817	2,731
Unallocated operating income and expenses	(20,565)	(4,744)	(25,309)
Reportable segment (loss)/ profit	(25,651)	3,073	(22,578)
Finance costs	(1,767)	-	(1,767)
Profit from discontinued operations	-	11,593	11,593
Share of loss of a jointly controlled entity	(5,522)	-	(5,522)
(Loss)/profit before income tax expenses	(32,940)	14,666	(18,274)
Income tax expenses	-	(651)	(651)
(Loss)/profit for the year	(32,940)	14,015	(18,925)
Assets and liabilities			
Reportable segment assets	226,302	-	226,302
Unallocated assets	19,900	-	19,900
Total assets	246,202	-	246,202
Reportable segment liabilities	54,362	-	54,362
Unallocated liabilities	43,549	-	43,549
Total liabilities	97,911	-	97,911
Other segment information			
Depreciation and amortisation	7,377	1,779	9,156
Unallocated depreciation and amortisation	486	-	486
	7,863	1,779	9,642
Capital expenditure incurred during the year	134,553	-	134,553
Unallocated capital expenditure incurred during the year	132	-	132
	134,685	-	134,685

11. SEGMENT REPORTING *(Continued)*

a) Business segments *(Continued)*

For the year ended 31 December 2008

	Continuing operations	Discontinued operations			
	Oil exploitation HK$'000	Natural gas and LPG HK$'000	Operation of natural gas pipeline network HK$'000	Subtotal HK$'000	Consolidated HK$'000
				(Restated)	
Results					
Revenue from external customers	4,206	35,858	2,674	38,532	42,738
Segment results	(1,914)	13,785	(6,547)	7,238	5,324
Unallocated operating income and expenses	(33,958)			(16,781)	(50,739)
Reportable segment loss	(35,872)			(9,543)	(45,415)
Loss from discontinued operations	-			(87,531)	(87,531)
Share of loss of a jointly controlled entity	(4,372)			-	(4,372)
Loss before income tax expenses	(40,244)			(97,074)	(137,318)
Income tax expenses	-			(2,830)	(2,830)
Loss for the year	(40,244)			(99,904)	(140,148)
Assets and liabilities					
Reportable segment assets	86,095	22,537	-	22,537	108,632
Unallocated assets	41,409	-	-	-	41,409
Total assets	127,504	22,537	-	22,537	150,041
Reportable segment liabilities	4,482	1,500	-	1,500	5,982
Unallocated liabilities	11,630	-	-	-	11,630
Total liabilities	16,112	1,500	-	1,500	17,612
Other segment information					
Depreciation and amortisation	3,365	3,342	9,221	12,563	15,928
Unallocated depreciation and amortisation	722	-	-	-	722
	4,087	3,342	9,221	12,563	16,650
Capital expenditure incurred during the year	23,693	2,127	-	2,127	25,820
Unallocated capital expenditure incurred during the year	1,064	-	-	-	1,064
	24,757	2,127	-	2,127	26,884

11. SEGMENT REPORTING *(Continued)*

b) Geographical information and major customers

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	-	-	1,122	1,570
The Peoples' Republic of China ("the PRC")	33,345	38,532	133,807	9,550
The United States	1,089	4,206	80,540	81,086
	34,434	42,738	214,347	90,636
	34,434	42,738	215,469	92,206

During the year, revenue from the Group's largest customer amounted to HK$14,066,000 (2008: HK$3,612,000), being 93% (2008: 86%) of the Group's total revenue from the oil exploitation segment.

For years 2009 and 2008, revenue from the Group's largest customer of the natural gas and LPG segment amounted to less than 10% of the Group's total revenue.

12. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2009 (2008: HK$ Nil).

13. INTEREST IN A JOINTLY CONTROLLED ENTITY

The Group has a 50% interest in a jointly controlled entity, Smart Win International Limited, which is accounted for by the equity method. 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

The Group's shares of loss for the year of the jointly controlled entity have been recognised in the consolidated statement of financial position and consolidated statement of comprehensive income as follows:

	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost		
As at 1 January	15,128	19,500
Less : share of post acquisition losses	(5,522)	(4,372)
	9,606	15,128
Total assets	19,293	30,403
Total liabilities	(80)	(147)
Net assets	19,213	30,256
Group's share of net assets	9,606	15,128
Turnover	-	-
Expenses	(11,044)	(8,744)
Loss for the year	(11,044)	(8,744)
Group's share of loss for the year	(5,522)	(4,372)

14. GOODWILL

	2009
	HK$'000
At 1 January 2009 and 2008	-
Acquired through business combination	8,230
Impairment (note 6)	(4,000)
Carrying amount as at 31 December 2009	4,230

15. AGEING OF TRADE RECEIVABLE

As at 31 December 2009, the balance of trade and other receivables, deposits and prepayments was HK$6,740,000 (2008: HK$3,703,000). Among which, trade receivables amounted to HK$3,117,000 (2008: HK$ Nil). Age of HK$2,606,000 was less than 30 days and the balance of HK$511,000 was between 30 to 60 days.

The average credit period granted to customers is 30 days from the invoice date. All the past due trade receivables were less than one month past due and not impaired.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2009, Genesis Energy Holdings Limited (the "Company" or "Genesis Energy") and its subsidiaries (collectively known as the "Group") recorded an increase of turnover from continuing operations of oil exploitation by 2.6 times to HK$15.2 million (2008: HK$4.2 million) and loss from continuing operations was HK$32.9 million (2008: loss of HK$40.2 million), which has decreased by 18.2% compared with that of last year. After taking into account of the gain on disposal of the gas refilling operation, the loss for the year has been substantially reduced by 86.5% to HK$18.9 million (2008: loss of HK$140.1 million).

Year 2009 was a challenging year. The crude oil price tumbled drastically from over US$100 per barrel to the level of less than US$50 per barrel. This exerted adverse impact on the turnover and profit margin of the Group. To tackle with such an unfavorable environment, the Company reacted promptly and actively by controlling costs and enhancing operation efficiency. The Group had worked continuously on restructuring our business portfolio. During the year, the Group disposed of its gas refilling stations business in Korla, Xinjiang, the PRC which enabled the Company to reallocate its resources to develop the upstream business in the oil and gas sector. The Group's successful acquisitions of the oil and natural gas oilfield exploitation projects in Liu Luo Yu and Yan Jia Wan in Shaanxi, the PRC in February and September 2009 respectively, have further strengthened the core business and cashflow of the Group.

Oil Exploitation

China

In February 2009, the Group successfully acquired the Liu Luo Yu oil exploitation project located at Ganquan County, Shaanxi. This is a producing oil field with about 100 wells and a stable production of approximately 3,500 barrels each month. In addition to the income generated from the daily operations of the oil field, the Group may also benefit from the possible appreciation of value of oil and gas assets in future. Moreover, undergoing this oil exploitation project will enable the Group to have more extensive understanding and participation in the oil and gas industry in Shaanxi Province, the PRC, and at the same time, we have built an all rounded professional team to operate the oil and gas field. The Group may further develop its business in this region when suitable opportunities arise. This oil field has been operating smoothly since acquisition and brought stable returns to the Group during the year.

In September 2009, the Group acquired the Yan Jia Wan oil exploitation project located at Yan Jia Wan, Shaanxi. This is also a producing oil field with about 58 wells and a stable production of approximately 2,500 barrels each month. It also holds the right to further design and drill new oil and gas wells in such area. This oil field has been operating smoothly and is expected to bring stable returns to the Group.

The United States

Grassy Trails oil field located in both Emery County and Carbon County, Utah, with an area of approximately 26 km^2. The proven reserve of crude oil on Grassy Trails has been revised up to about 1.8 million barrels. Although there are five oil wells in operation, there have been some extensive re-work and environment protection projects done on various wells during the year, which has adversely affected the production of the oil field. This situation is expected to be improved in 2010.

The Group and an oil company in Nevada have formed a joint venture company which holds the Squaw Canyon oil field. This oil field locates in the Four Corners Area of Colorado, New Mexico, Utah and Arizona. The oil field encompasses an area of approximately 6.5 km^2, 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. Currently, there are two producing wells. During the period, this oil field has operated efficiently and generated a steady income stream for the Group.

Gas Refilling Stations

In May 2009, the Group entered into an agreement for the disposal of its 72% equity interest in the operation of refilling stations supplying natural gas and liquefied petroleum gas for vehicle use in Korla, Xinjiang, for a consideration of HK$21 million. This disposal was completed in July 2009. Due to the substantial increase in the cost of gas supply from second half of year 2009 onwards and the change of the policy of the local government enabling more competitors to step into the business of operating refilling stations of natural gas and liquefied petroleum gas, the business prospects will be deteriorating. The Board considers that this disposal is in the interests of the Company as it minimizes the potential loss and re-allocates the internal resources into developing other more promising businesses, particularly the upstream business in the oil and gas sector.

FINANCIAL REVIEW

Result for the Year

For the year ended 31 December 2009, the Group recorded an increase of turnover from continuing operations of oil exploitation by 260% to HK$15.2 million (2008: HK$4.2 million) and loss from continuing operations was HK$32.9 million (2008: loss of HK$40.2 million), which has decreased by 18.2% compared with that of last year. After taking into account of the gain on disposal of the gas refilling operation, the loss for the year has been substantially reduced by 86.5% to HK$18.9 million (2008: loss of HK$140.1 million).

The consolidated gross loss for year 2009 was HK$5.1 million (2008: gross loss of HK$1.9 million). As mentioned above, the reason for the gross loss is because there have been some large scale re-work and environment protection projects done on various wells which has adversely affected the production of the oil field during the year. Therefore, this has been a direct blow to the performance of the consolidated gross profit for the year. During the year, the management has implemented strict measure of cost control and administration expenses have decreased by 31.2% to HK$23.8 million (2008: HK$34.7 million). Apart from cost control, the Group has actively sought for energy operations that would provide stable cashflow, which includes the acquisition of two oil exploitation projects in Shannxi during the year.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2009, the net assets of the Group were HK$148.3 million (31 December 2008: HK$132.4 million) while its total assets were HK$246.2 million (31 December 2008: HK$150. million). As at 31 December 2009 and 31 December 2008, the Group's gross borrowings (excluding borrowing from the controlling shareholder) 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 0.8 (31 December 2008: 2.1). In terms of the gearing ratio and current ratio, the financial position of the Group as at 31 December 2009 is slightly inferior to that of last year. However, in view of the anticipating cash flow from the upstream operation, the issue of a 4 year convertible note to Hong Chang Group (the controlling shareholder) for a sum of HK$25 million during the year; and subsequently in April 2010, with the issue of new shares for a sum of approximately HK$170 million (which would further strengthen the Group's cashflow position upon completion), the Board is confident that the Group will gradually be back on the track of a healthy financial position. The Group will be able to take advantage of new attractive oil and gas and other energy related 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 31 December 2009, 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 2009, the Group employed approximately 82 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2009 except for code provisions A.2.1 and A.4.1 as disclosed in the 2008 annual report of the Company. The Board will continue to review and refine the current structure from time to time and inform shareholders if there are any changes.

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 2009.

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

Hong Kong, 16 April 2010

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.