

# Interim Report 2012



**Enviro Energy  
International Holdings Limited**

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(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1102)



# Management Discussion and Analysis

Enviro Energy International Holdings Limited (“**EE**” or the “**Company**”, and together with its subsidiaries and jointly-controlled entity, the “**Group**”) is principally engaged in investment holding and development of a full range of energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies, and other high return natural resource projects.

## Business Review

### Unconventional natural gas business

As at the date hereof, the Company held approximately 71.61% of the current issued common shares and preferred shares in the capital of TerraWest Energy Corp. (“**TWE**”), or approximately 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis, respectively. TWE and China National Petroleum Corporation (“**CNPC**”) hold an interest of 47% and 53%, respectively, in a production sharing contract dated 30 December 2005 (“**PSC**”), which is located in Xinjiang Uygur Autonomous Region (“**Xinjiang**”) in the far west of the People’s Republic of China (“**PRC**” or “**China**”). The PSC is now administered by PetroChina Coalbed Methane Company Ltd. (“**PCCBM**”), an indirect subsidiary of CNPC.

Under the terms of the PSC, TWE has the right to explore for, develop, produce and sell coalbed methane (“**CBM**”) or liquid hydrocarbons extracted from CBM. CBM is defined in the PSC as gas stored in certain named geological formations of Jurassic age to a depth of 1,500 metres.

During the first half of 2012, TWE completed the preparation work for the next steps in advancing the exploration and development on the PSC. TWE previously disclosed the results of third party evaluation of CBM resources in an area of the PSC. These resources which are categorised as Discovered CBM gas initially in place (“**Discovered CBM Resources**”) and CBM Contingent Resources, and given their relatively advanced stage of resource categorisation, are the focus of next steps in production piloting. TWE has proposed to design fracture stimulation of the prospective coal zones in the Discovered CBM Resources area to PCCBM and the parties are currently jointly reviewing the proposed designs.

TWE has also utilised the first quarter to review prospective drilling locations for new pilot wells that will, if successful, expand the Discovered CBM Resources area. TWE has proposed this plan to PCCBM for joint review and has also proposed selective drilling of coal exploration coring holes to add to the database of gas content and coal characteristics in prospective zones.

TWE further proposed to PCCBM a multi-year exploration and development concept that would have the effect of moving the project towards commercial development on a planned basis.

In accordance with Chapter 18 of the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), the Company should provide updates on its oil and gas resources and/or reserves. TWE has previously issued two independent assessments of natural gas resources at the Liuhuangou project. The first report, referenced in the preceding paragraphs (“**Norwest 2010 Report**”), prepared by Norwest Corporation (“**Norwest**”) of Calgary, Canada, details of which have been disclosed in the circular of the Company dated 9 December 2010, focused on one area of the Liuhuangou project area where drilling is sufficient to estimate CBM resources in place, discovered CBM resources and higher level CBM Contingent Resources according to reporting standard National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101) and Canadian Oil and Gas Evaluation Handbook. The Norwest 2010 Report provided an estimate of Discovered CBM Resources which ranges from (Low) 70.00 to (High) 514.07 billion cubic feet (“**BCF**”) with a Best estimate of 147.43 BCF for the evaluation area. As at the date hereof, the management are not aware of any updates that would have a material change to these figures.

The second report ("**NSAI Report**") prepared by Netherland, Sewell and Associates, Inc. of Houston, the United States of America, details of which have been disclosed in the announcement of the Company dated 10 October 2011, evaluated the remainder of the project area and estimated CBM resources in place as well as natural gas resources in place in accordance with the Petroleum Resources Management System (PRMS) standard developed by the Society of Petroleum Engineers (SPE) of the United States of America. The NSAI Report provided an estimate of undiscovered original gas-in-place (OGIP) which ranges from (Low) 7.179 to (High) 19.185 trillion cubic feet ("**TCF**") with a Best estimate of 11.825 TCF for the evaluation area. As at the date hereof, the management are not aware of any updates that would have a material change to these figures.

As disclosed in the announcement of the Company dated 11 July 2012, the latest report, also prepared by Norwest ("**Norwest 2012 Report**"), converted the Discovered CBM Resources and Contingent Resources as previously estimated by Norwest to CBM categories according to China national reporting standard, CBM Resources/Reserves Specification DZ/T 0216 — 2010. Such conversion is another step in the process of outlining development areas and ultimately the determination of commercially recoverable CBM reserves. Of particular note, Norwest's estimate of (High) Contingent Resources totaling 244.18 BCF may be classified as Probable Recoverable Reserves in China. The Norwest 2012 Report was Norwest's expert opinion of the CBM resource estimates according to the China standard. The Norwest opinion estimates have not been certified by relevant Chinese authorities and such certification is expected to follow in due course after review by such authorities.

The evaluation area which holds the DZ/T 0216 — 2010 Probable Recoverable Reserves/NI51-101 CBM Contingent Resources is the most likely area of initial commercial development since it represents the area of Discovered CBM Resources and holds the highest level estimates at this time.

## Advanced production technologies

The Deep Unmineable Coal Carbon Dioxide (“CO<sub>2</sub>”) Sequestration and Enhanced CBM Production Project (“**JV Project**”) has operated under a cooperative joint venture agreement dated 25 January 2008 (“**JV Agreement**”) between the Company, China United Coalbed Methane Corporation Limited (“**CUCBM**”) and Petromin Resources Ltd. (“**Petromin**”). Pursuant to the JV Agreement, CUCBM, as operator, holds 60% participating interest in the JV Project, while the Company and Petromin each holds a 20% participating interest.

The first phase of the JV Project which was a single-well pilot project injecting CO<sub>2</sub> into target coal seams to test the CO<sub>2</sub> sequestration and storage capacity of the coal seams and then testing enhanced CBM (“**ECBM**”) production, was concluded successfully. During the six months ended 30 June 2012, the parties continued planning for possible initiation of a second phase and no expenditures were incurred by the Company.

The JV Project is located in CUCBM’s Shizhuang North block in the Qinshui Basin of Shanxi Province, the PRC. The Qinshui Basin is one of the more prolific CBM producing regions in the PRC and the coal seams in the basin are prospective for ECBM production.

## Conventional crude oil business

The Company indirectly owns 50% of Qian An Oil Development Co., Ltd. (“**Qian An**”), an equity joint venture company established in the PRC. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited (“**PetroChina**”), whose “H” shares and American depository shares are listed on the Stock Exchange and the New York Stock Exchange, Inc., respectively. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

During the six months ended 30 June 2012, the crude oil price in the PRC continued to maintain at a level ranging between approximately US\$104 to US\$115 per barrel. PetroChina, being the operator of the two oilfields of Qian An, namely Qian Shen 12 and Qian 209, continued to maintain monthly production levels of approximately 7,429 barrels, representing a daily production of approximately 245 barrels.

## Indonesia

As disclosed in the announcements of the Company on 2 April 2012 and 15 May 2012, EE acquired a 95% interest ("**Acquisition**") of Hugo Link Global Investments Limited ("**Hugo Link**"). Hugo Link holds 95% of PT. Bara Hugo Energy which in turn holds 37.5% of PT. Grasada Multinational. PT. Bara Hugo Energy also holds warrants in PT. Grasada Multinational which upon exercise will bring its shareholding in PT. Grasada Multinational to 60%.

PT. Bara Hugo Energy is a company established in Indonesia principally engaged in investments in upstream resources businesses including precious, base and industrial minerals. PT. Grasada Multinational is a company established in Indonesia, principally engaged in marble rock mining and related business, and having a mining permit covering approximately 33 hectares at Desa Selenrang, Kecamatan Bontoa, Maros Regency, Indonesia.

The Acquisition represented an investment opportunity for the Group to secure a position in Indonesia's wealth of natural resources. As at the date hereof, EE has retained an international technical consultant to undertake an evaluation of the marble resources within the mining permit area in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 Edition) (JORC Code). Updates will be provided when they become available.

## Business Prospects

### Unconventional natural gas business

International developments in the unconventional natural gas space were focused on North America where the natural gas supply surplus has forced prices to record low levels. These low price levels are leading the industry to consider liquefied natural gas exports from North America to Asia based on shale gas production. Major corporations are looking at developments from the US Gulf of Mexico region as well as the west coast of the US and Canada. China is one of the preferred market areas based on the rapid and sustained growth in Chinese demand for natural gas and the expectations of sustained higher price levels for the long term.

China continues to encourage exploration for domestic shale gas and the second auction of shale gas concessions is planned. Foreign entities will not be invited to participate but may eventually partner with domestic companies who are awarded concessions. The difficulty for foreign entities to gain access to unconventional gas exploration rights in China highlights the inherent value in the PSC held by the Company through its non wholly-owned subsidiary, TWE. No new CBM production sharing contracts were executed in China in the last 12-month period.

TWE holds the first CBM PSC in the Junggar Basin of Xinjiang, considered to be among the most prospective regions in China for CBM and other unconventional natural gas. The outstanding potential of the region is reflected in the fact that other large corporations are being attracted to invest. EE continues to consider that unconventional natural gas exploration and development holds enormous potential for creation of shareholder value.

### **Conventional crude oil business**

The Company's outlook for the crude oil business is positive for demand and price level.

The outlook for crude oil demand is positive and the US Energy Information Administration ("EIA") projects that total world oil consumption will grow by 1.6 million barrels per day ("bbl/d") in 2012. EIA expects a combination of inventory drawdown and production increases in both non-OPEC and OPEC countries to meet projected demand growth.

The crude oil price outlook is considered uncertain but prices are to remain high. Major uncertainties include continued risk of supply disruptions in producing regions, based on possible unrest in various regions; the rate of global economic growth; and fiscal issues facing national and sub-national governments. The sovereign credit crisis in the US, Greece and elsewhere in Europe has an impact on confidence and investment.

West Texas Intermediate (WTI) crude oil spot prices fell to the US\$80 per barrel level in June. Looking ahead uncertainty over economic growth rates and associated energy demand mean that prices are expected to be volatile but in the range of current levels for the remainder of the year.

Short term market fluctuations notwithstanding, EE continues to interpret the basic global and regional situation in petroleum as supporting its continued involvement in the upstream petroleum business in China and prospects for growth lead EE to continuously assess opportunities for increasing shareholder value from current operations.

### **Other investment opportunities**

EE continues to opportunistically and aggressively review potential investments in natural resources throughout Southeast Asia. The great resource potential of the region provides outstanding opportunities for growth, and EE is actively on the lookout for sound targets. EE reviews projects with the potential to leverage investment in the upstream end of the business and which can generate near term cash flow.

Based on the portfolio of reviewed projects, EE believes there are opportunities which meet its strategic investment criteria in hydrocarbons, including conventional petroleum and coal and in other resources including industrial minerals. Industrial minerals with high unit value and which can be exploited with off-the-shelf technology are of particular interest.

## **Financial Review**

### **Oil and gas segment**

#### *Unconventional natural gas business*

During the six months ended 30 June 2012, EE's unconventional natural gas businesses were still in exploration and evaluation phases.

TWE utilised the period ended 30 June 2012 to review prospective drilling locations for new pilot wells that will, if successful, expand the Discovered CBM Resources area on the Liuhuanggou PSC. The review included consultation with expert geologists from Canada. TWE also outlined a plan for proposed selective drilling of coal exploration coring holes to add to the database of gas content and coal characteristics in prospective zones.



TWE has proposed to design fracture stimulation of the prospective coal zones in the Discovered CBM Resources area and initiated a joint review of the proposed designs with PCCBM. TWE developed a multi-year exploration and development concept that would have the effect of moving the project towards commercial development on a planned basis and submitted the concept to PCCBM. The concept is to initiate further pilot production within the area of Discovered CBM Resources, convert the resources to economic reserves based on successful pilot production and then expanding the Discovered CBM Resources area in a systematic manner.

#### *Conventional crude oil business*

During the six months ended 30 June 2012, the crude oil price in China continued to maintain at a level ranging between approximately US\$104 to US\$115 per barrel. PetroChina, being the operator of the two oilfields of Qian An, namely Qian Shen 12 and Qian 209, produced an aggregate of approximately 45,000 barrels (2011: 53,000 barrels), representing a daily production of approximately 245 barrels (2011: 295 barrels). As EE indirectly owns 50% of Qian An, the Group recorded an overall share of profit of Qian An for the six months ended 30 June 2012, after taking into account depreciation and tax considerations, amounting to approximately HK\$599,000 (2011: HK\$4.1 million).

#### **Information technology (“IT”) and network infrastructure segment**

During the six months ended 30 June 2012, EE continued to focus its resources on energy-related business. The Group’s revenue generated from IT related businesses for the six months ended 30 June 2012 amounted to approximately HK\$48,000 (2011: HK\$140,000).

#### **Administrative and operating expenses**

For the six months ended 30 June 2012, administrative and operating expenses amounted to approximately HK\$34.7 million (2011: HK\$36.4 million), representing a decrease of approximately 4.7%. The decrease was mainly due to (i) the decrease of staff costs, including Directors’ emoluments; and (ii) the decrease in share-based payment expenses.

During the six months ended 30 June 2012, share-based payment expenses amounting to HK\$2.3 million in relation to share options granted to employees of the Group was charged to the consolidated income statement (2011: HK\$3.5 million). The share-based payment expenses in relation to share options granted to non-employees amounted to HK\$10.9 million, of which HK\$7.5 million (2011: HK\$7.7 million) was recorded as investor relations expenses and HK\$3.4 million (2011: HK\$3.4 million) was recorded as technical consultancy expenses in the consolidated income statement. These non-employees mainly comprise (i) independent consultants who will assist in the marketing and promotion of EE in terms of investors' relations; and (ii) independent expert industry consultants who will provide advices in relation to the technical aspects of EE's energy-related businesses.

### **Other comprehensive income**

During the six months ended 30 June 2012, exchange differences mainly arising on translation of the Canadian operation amounted to approximately HK\$4.8 million (2011: HK\$19.9 million) because the Canadian dollar (“**C\$**”) decreased by approximately 1% against the Hong Kong dollar (“**HK\$**”), when translating the carrying value of EE's Canadian subsidiary, namely TWE.

### **Loss attributable to equity holders of the Company**

As a result of the above-mentioned factors, loss attributable to equity holders of the Company for the six months ended 30 June 2012 amounted to approximately HK\$33.1 million (2011: HK\$31.5 million).

### **Liquidity and financial resources**

For the six months ended 30 June 2012, EE mainly financed its operations with funds raised from previous share placements, including the top-up placement in October 2010 which EE raised net proceeds of approximately HK\$154.0 million. As at 30 June 2012, the Group had bank balances and cash of approximately HK\$29.5 million (as at 31 December 2011: HK\$48.9 million). The Group's current ratio stood at approximately 0.9 as at 30 June 2012 (as at 31 December 2011: 1.9).

On 9 May 2011, EE issued 230,000,000 non-listed warrants which entitle the warrant subscribers to subscribe for new shares of the Company at the warrant subscription price of HK\$0.38 per new share for a period of twenty-four (24) months commencing from the date of issue of the warrants. Upon full exercise of the warrants, EE would be able to raise net proceeds of approximately HK\$87.4 million. Details regarding the warrants have been disclosed in the Company's announcement dated 9 May 2011.

On 10 August 2012, EE allotted and issued 154,000,000 new shares at the subscription price of HK\$0.152 per share. The net proceeds from the subscription amounted to approximately HK\$22.6 million.

Also on 10 August 2012, EE issued 50,000,000 non-listed warrants which entitle the warrant subscriber to subscribe for new shares of the Company at the warrant subscription price of HK\$0.38 per new share for a period of eighteen (18) months commencing from the date of issue of the warrants. Upon full exercise of the warrants, EE would be able to raise net proceeds of approximately HK\$19.0 million.

Details regarding the share and warrant subscriptions have been disclosed in the Company's announcements dated 30 July 2012 and 10 August 2012, respectively.

EE adopts conservative treasury policies in managing its cash and financial matters, with the treasury activities mainly carried out in Hong Kong. Currently, bank balances and cash are placed in interest-bearing bank accounts denominated in HK\$, United States dollars ("US\$") and C\$. EE's financial risk management objectives and policies are reviewed regularly by the Board.

As at 30 June 2012, the Group had net assets of approximately HK\$952.0 million (as at 31 December 2011: HK\$914.4 million).

As at 30 June 2012, the Group continued to maintain a debt-free capital structure.

As at 30 June 2012, the Group had no payables incurred which were not in the ordinary course of business and accordingly its gearing ratio was nil (as at 31 December 2011: Nil).

### **Charge on group assets**

As at 30 June 2012, the Group did not have any charges on the Group's assets (as at 31 December 2011: Nil).

### **Foreign exchange exposure**

EE mainly earned revenue and incurred costs in HK\$, Renminbi, C\$ and US\$. The Directors and senior management will continue to monitor closely the exchange risk by entering into forward contracts and utilising applicable derivatives to hedge out the exchange risk when necessary.

### **Capital commitments**

As at 30 June 2012, the Group had capital commitments amounting to approximately HK\$16.3 million (as at 31 December 2011: HK\$17.9 million).

### **Contingent liabilities**

As at 30 June 2012, the Group had no contingent liabilities (as at 31 December 2011: Nil).

## **Significant Investments and Future Plans for Material Investments**

Save as disclosed in the sections headed "Business Review" and "Material Acquisitions And Disposals of Subsidiaries And Affiliated Companies", during the six months ended 30 June 2012, the Group did not make any significant investments or future plans for material investments.

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

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

As disclosed in the announcements of the Company on 2 April 2012 and 15 May 2012, EE, through CCST Singapore Pte. Ltd., its wholly-owned subsidiary, acquired a 95% interest of Hugo Link for considerations of US\$3.5 million (equivalent to approximately HK\$27.2 million) in cash and issuance of 452,400,000 new shares of the Company. Hugo Link holds 95% of PT. Bara Hugo Energy which in turn holds 37.5% of PT. Grasada Multinational. PT. Bara Hugo Energy also holds warrants in PT. Grasada Multinational which upon exercise will bring its shareholding in PT. Grasada Multinational to 60%.

Save for the Acquisition as disclosed above, there were no other material acquisitions and/or disposals which would have been required to be disclosed under the Listing Rules.

## **Employees' Information**

As at 30 June 2012, the Group had 30 full-time employees (as at 31 December 2011: 25) working in Hong Kong, China, Canada and Indonesia. EE remunerates its employees based on their performance, experience and the prevailing industry practice.

In addition to regular remuneration, share options may be granted to selected staff with reference to EE's performance as well as the individual's performance. Other benefits, such as medical and retirement benefits and training programs, are also provided.

# Consolidated Income Statement

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011 as follows:

|                                                                     | Note | <b>For the six months<br/>ended 30 June<br/>2012</b><br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
|---------------------------------------------------------------------|------|---------------------------------------------------------------------------------|---------------------------------|
| <b>Revenue</b>                                                      | 3    | <b>48</b>                                                                       | 140                             |
| <b>Cost of sales</b>                                                |      | <b>(29)</b>                                                                     | (115)                           |
| <b>Gross profit</b>                                                 |      | <b>19</b>                                                                       | 25                              |
| Other gain, net                                                     |      | <b>138</b>                                                                      | 74                              |
| Administrative and operating expenses                               |      | <b>(34,730)</b>                                                                 | (36,433)                        |
| Finance income                                                      |      | <b>220</b>                                                                      | 229                             |
| Share of profits less losses of a jointly-controlled entity         |      | <b>599</b>                                                                      | 4,063                           |
| Share of profits less losses of an associate                        |      | <b>(28)</b>                                                                     | —                               |
| <b>Loss before taxation</b>                                         | 4    | <b>(33,782)</b>                                                                 | (32,042)                        |
| Income tax                                                          | 5    | <b>339</b>                                                                      | 286                             |
| <b>Loss for the period</b>                                          |      | <b>(33,443)</b>                                                                 | (31,756)                        |
| <b>Attributable to:</b>                                             |      |                                                                                 |                                 |
| Equity holders of the Company                                       |      | <b>(33,135)</b>                                                                 | (31,485)                        |
| Non-controlling interests                                           |      | <b>(308)</b>                                                                    | (271)                           |
|                                                                     |      | <b>(33,443)</b>                                                                 | (31,756)                        |
| <b>Loss per share attributable to equity holders of the Company</b> | 7    |                                                                                 |                                 |
| Basic and diluted                                                   |      | <b>(HK1.14 cent)</b>                                                            | (HK1.13 cent)                   |

# Consolidated Statement of Comprehensive Income

|                                                                         | For the six months<br>ended 30 June |                                 |
|-------------------------------------------------------------------------|-------------------------------------|---------------------------------|
|                                                                         | 2012<br>HK\$'000<br>(Unaudited)     | 2011<br>HK\$'000<br>(Unaudited) |
| <b>Loss for the period</b>                                              | <b>(33,443)</b>                     | (31,756)                        |
| <b>Other comprehensive (loss)/income</b>                                |                                     |                                 |
| Gain/(loss) on change in fair value<br>of available-for-sale investment | 259                                 | (45)                            |
| Exchange differences arising from translation<br>of foreign operations  | (4,788)                             | 19,887                          |
| Other comprehensive (loss)/income<br>for the period, net of tax         | (4,529)                             | 19,842                          |
| <b>Total comprehensive loss for the period</b>                          | <b>(37,972)</b>                     | (11,914)                        |
| <b>Attributable to:</b>                                                 |                                     |                                 |
| Equity holders of the Company                                           | (36,166)                            | (15,340)                        |
| Non-controlling interests                                               | (1,806)                             | 3,426                           |
| <b>Total comprehensive loss for the period</b>                          | <b>(37,972)</b>                     | (11,914)                        |

# Consolidated Balance Sheet

|                                                      | Note | As at<br>30 June<br>2012<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|------------------------------------------------------|------|-----------------------------------------------------|-------------------------------------------------------|
| <b>ASSETS</b>                                        |      |                                                     |                                                       |
| <b>Non-current assets</b>                            |      |                                                     |                                                       |
| Plant and equipment                                  | 9    | 2,441                                               | 2,616                                                 |
| Oil and gas properties                               | 10   | 1,098,093                                           | 1,103,650                                             |
| Interest in a jointly-controlled entity              | 11   | 3,749                                               | 3,683                                                 |
| Interest in an associate                             | 12   | 88,929                                              | —                                                     |
| Available-for-sale investment                        |      | 788                                                 | 529                                                   |
| Club memberships                                     |      | 2,700                                               | 2,700                                                 |
| Deposit                                              |      | —                                                   | 19,500                                                |
|                                                      |      | <b>1,196,700</b>                                    | 1,132,678                                             |
| <b>Current assets</b>                                |      |                                                     |                                                       |
| Trade receivables                                    | 13   | 11                                                  | —                                                     |
| Deposits, prepayments and other receivables          |      | 3,450                                               | 2,095                                                 |
| Financial asset at fair value through profit or loss |      | 1,861                                               | 1,874                                                 |
| Bank balances and cash                               |      | 29,518                                              | 48,906                                                |
|                                                      |      | <b>34,840</b>                                       | 52,875                                                |
| <b>Total assets</b>                                  |      | <b>1,231,540</b>                                    | 1,185,553                                             |



|                                                                           | Note | As at<br>30 June<br>2012<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------------------------------------------------------|------|-----------------------------------------------------|-------------------------------------------------------|
| <b>EQUITY</b>                                                             |      |                                                     |                                                       |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |                                                     |                                                       |
| Share capital                                                             | 14   | 8,076                                               | 6,945                                                 |
| Share premium and reserves                                                |      | 706,413                                             | 676,901                                               |
|                                                                           |      | <b>714,489</b>                                      | 683,846                                               |
| Non-controlling interests                                                 |      | <b>237,512</b>                                      | 230,592                                               |
| <b>Total equity</b>                                                       |      | <b>952,001</b>                                      | 914,438                                               |
| <b>LIABILITIES</b>                                                        |      |                                                     |                                                       |
| <b>Non-current liabilities</b>                                            |      |                                                     |                                                       |
| Deferred tax liabilities                                                  | 15   | 241,434                                             | 243,359                                               |
| <b>Current liabilities</b>                                                |      |                                                     |                                                       |
| Other payables                                                            | 16   | 38,105                                              | 27,756                                                |
| <b>Total liabilities</b>                                                  |      | <b>279,539</b>                                      | 271,115                                               |
| <b>Total equity and liabilities</b>                                       |      | <b>1,231,540</b>                                    | 1,185,553                                             |
| <b>Net current (liabilities)/assets</b>                                   |      | <b>(3,265)</b>                                      | 25,119                                                |
| <b>Total assets less current liabilities</b>                              |      | <b>1,193,435</b>                                    | 1,157,797                                             |

# Consolidated Statement of Changes in Equity

|                                                                     | Attributable to the equity holders of the Company |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
|---------------------------------------------------------------------|---------------------------------------------------|---------------------------|-----------------------------|---------------------------------------------------|-----------------------------------|---------------------------------|---------------------------|--------------------------------|-------------------|---------------------------------------|-------------------|
|                                                                     | Share capital<br>HK\$'000                         | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Available-for-sale investment reserve<br>HK\$'000 | Share options reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
| As at 1 January 2011 (Audited)                                      | 6,944                                             | 807,697                   | 19,980                      | –                                                 | 66,952                            | 76,094                          | 9,459                     | (313,087)                      | 694,039           | 267,547                               | 961,586           |
| <b>Comprehensive (loss)/income</b>                                  |                                                   |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
| Loss for the period                                                 | –                                                 | –                         | –                           | –                                                 | –                                 | –                               | –                         | (31,485)                       | (31,485)          | (271)                                 | (31,756)          |
| <b>Other comprehensive (loss)/income</b>                            |                                                   |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
| Loss on change in fair value of available-for-sale investment       | –                                                 | –                         | –                           | (45)                                              | –                                 | –                               | –                         | –                              | (45)              | –                                     | (45)              |
| Exchange differences arising from translation of foreign operations | –                                                 | –                         | –                           | –                                                 | –                                 | 16,190                          | –                         | –                              | 16,190            | 3,697                                 | 19,887            |
| Total other comprehensive (loss)/income                             | –                                                 | –                         | –                           | (45)                                              | –                                 | 16,190                          | –                         | –                              | 16,145            | 3,697                                 | 19,842            |
| <b>Total comprehensive (loss)/income for the period</b>             | –                                                 | –                         | –                           | (45)                                              | –                                 | 16,190                          | –                         | (31,485)                       | (15,340)          | 3,426                                 | (11,914)          |
| <b>Transactions with shareholders</b>                               |                                                   |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
| Recognition of equity settled share-based payment                   | –                                                 | –                         | –                           | –                                                 | 14,624                            | –                               | –                         | –                              | 14,624            | –                                     | 14,624            |
| Purchase of non-controlling interests                               | –                                                 | –                         | –                           | –                                                 | –                                 | –                               | 49,310                    | –                              | 49,310            | (49,310)                              | –                 |
| Issue of warrants                                                   | –                                                 | –                         | –                           | –                                                 | –                                 | –                               | 23                        | –                              | 23                | –                                     | 23                |
| <b>Total transactions with shareholders</b>                         | –                                                 | –                         | –                           | –                                                 | 14,624                            | –                               | 49,333                    | –                              | 63,957            | (49,310)                              | 14,647            |
| <b>As at 30 June 2011 (Unaudited)</b>                               | 6,944                                             | 807,697                   | 19,980                      | (45)                                              | 101,576                           | 92,284                          | 58,792                    | (344,572)                      | 742,656           | 241,663                               | 984,319           |
| As at 1 January 2012 (Audited)                                      | 6,945                                             | 807,681                   | 19,980                      | –                                                 | 117,097                           | 62,425                          | 58,792                    | (389,274)                      | 683,846           | 230,592                               | 914,438           |
| <b>Comprehensive income/(loss)</b>                                  |                                                   |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
| Loss for the period                                                 | –                                                 | –                         | –                           | –                                                 | –                                 | –                               | –                         | (33,135)                       | (33,135)          | (308)                                 | (33,443)          |
| <b>Other comprehensive income/(loss)</b>                            |                                                   |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
| Gain on change in fair value of available-for-sale investment       | –                                                 | –                         | –                           | 259                                               | –                                 | –                               | –                         | –                              | 259               | –                                     | 259               |
| Exchange differences arising from translation of foreign operations | –                                                 | –                         | –                           | –                                                 | –                                 | (3,290)                         | –                         | –                              | (3,290)           | (1,498)                               | (4,788)           |
| Total other comprehensive income/(loss)                             | –                                                 | –                         | –                           | 259                                               | –                                 | (3,290)                         | –                         | –                              | (3,031)           | (1,498)                               | (4,529)           |
| <b>Total comprehensive income/(loss) for the period</b>             | –                                                 | –                         | –                           | 259                                               | –                                 | (3,290)                         | –                         | (33,135)                       | (36,166)          | (1,806)                               | (37,972)          |
| <b>Transactions with Shareholders</b>                               |                                                   |                           |                             |                                                   |                                   |                                 |                           |                                |                   |                                       |                   |
| Recognition of equity settled share-based payment                   | –                                                 | –                         | –                           | –                                                 | 13,215                            | –                               | –                         | –                              | 13,215            | –                                     | 13,215            |
| Issue of shares for acquisition of subsidiaries (note 17)           | 1,131                                             | 52,463                    | –                           | –                                                 | –                                 | –                               | –                         | –                              | 53,594            | 8,726                                 | 62,320            |
| <b>Total transactions with shareholders</b>                         | 1,131                                             | 52,463                    | –                           | –                                                 | 13,215                            | –                               | –                         | –                              | 66,809            | 8,726                                 | 75,535            |
| <b>As at 30 June 2012 (Unaudited)</b>                               | 8,076                                             | 860,344                   | 19,980                      | 259                                               | 130,312                           | 59,135                          | 58,792                    | (422,409)                      | 714,489           | 237,512                               | 952,001           |

# Condensed Consolidated Statement of Cash Flows

|                                                   | <b>For the six months<br/>ended 30 June</b> |             |
|---------------------------------------------------|---------------------------------------------|-------------|
|                                                   | <b>2012</b>                                 | 2011        |
|                                                   | <b>HK\$'000</b>                             | HK\$'000    |
|                                                   | <b>(Unaudited)</b>                          | (Unaudited) |
| Net cash used in operating activities             | <b>(19,394)</b>                             | (23,820)    |
| Net cash used in investing activities             | <b>(827)</b>                                | (24,671)    |
| Net cash from financing activities                | —                                           | 23          |
| Net decrease in bank balances and cash            | <b>(20,221)</b>                             | (48,468)    |
| Bank balances and cash at beginning of period     | <b>48,906</b>                               | 155,800     |
| Exchange gains/(losses) on bank balances and cash | <b>833</b>                                  | (619)       |
| Bank balances and cash at end of period           | <b>29,518</b>                               | 106,713     |

Notes:

## 1. Principal Accounting Policies and Basis of Preparation

The unaudited consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment and financial asset at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

## 2. Segment Information

In a manner consistent with the way in which information is reported internally to the Company’s Chief Executive Officer (“**CEO**”), the Group has presented the following reportable segments:

- (i) TWE — Exploration, development and production of CBM and natural gas in China
- (ii) PT. Grasada Multinational — marble rock mining in Indonesia
- (iii) Qian An — exploration, development and production of petroleum in China
- (iv) Information technology related services in Hong Kong

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

- (a) Segment assets include all tangible and intangible assets and current assets with the exception of available-for-sale investment, club memberships, financial asset at fair value through profit or loss and other unallocated corporate assets.
- (b) Segment liabilities include all liabilities except for unallocated corporate liabilities.
- (c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, the Group’s share of profits less losses of a jointly-controlled entity, share of profits less losses of an associate, and administrative and operating expenses. There is no transaction between segments.

## 2. Segment Information (Continued)

An analysis of the Group's revenue and loss and certain assets, liabilities and expenditure information for the Group's reportable segments is as follows:

|                                                                | Information<br>technology<br>related<br>services in<br>Hong Kong<br>HK\$'000 | Oil and gas exploration<br>in China |                 | Marble rock<br>mining in<br>Indonesia<br>HK\$'000 | Consolidated<br>HK\$'000 |
|----------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------|-----------------|---------------------------------------------------|--------------------------|
|                                                                |                                                                              | Qian An<br>HK\$'000                 | TWE<br>HK\$'000 |                                                   |                          |
| <b>For the six months ended</b>                                |                                                                              |                                     |                 |                                                   |                          |
| <b>30 June 2012</b>                                            |                                                                              |                                     |                 |                                                   |                          |
| Segment revenue                                                | 48                                                                           | —                                   | —               | —                                                 | 48                       |
| Gross profit                                                   | 19                                                                           | —                                   | —               | —                                                 | 19                       |
| Administrative and operating<br>expenses                       | (1,275)                                                                      | —                                   | (1,001)         | —                                                 | (2,276)                  |
| Share of profits less losses<br>of a jointly-controlled entity | —                                                                            | 599                                 | —               | —                                                 | 599                      |
| Share of profits less losses<br>of an associate                | —                                                                            | —                                   | —               | (28)                                              | (28)                     |
| Income tax                                                     | —                                                                            | —                                   | 339             | —                                                 | 339                      |
| Segment results                                                | (1,256)                                                                      | 599                                 | (662)           | (28)                                              | (1,347)                  |
| Unallocated:<br>Other gain, net                                |                                                                              |                                     |                 |                                                   | 138                      |
| Administrative and operating<br>expenses                       |                                                                              |                                     |                 |                                                   | (32,454)                 |
| Finance income                                                 |                                                                              |                                     |                 |                                                   | 220                      |
| Loss before taxation                                           |                                                                              |                                     |                 |                                                   | (33,443)                 |
| Income tax                                                     |                                                                              |                                     |                 |                                                   | —                        |
| Loss for the period                                            |                                                                              |                                     |                 |                                                   | (33,443)                 |
| <b>As at 30 June 2012</b>                                      |                                                                              |                                     |                 |                                                   |                          |
| Segment assets                                                 | 835                                                                          | 3,749                               | 1,099,093       | 88,929                                            | 1,192,606                |
| Unallocated assets                                             |                                                                              |                                     |                 |                                                   | 38,934                   |
| Total assets                                                   |                                                                              |                                     |                 |                                                   | 1,231,540                |
| Segment liabilities                                            | 283                                                                          | —                                   | 246,411         | —                                                 | 246,694                  |
| Unallocated liabilities                                        |                                                                              |                                     |                 |                                                   | 32,845                   |
| Total liabilities                                              |                                                                              |                                     |                 |                                                   | 279,539                  |

## 2. Segment Information (Continued)

|                                                             | Information technology related services in Hong Kong<br>HK\$'000 | Oil and gas exploration in China<br>Qian An<br>HK\$'000 | TWE<br>HK\$'000 | Marble rock mining in Indonesia<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|-------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------|-----------------|---------------------------------------------|-------------------------|--------------------------|
| <b>For the six months ended</b>                             |                                                                  |                                                         |                 |                                             |                         |                          |
| <b>30 June 2012</b>                                         |                                                                  |                                                         |                 |                                             |                         |                          |
| Capital additions                                           | –                                                                | –                                                       | 1,667           | –                                           | 496                     | 2,163                    |
|                                                             | Information technology related services in Hong Kong<br>HK\$'000 | Oil and gas exploration in China<br>Qian An<br>HK\$'000 | TWE<br>HK\$'000 | Consolidated<br>HK\$'000                    |                         |                          |
| <b>For the six months ended</b>                             |                                                                  |                                                         |                 |                                             |                         |                          |
| <b>30 June 2011</b>                                         |                                                                  |                                                         |                 |                                             |                         |                          |
| Segment revenue                                             | 140                                                              | –                                                       | –               | 140                                         |                         |                          |
| Gross profit                                                | 25                                                               | –                                                       | –               | 25                                          |                         |                          |
| Administrative and operating expenses                       | (698)                                                            | –                                                       | (856)           | (1,554)                                     |                         |                          |
| Share of profits less losses of a jointly-controlled entity | –                                                                | 4,063                                                   | –               | 4,063                                       |                         |                          |
| Income tax                                                  | –                                                                | –                                                       | 286             | 286                                         |                         |                          |
| Segment results                                             | (673)                                                            | 4,063                                                   | (570)           | 2,820                                       |                         |                          |
| Unallocated:                                                |                                                                  |                                                         |                 |                                             |                         |                          |
| Other gain, net                                             |                                                                  |                                                         |                 |                                             | 74                      |                          |
| Administrative and operating expenses                       |                                                                  |                                                         |                 |                                             | (34,879)                |                          |
| Finance Income                                              |                                                                  |                                                         |                 |                                             | 229                     |                          |
| Loss before taxation                                        |                                                                  |                                                         |                 |                                             | (31,756)                |                          |
| Income tax                                                  |                                                                  |                                                         |                 |                                             | –                       |                          |
| Loss for the period                                         |                                                                  |                                                         |                 |                                             | (31,756)                |                          |
| <b>As at 31 December 2011</b>                               |                                                                  |                                                         |                 |                                             |                         |                          |
| Segment assets                                              | 1,065                                                            | 3,683                                                   | 1,104,385       | 1,109,133                                   |                         |                          |
| Unallocated assets                                          |                                                                  |                                                         |                 |                                             | 76,420                  |                          |
| Total assets                                                |                                                                  |                                                         |                 |                                             | 1,185,553               |                          |
| Segment liabilities                                         | 489                                                              | –                                                       | 246,757         | 247,246                                     |                         |                          |
| Unallocated liabilities                                     |                                                                  |                                                         |                 |                                             | 23,869                  |                          |
| Total liabilities                                           |                                                                  |                                                         |                 |                                             | 271,115                 |                          |

## 2. Segment Information (Continued)

|                           | Information<br>technology<br>related<br>services in<br>Hong Kong<br>HK\$'000 | Oil and gas exploration<br>in China |                 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---------------------------|------------------------------------------------------------------------------|-------------------------------------|-----------------|-------------------------|--------------------------|
|                           |                                                                              | Qian An<br>HK\$'000                 | TWE<br>HK\$'000 |                         |                          |
| <b>For the year ended</b> |                                                                              |                                     |                 |                         |                          |
| <b>31 December 2011</b>   |                                                                              |                                     |                 |                         |                          |
| Capital additions         | 6                                                                            | —                                   | 20,966          | 1,976                   | 22,948                   |

The Group's revenue for both the six months ended 30 June 2012 and 2011 is solely derived from its information technology related services segment in Hong Kong.

The Group's non-current assets other than available-for-sale investment, as at 30 June 2012 and 31 December 2011 are further analysed as follows:

|                               | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Hong Kong (place of domicile) | <b>5,129</b>                                                   | 24,802                                                |
| China                         | <b>1,101,854</b>                                               | 1,107,347                                             |
| Indonesia                     | <b>88,929</b>                                                  | —                                                     |
|                               | <b>1,195,912</b>                                               | 1,132,149                                             |

### 3. Revenue

Revenue represents amount receivable for goods sold and services provided in the normal course of business.

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

|                                                                  | For the six months ended 30 June |             |
|------------------------------------------------------------------|----------------------------------|-------------|
|                                                                  | 2012                             | 2011        |
|                                                                  | HK\$'000                         | HK\$'000    |
|                                                                  | (Unaudited)                      | (Unaudited) |
| Sale of computer software                                        | 21                               | 40          |
| Network infrastructure maintenance and sale of computer hardware | 27                               | 100         |
|                                                                  | 48                               | 140         |

### 4. Loss before Taxation

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

|                                              | For the six months ended 30 June |             |
|----------------------------------------------|----------------------------------|-------------|
|                                              | 2012                             | 2011        |
|                                              | HK\$'000                         | HK\$'000    |
|                                              | (Unaudited)                      | (Unaudited) |
| Cost of inventories sold                     | 19                               | 36          |
| Cost of services provided                    | 10                               | 79          |
| Depreciation of plant and equipment          | 672                              | 607         |
| Auditor's remuneration                       | 765                              | 862         |
| Operating lease payments                     | 1,797                            | 1,711       |
| Legal and professional fees                  | 1,350                            | 468         |
| Investor relations expenses                  |                                  |             |
| — Cash payments                              | 438                              | 728         |
| — Share-based payments                       | 7,461                            | 7,694       |
| Technical consultancy expenses               |                                  |             |
| — Share-based payments                       | 3,419                            | 3,400       |
| Staff costs, including Directors' emoluments |                                  |             |
| — Salaries, allowances and other benefits    | 11,451                           | 13,238      |
| — Retirement benefit scheme contributions    | 109                              | 108         |
| — Share-based payments                       | 2,335                            | 3,530       |
| Exchange loss/(gain), net                    | 732                              | (57)        |



## 5. Income Tax

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly are exempted from the payment of the British Virgin Islands income taxes.

No Hong Kong profits tax has been provided as the Group did not have any assessable profits in Hong Kong for the six months ended 30 June 2012 (2011: Nil).

Enterprise Income Tax has not been provided for the subsidiaries in the PRC as they did not generate any assessable profits during the six months ended 30 June 2012 (2011: Nil).

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, has been reporting tax loss since its incorporation. For the six months ended 30 June 2012, the Group has recognised deferred tax asset of approximately HK\$339,000 in respect of the tax losses at TWE during the period, to offset against the deferred tax liability arising from the same entity, under the Income Tax Act (Canada).

## 6. Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

## 7. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2012 and 2011.

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

|                                                                                                          | For the six months<br>ended 30 June |                     |
|----------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------|
|                                                                                                          | 2012<br>(Unaudited)                 | 2011<br>(Unaudited) |
| Loss attributable to equity holders of the Company<br>for the purpose of basic loss per share (HK\$'000) | <b>(33,135)</b>                     | (31,485)            |
| Weighted average number of ordinary shares<br>for the purpose of basic loss per share ('000)             | <b>2,894,788</b>                    | 2,777,459           |
| Basic loss per share (in HK cents)                                                                       | <b>(1.14)</b>                       | (1.13)              |

## 7. Loss Per Share (Continued)

The Group had share options and warrants outstanding as at 30 June 2012 and 30 June 2011. The share options and warrants did not have a dilutive effect on loss per share for the six months ended 30 June 2012 (2011: anti-dilutive).

## 8. Share-based Payments Transaction

On 23 June 2011, a total of 50,000,000 share options to subscribe for ordinary shares at par value of HK\$0.0025 each of the Company were granted by the Company under the share option scheme adopted by the Company on 12 May 2011 ("**2011 Share Option Scheme**") to certain eligible participants of the 2011 Share Option Scheme, with an exercise price of HK\$0.435 per share and a validity period from 23 June 2011 to 22 June 2021. 50% of these share options are exercisable in a period commencing one (1) year from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.

For the six months ended 30 June 2012, the fair value of options granted, which has been recognised in administrative and operating expenses, amounted to approximately HK\$13,215,000 (2011: approximately HK\$14,624,000).

The fair value of the share options granted during the six months ended 30 June 2011 was derived from Binomial option pricing model by applying the following bases and assumptions:

| Date of grant | Dividend yield | Expected volatility (i) | Risk-free rate (ii) | Price of the Company's shares at grant date of options (iii)<br>HK\$ per share |
|---------------|----------------|-------------------------|---------------------|--------------------------------------------------------------------------------|
| 23 June 2011  | Nil            | 52.3%                   | 2.3%                | HK\$0.435                                                                      |

(i) The expected volatility of the options was calculated based on the historical stock price of the Company and comparable companies. It is assumed that the volatility is constant throughout the option life;

(ii) The risk-free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes ("**EFN**") as at the grant date. In this valuation, the yield of 10-year EFN has been adopted in the estimation of risk-free rate for the share options; and

(iii) The price of the Company's shares disclosed as at the date of grant of the share options was the closing price on which the aforesaid share options were granted.

## 8. Share-based Payments Transaction *(Continued)*

The fair value of the share options granted during the six months ended 30 June 2011 has been arrived at on the basis of a valuation carried out on date of grant by Vigers Appraisal and Consulting Limited. The values of the options are subject to the limitations of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

## 9. Plant and Equipment

|                                          | Leasehold<br>improvements<br>HK\$'000 | Computer<br>equipment<br>and<br>software<br>HK\$'000 | Furniture<br>and<br>fixtures<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------|---------------------------------------|------------------------------------------------------|------------------------------------------|---------------------------------|-------------------------------|-------------------|
| <b>Cost</b>                              |                                       |                                                      |                                          |                                 |                               |                   |
| At 1 January 2012 (Audited)              | 1,239                                 | 1,075                                                | 526                                      | 212                             | 4,946                         | 7,998             |
| Exchange differences                     | —                                     | —                                                    | 1                                        | —                               | —                             | 1                 |
| Additions                                | —                                     | —                                                    | —                                        | 28                              | —                             | 28                |
| Acquisition of subsidiaries<br>(note 17) | —                                     | —                                                    | —                                        | 341                             | 127                           | 468               |
| <b>At 30 June 2012 (Unaudited)</b>       | <b>1,239</b>                          | <b>1,075</b>                                         | <b>527</b>                               | <b>581</b>                      | <b>5,073</b>                  | <b>8,495</b>      |
| <b>Accumulated depreciation</b>          |                                       |                                                      |                                          |                                 |                               |                   |
| At 1 January 2012 (Audited)              | 1,166                                 | 938                                                  | 392                                      | 162                             | 2,724                         | 5,382             |
| Depreciation for the period              | 17                                    | 41                                                   | 49                                       | 13                              | 552                           | 672               |
| <b>At 30 June 2012 (Unaudited)</b>       | <b>1,183</b>                          | <b>979</b>                                           | <b>441</b>                               | <b>175</b>                      | <b>3,276</b>                  | <b>6,054</b>      |
| <b>Carrying values</b>                   |                                       |                                                      |                                          |                                 |                               |                   |
| <b>At 30 June 2012 (Unaudited)</b>       | <b>56</b>                             | <b>96</b>                                            | <b>86</b>                                | <b>406</b>                      | <b>1,797</b>                  | <b>2,441</b>      |
| At 31 December 2011 (Audited)            | 73                                    | 137                                                  | 134                                      | 50                              | 2,222                         | 2,616             |

## 10. Oil and Gas Properties

|                                 | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| At cost                         |                                                                |                                                       |
| At beginning of the period/year | <b>1,103,650</b>                                               | 1,107,078                                             |
| Additions                       | <b>1,667</b>                                                   | 20,966                                                |
| Exchange differences            | <b>(7,224)</b>                                                 | (24,394)                                              |
| At end of the period/year       | <b>1,098,093</b>                                               | 1,103,650                                             |

## 11. Interest in a Jointly-controlled Entity

|                                                                                               | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Unlisted shares, at cost                                                                      | <b>298,401</b>                                                 | 298,401                                               |
| Share of post-acquisition losses and other<br>comprehensive losses, net of dividends declared | <b>(7,102)</b>                                                 | (7,168)                                               |
| Less: Impairment losses recognised                                                            | <b>(287,550)</b>                                               | (287,550)                                             |
|                                                                                               | <b>3,749</b>                                                   | 3,683                                                 |

Included in the cost of the interest in a jointly-controlled entity was goodwill amounting to HK\$196,119,000 arising from the acquisition of Qian An, which was fully impaired as at both 30 June 2012 and 31 December 2011.

## 11. Interest in a Jointly-controlled Entity (Continued)

Particulars of the jointly-controlled entity are summarised as follows:

| <b>Name</b>                       | <b>Place of incorporation</b> | <b>Principal activities</b>                                                | <b>Interest indirectly held</b> |
|-----------------------------------|-------------------------------|----------------------------------------------------------------------------|---------------------------------|
| Qian An Oil Development Co., Ltd. | PRC                           | Exploitation of petroleum resources activities and production of petroleum | 50%                             |

## 12. Interest in an Associate

|                                    | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | <b>As at<br/>31 December<br/>2011<br/>HK\$'000<br/>(Audited)</b> |
|------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------|
| Unlisted shares, at cost (note 17) | <b>88,957</b>                                                  | —                                                                |
| Share of post-acquisition losses   | <b>(28)</b>                                                    | —                                                                |
|                                    | <b>88,929</b>                                                  | —                                                                |

Particulars of the associate are summarised as follows:

| <b>Name</b>               | <b>Place of incorporation</b> | <b>Principal activities</b> | <b>Interest indirectly held</b> |
|---------------------------|-------------------------------|-----------------------------|---------------------------------|
| PT. Grasada Multinational | Indonesia                     | Marble rock mining          | 33.8%                           |

### 13. Trade Receivables

|                   | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Trade receivables | <b>11</b>                                                      | —                                                     |

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

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

|                    | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|--------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Within 30 days     | <b>4</b>                                                       | —                                                     |
| Between 31–60 days | <b>—</b>                                                       | —                                                     |
| Over 60 days       | <b>7</b>                                                       | —                                                     |
|                    | <b>11</b>                                                      | —                                                     |

## 14. Share Capital

|                                                               | Number of ordinary shares                               |                                                        | Nominal value                                               |                                                            |
|---------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|
|                                                               | Six months ended<br>30 June 2012<br>'000<br>(Unaudited) | Year ended<br>31 December<br>2011<br>'000<br>(Audited) | Six months ended<br>30 June 2012<br>HK\$'000<br>(Unaudited) | Year ended<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
| <b>Authorised</b>                                             |                                                         |                                                        |                                                             |                                                            |
| As at beginning and end of period/year                        |                                                         |                                                        |                                                             |                                                            |
| Ordinary shares of HK\$0.0025 each                            | 20,000,000                                              | 20,000,000                                             | 50,000                                                      | 50,000                                                     |
| <b>Issued and fully paid</b>                                  |                                                         |                                                        |                                                             |                                                            |
| At the beginning of period/year                               |                                                         |                                                        |                                                             |                                                            |
| Ordinary share of HK\$0.0025 each                             | 2,777,959                                               | 2,777,459                                              | 6,945                                                       | 6,944                                                      |
| Issue of new shares upon exercise of share options            | —                                                       | 500                                                    | —                                                           | 1                                                          |
| Issue of new shares for acquisition of subsidiaries (note 17) | 452,400                                                 | —                                                      | 1,131                                                       | —                                                          |
| As at end of period/year                                      |                                                         |                                                        |                                                             |                                                            |
| Ordinary share of HK\$0.0025 each                             | 3,230,359                                               | 2,777,959                                              | 8,076                                                       | 6,945                                                      |

## 15. Deferred Tax Liabilities

The movement in deferred tax assets and liabilities during the period/year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

### Deferred tax liabilities

|                                 | <b>Oil and gas properties</b> |                  |
|---------------------------------|-------------------------------|------------------|
|                                 | <b>Six months ended</b>       | Year ended       |
|                                 | <b>30 June 2012</b>           | 31 December 2011 |
|                                 | <b>HK\$'000</b>               | HK\$'000         |
|                                 | <b>(Unaudited)</b>            | (Audited)        |
| At beginning of the period/year | <b>248,265</b>                | 253,701          |
| Exchange differences            | <b>(1,618)</b>                | (5,436)          |
| At end of the period/year       | <b>246,647</b>                | 248,265          |

### Deferred tax assets

|                                                    | <b>Tax losses</b>       |                  |
|----------------------------------------------------|-------------------------|------------------|
|                                                    | <b>Six months ended</b> | Year ended       |
|                                                    | <b>30 June 2012</b>     | 31 December 2011 |
|                                                    | <b>HK\$'000</b>         | HK\$'000         |
|                                                    | <b>(Unaudited)</b>      | (Audited)        |
| At beginning of the period/year                    | <b>4,906</b>            | 4,618            |
| Exchange differences                               | <b>(32)</b>             | (100)            |
| Credited to consolidated income statement (Note 5) | <b>339</b>              | 388              |
| At end of the period/year                          | <b>5,213</b>            | 4,906            |



## 15. Deferred Tax Liabilities (Continued)

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

|                          | <b>Six months ended<br/>30 June 2012<br/>HK\$'000<br/>(Unaudited)</b> | Year ended<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|--------------------------|-----------------------------------------------------------------------|------------------------------------------------------------|
| Deferred tax liabilities | <b>246,647</b>                                                        | 248,265                                                    |
| Deferred tax assets      | <b>(5,213)</b>                                                        | (4,906)                                                    |
|                          | <b>241,434</b>                                                        | 243,359                                                    |

## 16. Other Payables

|                     | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Other payables      | <b>32,535</b>                                                  | 23,917                                                |
| Accrued liabilities | <b>5,570</b>                                                   | 3,839                                                 |
|                     | <b>38,105</b>                                                  | 27,756                                                |

## 17. Business Combinations

On 15 May 2012, the Group acquired 95% of the issued share capital of Hugo Link for considerations of US\$3.5 million (equivalent to approximately HK\$27.2 million) and 452,400,000 new Company shares. Through the acquisition, the Group obtained 90.3% and 33.8% equity interests in PT. Bara Hugo Energy and PT. Grasada Multinational respectively. PT. Grasada Multinational is a company established in Indonesia, principally engaged in marble rock mining and related business, and having a mining permit covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency, Indonesia.

## 17. Business Combinations (Continued)

The assets and liabilities acquired were as follows:

|                                                 | <b>Fair value at the<br/>date of acquisition</b> |
|-------------------------------------------------|--------------------------------------------------|
|                                                 | HK\$'000<br>(Unaudited)                          |
| Plant and equipment (note 9)                    | 468                                              |
| Interest in an associate (note 12)              | 88,957                                           |
| Deposits, prepayments and other receivables     | 805                                              |
| Bank balances and cash                          | 866                                              |
| Other payables                                  | (1,599)                                          |
|                                                 | <hr/>                                            |
| Fair value of net assets                        | 89,497                                           |
|                                                 | <hr/>                                            |
| Non-controlling interest                        | (8,726)                                          |
|                                                 | <hr/>                                            |
|                                                 | 80,771                                           |
|                                                 | <hr/>                                            |
| Total consideration satisfied by:               |                                                  |
| Cash paid and payable                           | 27,177                                           |
| Fair value of shares issued (Note)              | 53,594                                           |
|                                                 | <hr/>                                            |
| Total consideration                             | 80,771                                           |
|                                                 | <hr/>                                            |
| Net cash outflow arising on acquisition:        |                                                  |
| Cash consideration                              | 27,177                                           |
| Bank balances and cash acquired                 | (866)                                            |
| Deposit paid in the year ended 31 December 2011 | (19,500)                                         |
|                                                 | <hr/>                                            |
|                                                 | 6,811                                            |
|                                                 | <hr/>                                            |

Note:

Pursuant to the sales and purchase agreement, part of consideration was settled by way of issuance of 452,400,000 new Company shares. The fair value of these shares was arrived at on the basis of a valuation carried out by Vigers Appraisal and Consulting Limited as at the date of acquisition, amounted to approximately HK\$53.6 million.

## 18. Related Party Transactions

Particulars of significant transactions between the Group and related parties during the periods were as follow:

|                                                  | For the six months ended 30 June |                                 |
|--------------------------------------------------|----------------------------------|---------------------------------|
|                                                  | 2012<br>HK\$'000<br>(Unaudited)  | 2011<br>HK\$'000<br>(Unaudited) |
| Petromin (Note (i))                              |                                  |                                 |
| — Professional fees and disbursement (Note (ii)) | 116                              | —                               |

Key management compensation, including share-based payments and accrued bonuses, amounted to approximately HK\$11,004,000 for the six months ended 30 June 2012 (2011: HK\$15,108,000).

Notes:

- (i) Dr. Arthur Ross Gorrell, an executive Director of the Company, has certain interests in Petromin as set out in the section headed “Competing Business and Conflicts of Interest”.

The Company also held approximately 2.6% equity interests in Petromin, and certain convertible debentures issued by Petromin. The debenture is convertible into 3,150,000 common shares of Petromin (approximately 4.7% of the outstanding common shares of Petromin as of 30 June 2012).

- (ii) Petromin provides accounting, promotional, geological, technical, general and executive management services to TWE on an as-required basis. Also, from time to time, the Group reimburses Petromin for miscellaneous expenses such as travelling and accommodation costs paid on the Group’s behalf at cost.

## 19. Operating Leases Commitment

|                                      | As at<br>30 June<br>2012<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|--------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| Within one year                      | 2,890                                               | 1,871                                                 |
| After one year but within five years | 2,117                                               | 1,055                                                 |
|                                      | 5,007                                               | 2,926                                                 |

## 20. Capital Commitment

|                                                         | <b>As at<br/>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2011<br>HK\$'000<br>(Audited) |
|---------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Authorised but not contracted for in respect of the PSC | <b>16,273</b>                                                  | 17,940                                                |

As at 30 June 2012 and 31 December 2011, the Company was in the process of discussing the terms of the extension of the PSC of TWE with CNPC. The amount represented the minimum work commitment authorised by the board of TWE to be incurred before 31 December 2012. During the six months ended 30 June 2012, the capital expenditure incurred for unconventional natural gas businesses amounted to approximately HK\$1.7 million.

## 21. Events Occurring after the Reporting Period

On 10 August 2012, Cedrus Investments Limited, an independent third party, completed a subscription of 154,000,000 new shares at the subscription price of HK\$0.152 per share. The new shares represented approximately 4.8% of existing issued share capital of the Company or approximately 4.6% of the issued share capital of the Company as enlarged by the subscription. The net proceeds from the subscription amounted to approximately HK\$22.6 million.

Also on 10 August 2012, the subscriber completed a subscription of 50,000,000 warrants at the warrant issue price of HK\$0.0025 per warrant. The warrants entitle the subscriber to subscribe for new shares at the warrant subscription price of HK\$0.38 per new share for a period of eighteen (18) months commencing from the date of issuance of the warrants. Each warrant carries the right to subscribe for one new share. The net proceeds from the full exercise of warrants amounted to approximately HK\$19.0 million.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2012, the interests and short positions of each Director and chief executive of the Company, if any, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

*Long positions of Directors in ordinary shares and underlying shares of the Company*

| Name                | Capacity                             | Nature of interests | Number of shares held     | Number of underlying shares held | Total         | Approximate % of shareholding |
|---------------------|--------------------------------------|---------------------|---------------------------|----------------------------------|---------------|-------------------------------|
| Chan Wing Him Kenny | Interest of a controlled corporation | Corporate interest  | 1,188,680,000<br>(Note 1) | –                                | 1,188,680,000 |                               |
|                     | Beneficial owner                     | Personal interest   | 8,834,000                 | 28,847,200<br>(Note 2)           | 37,681,200    |                               |
|                     |                                      |                     | 1,197,514,000             | 28,847,200                       | 1,226,361,200 | 37.96%                        |
| Arthur Ross Gorrell | Beneficial owner                     | Personal interest   | 2,625,000                 | 5,200,000<br>(Note 2)            | 7,825,000     | 0.24%                         |
| David Tsoi          | Beneficial owner                     | Personal interest   | –                         | 1,150,000<br>(Note 2)            | 1,150,000     | 0.04%                         |
| Lo Chi Kit          | Beneficial owner                     | Personal interest   | –                         | 800,000<br>(Note 2)              | 800,000       | 0.02%                         |
| Tam Hang Chuen      | Beneficial owner                     | Personal interest   | 1,000,000                 | 300,000<br>(Note 2)              | 1,300,000     | 0.04%                         |

Notes:

1. These shares are held by Colpo Mercantile Inc. ("**Colpo**"). The entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, the Chairman and CEO of the Company and an executive Director, who is therefore deemed to be interested in 1,188,680,000 shares held by Colpo.

Pursuant to an exchangeable note instrument dated 12 April 2010 ("**Note Instrument**") executed between Colpo and Green Island Cement Company, Limited ("**Green Island**"), Green Island is entitled to exchange for up to 200,000,000 shares held by Colpo at an exercise price of HK\$0.88 per share, subject to adjustment, within an exercise period of three (3) years commencing from 12 April 2010 to 12 April 2013. As the entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, he is therefore deemed to have a short position in such 200,000,000 shares held by Colpo.

2. Total number of shares to be allotted and issued upon exercise in full of share options granted under the 2003 Share Option Scheme (hereinafter defined) and the 2011 Share Option Scheme.

In addition to the above, Mr. Chan Wing Him Kenny has non-beneficial personal equity interests in certain subsidiaries of the Company held solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

## Substantial Shareholders and Other Persons Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director, as at 30 June 2012, the following parties (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

*Interests or short positions in ordinary shares or underlying shares of the Company*

### Substantial shareholders

| Name                                   | Long/Short positions | Capacity         | Number of shares or underlying shares held | Approximate % of shareholding |
|----------------------------------------|----------------------|------------------|--------------------------------------------|-------------------------------|
| Colpo                                  | Long positions       | Beneficial owner | 1,188,680,000<br>(Note 1)                  | 36.70%                        |
|                                        | Short positions      | Beneficial owner | 200,000,000<br>(Note 2)                    | 6.19%                         |
| Cool Legend Limited<br>("Cool Legend") | Long positions       | Beneficial owner | 452,400,000<br>(Note 3)                    | 14.00%                        |

### Other shareholders

|                                         |                |                                     |                         |       |
|-----------------------------------------|----------------|-------------------------------------|-------------------------|-------|
| Cheung Kong (Holdings) Limited (Note 4) | Long positions | Interest of controlled corporations | 200,000,000<br>(Note 4) | 6.19% |
| Hutchison Whampoa Limited (Note 4)      | Long positions | Interest of controlled corporations | 200,000,000<br>(Note 4) | 6.19% |

| <b>Name</b>                                                                                                         | <b>Long/Short positions</b> | <b>Capacity</b>                     | <b>Number of shares or underlying shares held</b> | <b>Approximate % of shareholding</b> |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------|---------------------------------------------------|--------------------------------------|
| Cheung Kong Infrastructure Holdings Limited (Note 4)                                                                | Long positions              | Interest of controlled corporations | 200,000,000<br>(Note 4)                           | 6.19%                                |
| Li Ka-Shing Unity Trustee Company Limited (Note 4)<br>(as trustee of The Li Ka-Shing Unity Trust)                   | Long positions              | Trustee                             | 200,000,000<br>(Note 4)                           | 6.19%                                |
| Li Ka-Shing Unity Trustcorp Limited (Note 4)<br>(as trustee of another discretionary trust)                         | Long positions              | Trustee & beneficiary of a trust    | 200,000,000<br>(Note 4)                           | 6.19%                                |
| Li Ka-Shing Unity Trustee Corporation Limited (Note 4)<br>(as trustee of The Li Ka-Shing Unity Discretionary Trust) | Long positions              | Trustee & beneficiary of a trust    | 200,000,000<br>(Note 4)                           | 6.19%                                |
| Li Ka-shing (Note 4)                                                                                                | Long positions              | Founder of discretionary trust      | 200,000,000<br>(Note 4)                           | 6.19%                                |
| Green Island (Note 4)                                                                                               | Long positions              | Beneficial owner                    | 200,000,000<br>(Note 4)                           | 6.19%                                |

Notes:

- The entire issued share capital of Colpo is solely and beneficially owned by Mr. Chan Wing Him Kenny, the Chairman and CEO of the Company and an executive Director, who is therefore deemed to be interested in 1,188,680,000 shares held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,188,680,000 shares held through Colpo have also been set out in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".



2. Pursuant to the Note Instrument, Green Island is entitled to exchange for up to 200,000,000 shares held by Colpo at an exercise price of HK\$0.88 per share, subject to adjustment, within an exercise period of three (3) years commencing from 12 April 2010 to 12 April 2013. As the entire issued share capital of Colpo is solely and beneficially owned by Mr. Chan Wing Him Kenny, he is therefore deemed to have a short position in such 200,000,000 shares held by Colpo.
3. The entire issued share capital of Cool Legend is solely and beneficially owned by Mr. Thio Sing Tjay Charles, a director of Hugo Link, a subsidiary of the Company, who is therefore deemed to be interested in 452,400,000 shares held by Cool Legend.
4. Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("**DT1**") and another discretionary trust ("**DT2**"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("**TDT1**", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("**TDT2**", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("**UT1**") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("**TUT1**") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("**CKH**"). CKH is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Hutchison Whampoa Limited ("**HWL**"). HWL owns the entire issued share capital of Hutchison International Limited ("**HIL**"). HIL owns the entire issued share capital of Hutchison Infrastructure Holdings Limited, which in turn is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Cheung Kong Infrastructure Holdings Limited ("**CKI**"). Green Island is an indirect wholly-owned subsidiary of CKI.

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("**Unity Holdco**"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

Note: Effective from 16 July 2012, Mr. Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Unity Holdco. Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Unity Holdco.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2, CKH, HWL and CKI is deemed to be interested in the 200,000,000 underlying shares of the Company held by Green Island.

Save as disclosed above, as at 30 June 2012, no person (other than the Directors whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **Share Option Schemes**

The purpose of the 2003 Share Option Scheme (hereinafter defined), the 2011 Share Option Scheme and the TWE Scheme (hereinafter defined) is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company and TWE.

## (1) Share Option Scheme adopted by the Company on 25 January 2003 (“2003 Share Option Scheme”)

On 25 January 2003, the 2003 Share Option Scheme was approved pursuant to written resolutions of the Company. Details of movement of the options granted under the 2003 Share Option Scheme for the six months ended 30 June 2012 were as follows:

### *Movement in the 2003 Share Option Scheme*

| Name or category of participants | Date of grant | Exercise period             | Exercise price per share (HK\$) | As at 1 January 2012      | Granted during the period | Lapsed/ cancelled during the period | Exercised during the period | As at 30 June 2012        |
|----------------------------------|---------------|-----------------------------|---------------------------------|---------------------------|---------------------------|-------------------------------------|-----------------------------|---------------------------|
| <b>Executive Directors</b>       |               |                             |                                 |                           |                           |                                     |                             |                           |
| Chan Wing Him<br>Kenny           | 29/12/2006    | 29/12/2006 to<br>24/01/2013 | 0.0635 <sup>(1)</sup>           | 15,847,200 <sup>(1)</sup> | –                         | –                                   | –                           | 15,847,200 <sup>(1)</sup> |
|                                  | 22/06/2007    | 22/06/2007 to<br>24/01/2013 | 1.365 <sup>(2)</sup>            | 2,000,000 <sup>(2)</sup>  | –                         | –                                   | –                           | 2,000,000 <sup>(2)</sup>  |
|                                  | 19/06/2008    | 19/06/2010 to<br>19/06/2018 | 0.2316                          | 500,000 <sup>(3)</sup>    | –                         | –                                   | –                           | 500,000 <sup>(3)</sup>    |
|                                  | 15/06/2009    | 15/06/2011 to<br>15/06/2019 | 0.73                            | 2,000,000 <sup>(3)</sup>  | –                         | –                                   | –                           | 2,000,000 <sup>(3)</sup>  |
|                                  | 09/07/2010    | 09/07/2012 to<br>08/07/2020 | 0.56                            | 8,500,000 <sup>(4)</sup>  | –                         | –                                   | –                           | 8,500,000 <sup>(4)</sup>  |
| Arthur Ross Gorrell              | 22/06/2007    | 22/06/2007 to<br>24/01/2013 | 1.365 <sup>(2)</sup>            | 1,500,000 <sup>(3)</sup>  | –                         | –                                   | –                           | 1,500,000 <sup>(3)</sup>  |
|                                  | 29/10/2007    | 29/10/2007 to<br>24/01/2013 | 2.44                            | 700,000                   | –                         | –                                   | –                           | 700,000                   |
|                                  | 19/06/2008    | 19/06/2010 to<br>19/06/2018 | 0.2316                          | 500,000 <sup>(3)</sup>    | –                         | –                                   | –                           | 500,000 <sup>(3)</sup>    |
|                                  | 15/06/2009    | 15/06/2011 to<br>15/06/2019 | 0.73                            | 2,000,000 <sup>(3)</sup>  | –                         | –                                   | –                           | 2,000,000 <sup>(3)</sup>  |
|                                  | 09/07/2010    | 09/07/2012 to<br>08/07/2020 | 0.56                            | 500,000 <sup>(4)</sup>    | –                         | –                                   | –                           | 500,000 <sup>(4)</sup>    |

| Name or category of participants           | Date of grant | Exercise period          | Exercise price per share (HK\$) | As at 1 January 2012   | Granted during the period | Lapsed/ cancelled during the period | Exercised during the period | As at 30 June 2012     |
|--------------------------------------------|---------------|--------------------------|---------------------------------|------------------------|---------------------------|-------------------------------------|-----------------------------|------------------------|
| <b>Independent non-executive Directors</b> |               |                          |                                 |                        |                           |                                     |                             |                        |
| David Tsoi                                 | 15/06/2009    | 15/06/2011 to 15/06/2019 | 0.73                            | 750,000 <sup>③</sup>   | –                         | –                                   | –                           | 750,000 <sup>③</sup>   |
|                                            | 09/07/2010    | 09/07/2012 to 08/07/2020 | 0.56                            | 250,000 <sup>④</sup>   | –                         | –                                   | –                           | 250,000 <sup>④</sup>   |
| Lo Chi Kit                                 | 15/06/2009    | 15/06/2011 to 15/06/2019 | 0.73                            | 600,000 <sup>③</sup>   | –                         | –                                   | –                           | 600,000 <sup>③</sup>   |
|                                            | 09/07/2010    | 09/07/2012 to 08/07/2020 | 0.56                            | 100,000 <sup>④</sup>   | –                         | –                                   | –                           | 100,000 <sup>④</sup>   |
| Tam Hang Chuen                             | 15/06/2009    | 15/06/2011 to 15/06/2019 | 0.73                            | 100,000 <sup>③</sup>   | –                         | –                                   | –                           | 100,000 <sup>③</sup>   |
|                                            | 09/07/2010    | 09/07/2012 to 08/07/2020 | 0.56                            | 100,000 <sup>④</sup>   | –                         | –                                   | –                           | 100,000 <sup>④</sup>   |
|                                            |               |                          |                                 | 35,947,200             | –                         | –                                   | –                           | 35,947,200             |
| <b>Other employees</b>                     |               |                          |                                 |                        |                           |                                     |                             |                        |
| In aggregate                               | 19/06/2008    | 19/06/2010 to 19/06/2018 | 0.2316                          | 8,350,000 <sup>③</sup> | –                         | –                                   | –                           | 8,350,000 <sup>③</sup> |
|                                            | 15/06/2009    | 15/06/2011 to 15/06/2019 | 0.73                            | 4,030,000 <sup>③</sup> | –                         | –                                   | –                           | 4,030,000 <sup>③</sup> |
|                                            | 06/10/2009    | 06/10/2011 to 06/10/2019 | 0.75                            | 60,000 <sup>③</sup>    | –                         | –                                   | –                           | 60,000 <sup>③</sup>    |
|                                            | 04/02/2010    | 04/02/2012 to 04/02/2020 | 0.514                           | 7,230,000 <sup>③</sup> | –                         | –                                   | –                           | 7,230,000 <sup>③</sup> |
|                                            | 09/07/2010    | 09/07/2012 to 08/07/2020 | 0.56                            | 7,700,000 <sup>④</sup> | –                         | –                                   | –                           | 7,700,000 <sup>④</sup> |
|                                            |               |                          |                                 | 27,370,000             | –                         | –                                   | –                           | 27,370,000             |

| Name or category of participants | Date of grant | Exercise period          | Exercise price per share (HK\$)                         | As at 1 January 2012      | Granted during the period | Lapsed/ cancelled during the period | Exercised during the period | As at 30 June 2012         |
|----------------------------------|---------------|--------------------------|---------------------------------------------------------|---------------------------|---------------------------|-------------------------------------|-----------------------------|----------------------------|
| <b>Others</b>                    |               |                          |                                                         |                           |                           |                                     |                             |                            |
| In aggregate                     | 20/03/2007    | 20/03/2007 to 24/01/2013 | 0.1125 <sup>(1)</sup>                                   | 15,840,000 <sup>(1)</sup> | –                         | –                                   | –                           | 15,840,000 <sup>(1)</sup>  |
|                                  | 26/04/2007    | 26/04/2007 to 24/01/2013 | 0.579 <sup>(2)</sup>                                    | 1,000,000 <sup>(2)</sup>  | –                         | –                                   | –                           | 1,000,000 <sup>(2)</sup>   |
|                                  | 22/06/2007    | 22/06/2007 to 24/01/2013 | 1.365 <sup>(3)</sup>                                    | 13,000,000 <sup>(3)</sup> | –                         | –                                   | –                           | 13,000,000 <sup>(3)</sup>  |
|                                  | 29/10/2007    | 29/10/2007 to 24/01/2013 | 2.44                                                    | 23,500,000                | –                         | –                                   | –                           | 23,500,000                 |
|                                  | 19/06/2008    | 19/06/2010 to 19/06/2018 | 0.2316                                                  | 500,000 <sup>(3)</sup>    | –                         | –                                   | –                           | 500,000 <sup>(3)</sup>     |
|                                  | 15/06/2009    | 15/06/2011 to 15/06/2019 | 0.73                                                    | 20,000,000 <sup>(3)</sup> | –                         | –                                   | –                           | 20,000,000 <sup>(3)</sup>  |
|                                  | 06/10/2009    | 06/10/2011 to 06/10/2019 | 0.75                                                    | 350,000 <sup>(3)</sup>    | –                         | –                                   | –                           | 350,000 <sup>(3)</sup>     |
|                                  | 04/02/2010    | 04/02/2012 to 04/02/2020 | 0.514                                                   | 50,250,000 <sup>(3)</sup> | –                         | –                                   | –                           | 50,250,000 <sup>(3)</sup>  |
|                                  | 09/07/2010    | 09/07/2012 to 08/07/2020 | 0.56                                                    | 61,850,000 <sup>(4)</sup> | –                         | –                                   | –                           | 61,850,000 <sup>(4)</sup>  |
|                                  |               |                          |                                                         | 186,290,000               | –                         | –                                   | –                           | 186,290,000                |
|                                  |               |                          | <b>Total:</b>                                           | 249,607,200               | –                         | –                                   | –                           | 249,607,200 <sup>(5)</sup> |
|                                  |               |                          | <b>Weighted average exercise price per share (HK\$)</b> | 0.73                      | –                         | –                                   | –                           | 0.73                       |

Notes:

- (1) The exercise price and number of share options were adjusted upon the first and second subdivisions of shares of the Company which came to effect on 18 April 2007 and 29 August 2007, respectively.
- (2) The exercise price and number of share options were adjusted upon the second subdivision of shares of the Company which came to effect on 29 August 2007.
- (3) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the tenth anniversary from the date of grant.
- (4) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.
- (5) As at 30 June 2012, the Company had 249,607,200 (31 December 2011: 249,607,200) share options outstanding under the 2003 Share Option Scheme, which represented approximately 7.73% (31 December 2011: approximately 9.33%) of the Company's shares in issue on that date.

## (2) 2011 Share Option Scheme

The Company adopted the 2011 Share Option Scheme which was approved by shareholders in the Company's annual general meeting held on 12 May 2011. Details of movement of the options granted under the 2011 Share Option Scheme for the six months ended 30 June 2012 were as follows:

### *Movement in the 2011 Share Option Scheme*

| Name or category of participants           | Date of grant | Exercise period          | Exercise price per share (HK\$)                         | As at 1 January 2012                    | Granted during the period | Lapsed/cancelled during the period | Exercised during the period | As at 30 June 2012        |
|--------------------------------------------|---------------|--------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------|------------------------------------|-----------------------------|---------------------------|
| <b>Independent non-executive Directors</b> |               |                          |                                                         |                                         |                           |                                    |                             |                           |
| David Tsoi                                 | 23/06/2011    | 23/06/2012 to 22/06/2021 | 0.435                                                   | 150,000 <sup>(1)</sup>                  | –                         | –                                  | –                           | 150,000 <sup>(1)</sup>    |
| Lo Chi Kit                                 | 23/06/2011    | 23/06/2012 to 22/06/2021 | 0.435                                                   | 100,000 <sup>(1)</sup>                  | –                         | –                                  | –                           | 100,000 <sup>(1)</sup>    |
| Tam Hang Chuen                             | 23/06/2011    | 23/06/2012 to 22/06/2021 | 0.435                                                   | 100,000 <sup>(1)</sup>                  | –                         | –                                  | –                           | 100,000 <sup>(1)</sup>    |
|                                            |               |                          |                                                         | 350,000                                 | –                         | –                                  | –                           | 350,000                   |
| <b>Other employees</b>                     |               |                          |                                                         |                                         |                           |                                    |                             |                           |
| In aggregate                               | 23/06/2011    | 23/06/2012 to 22/06/2021 | 0.435                                                   | 4,250,000 <sup>(1)</sup>                | –                         | (50,000)                           | –                           | 4,200,000 <sup>(1)</sup>  |
|                                            |               |                          |                                                         | 4,250,000                               | –                         | (50,000)                           | –                           | 4,200,000                 |
| <b>Others</b>                              |               |                          |                                                         |                                         |                           |                                    |                             |                           |
| In aggregate                               | 23/06/2011    | 23/06/2012 to 22/06/2021 | 0.435                                                   | 45,350,000 <sup>(1)</sup>               | –                         | –                                  | –                           | 45,350,000 <sup>(1)</sup> |
|                                            |               |                          |                                                         | 45,350,000                              | –                         | –                                  | –                           | 45,350,000                |
|                                            |               |                          |                                                         | <b>Total:</b> 49,950,000 <sup>(2)</sup> | –                         | (50,000)                           | –                           | 49,900,000 <sup>(2)</sup> |
|                                            |               |                          | <b>Weighted average exercise price per share (HK\$)</b> | 0.435                                   | –                         | 0.435                              | –                           | 0.435                     |

Notes:

- (1) 50% of the share options are exercisable in a period commencing one (1) year from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.
- (2) As at 30 June 2012, the Company had 49,900,000 (31 December 2011: 50,000,000) share options outstanding under the 2011 Share Option Scheme, which represented approximately 1.5% (31 December 2011: 1.8) of the Company's shares in issue on that date.

### **(3) Share Option Scheme of TWE**

On 8 April 2009, TWE adopted a share option scheme ("**TWE Scheme**") which was approved by shareholders in the Company's annual general meeting held on 20 April 2009. As at 30 June 2012, no share options were granted under the TWE Scheme.

Prior to the adoption of the TWE Scheme, pursuant to the articles of TWE, a total of 12,850,000 incentive stock options ("**TWE Options**") were granted by TWE to certain of its directors and consultants to subscribe for common shares of TWE on 27 August 2008. These options all lapsed on 27 August 2011.



## Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the six months ended 30 June 2012.

## Competing Business and Conflicts of Interest

During the six months ended 30 June 2012, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, co-chairman, president and chief executive officer of Petromin. As at 30 June 2011, Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 6.05% of the issued common share capital) in Petromin.

Petromin is engaged in the business of acquisition and development of oil and gas properties. As of 30 June 2012, Petromin had oil and gas properties in the province of Alberta, Canada. Taking into account (i) the operation of Petromin's business in Canada which is geographically different from the Company's current project operation in China; (ii) the Company and Petromin have different target customers; and (iii) Mr. Chan Wing Him Kenny and Colpo, being the Company's controlling shareholders ("**Controlling Shareholders**"), had entered into a deed of non-competition undertakings dated 7 December 2010 in favour of the Company ("**Deed**"), the Board considers that the business of Petromin does not and will not have any direct competition with the Group's business. The term of the Deed commenced from 17 December 2010 and shall end on the occurrence of the earliest of (i) the day on which the shares of the Company ceased to be listed on the Main Board of the Stock Exchange or any stock exchange (except the delisting from the Growth Enterprise Market ("**GEM**") pursuant to the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange); (ii) the day on which the Controlling Shareholders cease to be interested in at least 30% of the entire issued share capital of the Company; or (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of the Company.

Save as disclosed above, none of the executive Directors of the Company or any of their respective associates had been interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the Group's business.

## Directors' Securities Transactions

On 17 December 2010, the Board adopted a new code of conduct regarding directors' securities transactions ("**2010 Model Code**") based on the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with the 2010 Model Code throughout the six months ended 30 June 2012.

## Code on Corporate Governance Practices

In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2012:

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Wing Him Kenny, an executive Director, has served both roles as the Chairman of the Board and the CEO of the Company since May 2008. The Board is of the view that this has not compromised accountability and independent decision-making for the following reasons:

- The independent non-executive Directors ("**INEDs**") form the majority of the Board;
- The audit committee of the Company ("**Audit Committee**") composed exclusively of INEDs; and
- The INEDs have free and direct access to the Company's external auditors and independent professional advisers when considered necessary.

Under Code Provision A.5.1 of the CG Code, the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The role of the proposed nomination committee has been performed by the Board. The Board is of the view that this has not prejudiced the Company in appointment of directors for the following reasons:

- The INEDs form the majority of the Board; and
- The INEDs have free and direct access to the Company's independent professional advisers when considered necessary.

## **Audit Committee**

The Audit Committee comprises three INEDs, namely, Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen, with Mr. David Tsoi as the chairman.

On 29 March 2012, the Company adopted new terms of reference (in replacement of the old terms of reference) of the Audit Committee in accordance with the requirements of the CG Code which took effect from 1 April 2012. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the effectiveness of the Group's internal controls and risk management. The Group's unaudited results for the six months ended 30 June 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board  
**Enviro Energy International Holdings Limited**  
**Chan Wing Him Kenny**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2012

As at the date of this report, the Directors are:

### **Executive Directors**

Mr. Chan Wing Him Kenny  
Dr. Arthur Ross Gorrell

### **Independent non-executive Directors**

Mr. David Tsoi  
Mr. Lo Chi Kit  
Mr. Tam Hang Chuen