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Enviro Energy International Holdings Limited

環能國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Website: <http://www.enviro-energy.com.hk>

(Stock Code: 1102)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

Management Discussion and Analysis

Enviro Energy International Holdings Limited (“**EE**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) is principally engaged in investment holding and development of a full range of natural resource-related projects involving hydrocarbons and other natural resources.

Business Review

Unconventional natural gas business

As at 30 June 2013, 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 the Liuhuanggou coalbed methane (“**CBM**”) production sharing contract dated 30 December 2005 (“**PSC**”), which is located in Xinjiang, the People’s Republic of China (“**PRC**” or “**China**”). The PSC is now administered by PetroChina Coalbed Methane Company Ltd., an indirect subsidiary of CNPC.

Under the terms of the PSC, TWE has the right to explore for, develop, produce and sell CBM or liquid hydrocarbons extracted from CBM. CBM is defined in the PSC as all gas stored in four named geological formations of Jurassic age to a depth of 1,500 metres.

TWE holds the first fully-approved and currently the only CBM PSC in Xinjiang which is considered to be among the most attractive CBM exploration areas in the world based on known coal resources and regional economic development plans of the central government of China.

As previously reported, well LHG12-02 was spudded on 11 November 2012 and drilled to a depth of 750 metres in the prospective Jurassic Badaowan (J1B) formation in the vicinity of existing well LHG10-02. During the reporting period, the results of the geophysical logging of well LHG12-02 were reviewed and analysed by expert staff in Canada. The logs indicated excellent gas kicks over the multiple coal seams as

expected and additionally show highly prospective zones of carbonaceous shale and sandstone in rocks surrounding the coal. These log results exceeded expectations in the sandstone zones. Future development plans will coordinate fracture stimulation and production between the two existing J1B wells. The promising results confirm the formation to be very prospective for natural gas and additional wells are planned for the future.

Also as previously reported, well LHG12-01 planned in the vicinity of existing well LHG10-01 to further evaluate the prospective Jurassic Xishanyao (J2X) formation was deferred from 2012 operations to 2013 due to the inclement winter weather which struck the Liuhuanggou area in December 2012. Equipment remains in the field and ready for mobilisation.

Subsequently, as previously reported on 17 June 2013, TWE is seeking written clarification from CNPC regarding the CBM fairway lands within the PSC. Until such clarification is received, TWE will delay the start of CBM operations for 2013. The clarification sought from CNPC includes explanation of any potential impacts on previously reported CBM discovered resources and oil and gas resources originally in place (OGIP) within the PSC, details of which have been disclosed on page 17 in the 2012 annual report of the Company published on 15 April 2013.

Conventional crude oil business

As disclosed in the announcement of the Company on 11 March 2013, EE completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited, for a cash consideration of RMB51.5 million (equivalent to approximately HK\$62.8 million). Please refer to that announcement for further details.

Marble business

EE responded to the growing economy and favourable economic conditions in Southeast Asia by acquiring marble assets in Indonesia. As at 30 June 2013, the Company indirectly held approximately 90% of PT. Bara Hugo Energy (“**BHE**”) which in turn held 37.5% of PT. Grasada Multinational (“**GM**”), which held a mining permit covering the Maros Marble Project in southwestern Sulawesi, Indonesia. BHE also held warrants in GM which upon exercise will bring its shareholding in GM to 60%. During the six months ended 30 June 2013, the Company proceeded to prepare marble resource and reserve estimations according to international industry standards, and preliminary studies indicate that the marble products at GM have very attractive massive and layered limestones with very good dimension stone characteristics. The expected range of resource would be at least three (3) million cubic metres of dimension stone quality limestones. The Company will provide shareholders updates as and when appropriate. Commercial development could then follow should marble reserves be identified.

On 18 March 2013, the Company through one of its wholly-owned subsidiaries, commenced to operate exclusively on a producing marble mine in Indonesia. This mine concession covers approximately 20 hectares located at Barabatu, Labakkang District, Pangkep Regency, South Sulawesi Province, Indonesia, an area known for high quality marble quarries. The scale of potentially recoverable marble is not known with certainty but is substantial, and a geological report conducted in 1997 estimated uncategorised marble resources at the concession to exceed seven (7) million cubic metres. Since April 2013, the Group has produced approximately 200 cubic metres of marble products in French white cream and Italian yellow amber colours, sufficient for (or equivalent to) approximately 86,000 square feet (8,000 square metres) of standard, polished one-side 20 millimetres thick floor tiles. Sales for the marble products have been initiated to buyers in China before the end of the reporting period. Laboratory analysis also indicated the recently produced marble products conform to industry specification for marble floor tile. The Group is now steadily increasing the production output as well as actively marketing the marble products globally

via various channels. The current operating arrangements between the Group and the concession owner does not necessitate qualification of marble resources / reserves according to international reporting standards at this point in time. If and when the Group requires the issuance of marble resources / reserves according to a reportable standard, such evaluations will be completed and shared with shareholders of the Company.

Business Prospects

Unconventional natural gas business

International developments in unconventional natural gas remain focused on North America where natural gas prices remain at low levels. The price levels have led the industry to expand consideration of liquefied natural gas (LNG) 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.

Natural gas price levels are also leading to greatly increased utilisation of gas as fuel for generating electricity in the US. This dynamic has resulted in increased US export of thermal coal to Asia but may assist to stabilise gas price levels.

Elsewhere, unconventional natural gas particularly shale gas continues to expand slowly reflecting the technical challenges in different areas of the world.

China is one of the preferred LNG target 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 new auctions of shale gas concessions are planned. Foreign entities have not been invited to participate and 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.

The outstanding potential of the Junggar Basin region of Xinjiang is reflected in the extensive report on the geology of the Junggar basin by the US Department of Energy, Energy Information Administration (EIA) in a widely reported June 2013 report on world shale gas potential. The report makes note of the Group's activities in the Junggar basin.

Other investment opportunities

EE continues to opportunistically and aggressively review potential investments in natural resources throughout Southeast Asia with emphasis on the outstanding resource base of Indonesia. The region is already providing outstanding opportunities for growth, and EE is actively on the lookout for additional prospective targets with advanced regulatory status. EE is reviewing projects with the potential to leverage investment in the upstream end of the business and which can generate near term cash flow.

The portfolio of projects reviewed to date, confirms to the Company that there are opportunities which meet its strategic investment criteria across a spectrum of minerals.

In the industrial minerals space the Company has identified outstanding economic potential in oilfield minerals. The demand for such minerals is well understood by the Company based on its hydrocarbon industry experience. The group of mineral including but not limited to barite, bentonite, and the proppant

minerals, high silica sand, kaolin and bauxite are all characterised by high unit values, exploitation by off-the-shelf technology and growing demand across a global marketplace.

Financial Review

Oil and gas segment

Unconventional natural gas business

During the six months ended 30 June 2013, EE's unconventional natural gas businesses were still in exploration and evaluation phases.

As disclosed above, TWE has been seeking written clarification from CNPC regarding the CBM fairway lands within the PSC and therefore has delayed the start of CBM operations for 2013. As a result, the capital expenditure incurred for EE's unconventional natural gas businesses amounted to approximately HK\$0.4 million. TWE continued to plan for fracture stimulation of existing wells and the drilling of more pilot production wells, the total cost of which exceed the contract annual minimum expenditure level under the PSC (i.e. US\$1.3 million), but which remains pending until the above clarification as well as following prescribed PSC budgeting procedures. Additional field work is expected to lead to upgrading of discovered CBM resources to the reserve category. As disclosed previously, once the results of the pilot production are available, TWE will be able to start finalising off-take arrangements with local gas suppliers and / or owners of the national pipelines. TWE could then also initiate the regulatory approval process of the overall development program once preliminary transportation and sales arrangements are in place. TWE's basic longer term plan is to follow pilot CBM production with the development of a 36 wells CBM production project within the most prospective area where CBM discovered resources are located. The project would represent the initial stage of a larger commercial development.

Conventional crude oil business

As disclosed in the announcement of the Company on 11 March 2013, EE completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited, for a cash consideration of RMB51.5 million (equivalent to approximately HK\$62.8 million). The gain accrued to the Company on the disposal is approximately HK\$81.9 million, which is equal to the difference between the carrying value of the disposal group as at date of the agreement, the consideration and cumulative exchange differences.

Marble segment

During the six months ended 30 June 2013, EE initiated sales in the marbles business to buyers in China amounting to approximately HK\$260,000 (2012: Nil). The capital expenditure incurred for EE's marble business amounted to approximately HK\$600,000.

Information technology ("IT") and network infrastructure segment

During the six months ended 30 June 2013, 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 2013 amounted to approximately HK\$33,000 (2012: HK\$48,000).

Administrative and operating expenses

For the six months ended 30 June 2013, administrative and operating expenses amounted to approximately HK\$28.6 million (2012: HK\$34.8 million), representing a decrease of approximately 17.8%. The decrease was mainly due to the decrease in share-based payment expenses.

During the six months ended 30 June 2013, share-based payment expenses amounting to HK\$2.1 million in relation to share options granted to employees of the Group was charged to the consolidated income

statement (2012: HK\$2.3 million). The share-based payment expenses in relation to share options granted to non-employees amounted to HK\$3.7 million (2012: HK\$10.9 million), of which HK\$2.3 million (2012: HK\$7.5 million) was recorded as investor relations expenses and HK\$1.4 million (2012: 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 2013, exchange differences mainly arising on translation of the Canadian operation amounted to approximately HK\$46.1 million (2012: HK\$5.1 million) because the Canadian dollar ("C\$") depreciated by approximately 5% against the Hong Kong dollar ("HK\$"), when translating the carrying value of EE's Canadian subsidiary, namely TWE.

Profit attributable to equity holders of the Company

As a result of the above-mentioned factors, profit attributable to equity holders of the Company for the six months ended 30 June 2013 amounted to approximately HK\$54.2 million (2012: loss of HK\$33.1 million).

Liquidity and financial resources

For the six months ended 30 June 2013, EE mainly financed its operations with funds raised from previous share placements and proceeds from the disposal of Allied Resources Limited in March 2013. As at 30 June 2013, the Group had bank balances and cash of approximately HK\$62.7 million (as at 31 December 2012: HK\$27.5 million). The Group's current ratio stood at approximately 3.6 as at 30 June 2013 (as at 31 December 2012: 0.6).

On 10 May 2013, Cedrus Investments Limited, an existing shareholder of the Company, subscribed for an additional 77,500,000 new shares of the Company at HK\$0.150 per new share, raising net proceeds of approximately HK\$11.6 million.

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\$ and United States dollars ("US\$"). EE's financial risk management objectives and policies are reviewed regularly by the Board.

As at 30 June 2013, the Group had net assets of approximately HK\$1,082.1 million (as at 31 December 2012: HK\$1,056.6 million).

As at 30 June 2013, the Group continued to maintain a debt-free capital structure.

As at 30 June 2013, 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 2012: Nil).

Charge on group assets

As at 30 June 2013, the Group did not have any charges on the Group's assets (as at 31 December 2012: Nil).

Foreign exchange exposure

EE mainly earned revenue and incurred costs in HK\$, Renminbi, C\$, Indonesian Rupiah 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 2013, the Group did not have any capital commitments (as at 31 December 2012: HK\$4.2 million).

Contingent liabilities

As at 30 June 2013, the Group had no contingent liabilities (as at 31 December 2012: Nil).

Significant Investments and Future Plans for Material Investments

During the six months ended 30 June 2013, 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 Southeast Asia, the PRC and overseas.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

As disclosed in the announcement of the Company on 11 March 2013, Allied Resources Limited, being a wholly-owned subsidiary of the Company, and the purchaser, have on 11 March 2013 entered into the deed of cancellation pursuant to which the parties have agreed to terminate and release all their respective rights and obligations under and pursuant to the agreement dated 18 October 2012 in relation to the sale and purchase of 100% of Jilin Hengli Industries Liability Co., Ltd, an indirect wholly-owned subsidiary of the Company with effect from the signing of the deed of cancellation. Also on 11 March 2013, the Company and the new purchaser have entered into the disposal agreement pursuant to which the Company has agreed to sell and the new purchaser has agreed to acquire 100% of Allied Resources Limited for a cash consideration of RMB50 million and the new purchaser agreed to pay the Company the cash balance of Allied Resources Limited as at 28 February 2013 on completion. The transaction was completed on 11 March 2013. Please refer to that announcement for further details.

Save for the disposal 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 2013, the Group had 51 full-time employees (as at 31 December 2012: 29) 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 2013, together with the comparative figures for the corresponding period in 2012 as follows:

		For the six months ended 30 June	
		2013	2012
	<i>Note</i>	HK\$'000	(Restated)
		(Unaudited)	HK\$'000
			(Unaudited)
Continuing operations:			
Revenue	3	293	48
Cost of sales		(174)	(29)
Gross profit		119	19
Other (loss)/gain, net		(133)	138
Selling and distribution expenses		(1,054)	-
Administrative and operating expenses		(28,619)	(33,422)
Gain on disposal of subsidiaries	15	81,934	-
Finance income		221	219
Profit/(loss) before taxation	4	52,468	(33,046)
Income tax	5	399	339
Profit/(loss) for the period from continuing operations		52,867	(32,707)
Discontinued operations:			
Loss for the period from discontinued operations		(21)	(736)
Profit/(loss) for the period		52,846	(33,443)
Attributable to:			
Equity holders of the Company			
Continuing operations		54,232	(32,399)
Discontinued operations		(21)	(736)
		54,211	(33,135)
Non-controlling interests			
Continuing operations		(1,365)	(308)
		52,846	(33,443)

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Restated) (Unaudited)
		HK Cents	HK Cents
Earnings/(loss) per share attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic – from continuing operations		1.59	(1.12)
Basic – from discontinued operations		(0.00)	(0.02)
		<hr/>	<hr/>
Basic – from the profit/(loss) for the period		1.59	(1.14)
		<hr/> <hr/>	<hr/> <hr/>
Diluted – from continuing operations		1.58	(1.12)
Diluted – from discontinued operations		(0.00)	(0.02)
		<hr/>	<hr/>
Diluted – from the profit/(loss) for the period		1.58	(1.14)
		<hr/> <hr/>	<hr/> <hr/>
Dividends	6	-	-
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	52,846	(33,443)
Other comprehensive loss		
Item that is or may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on available-for-sale investment	(973)	259
Translation reserve released upon disposal of subsidiaries	(509)	-
Exchange differences arising from translation of foreign operations	(46,114)	(5,084)
	<hr/>	<hr/>
Other comprehensive loss for the period, net of tax	(47,596)	(4,825)
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	5,250	(38,268)
	<hr/>	<hr/>
Attributable to:		
Equity holders of the Company	18,911	(36,462)
Non-controlling interests	(13,661)	(1,806)
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	5,250	(38,268)
	<hr/>	<hr/>
Total comprehensive income/(loss) attributable to equity holders of the Company arises from:		
Continuing operations	5,301	(37,526)
Discontinued operations	(51)	(742)
	<hr/>	<hr/>
	5,250	(38,268)
	<hr/>	<hr/>

Consolidated Balance Sheet

	Note	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	9	2,483	3,005
Exploration and evaluation assets	10	1,257,712	1,316,257
Available-for-sale investment		511	1,484
Club memberships		2,700	2,700
Deposit		857	574
		1,264,263	1,324,020
Current assets			
Inventories		654	-
Trade receivables	11	273	2
Deposits, prepayments and other receivables		5,234	2,938
Financial asset at fair value through profit or loss		3,147	3,321
Bank balances and cash		62,749	25,884
		72,057	32,145
Assets of disposal group classified as held-for-sale		-	1,711
		72,057	33,856
Total assets		1,336,320	1,357,876
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	8,734	8,461
Share premium and reserves		732,428	693,598
		741,162	702,059
Non-controlling interests		340,928	354,589
Total equity		1,082,090	1,056,648
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	13	234,361	247,733
Current liabilities			
Trade and other payables	14	19,869	33,190
Liabilities of disposal group classified as held-for-sale		-	20,305
		19,869	53,495
Total liabilities		254,230	301,228
Total equity and liabilities		1,336,320	1,357,876
Net current assets/(liabilities)		52,188	(19,639)
Total assets less current liabilities		1,316,451	1,304,381

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Capital reserve	Share options reserve	Translation reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2012 (Audited)	6,945	807,881	19,980	117,097	62,425	58,792	(389,274)	683,846	230,592	914,438
Comprehensive income/(loss)										
Loss for the period	-	-	-	-	-	-	(33,135)	(33,135)	(308)	(33,443)
Other comprehensive income/(loss)										
Gain on change in fair value of available-for-sale investment	-	-	-	-	-	259	-	259	-	259
Exchange differences arising from translation of foreign operations, as restated	-	-	-	-	(3,586)	-	-	(3,586)	(1,498)	(5,084)
Total other comprehensive income/(loss), as restated	-	-	-	-	(3,586)	259	-	(3,327)	(1,498)	(4,825)
Total comprehensive income/(loss) for the period, as restated	-	-	-	-	(3,586)	259	(33,135)	(36,462)	(1,806)	(38,268)
Transactions with Shareholders										
Recognition of equity settled share-based payment	-	-	-	13,215	-	-	-	13,215	-	13,215
Issuance of new shares for acquisition of warrants and subsidiaries, as restated	1,131	82,563	-	-	-	(47,782)	-	35,912	120,145	156,057
Total transactions with shareholders, as restated	1,131	82,563	-	13,215	-	(47,782)	-	49,127	120,145	169,272
As at 30 June 2012 (Unaudited), as restated	8,076	890,444	19,980	130,312	58,839	11,269	(422,409)	696,511	348,931	1,045,442
As at 1 January 2013 (Audited)	8,461	912,648	19,980	134,981	76,591	12,090	(462,692)	702,059	354,589	1,056,648
Comprehensive income/(loss)										
Profit/(loss) for the period	-	-	-	-	-	-	54,211	54,211	(1,365)	52,846
Other comprehensive loss										
Loss on change in fair value of available-for-sale investment	-	-	-	-	-	(973)	-	(973)	-	(973)
Translation reserve released upon disposal of subsidiaries	-	-	-	-	(509)	-	-	(509)	-	(509)
Exchange differences arising from translation of foreign operations	-	-	-	-	(33,818)	-	-	(33,818)	(12,296)	(46,114)
Total other comprehensive loss	-	-	-	-	(34,327)	(973)	-	(35,300)	(12,296)	(47,596)
Total comprehensive income/(loss) for the period	-	-	-	-	(34,327)	(973)	54,211	18,911	(13,661)	5,250
Transactions with Shareholders										
Recognition of equity settled share-based payment	-	-	-	5,779	-	-	-	5,779	-	5,779
Exercise of share options	79	5,371	-	(2,662)	-	-	-	2,788	-	2,788
Lapse of share options	-	-	-	(55,354)	-	-	55,354	-	-	-
Lapse of warrants	-	-	-	-	-	(23)	23	-	-	-
Issuance of new shares	194	11,431	-	-	-	-	-	11,625	-	11,625
Total transactions with shareholders	273	16,802	-	(52,237)	-	(23)	55,377	20,192	-	20,192
As at 30 June 2013 (Unaudited)	8,734	929,450	19,980	82,744	42,264	11,094	(353,104)	741,162	340,928	1,082,090

Condensed Consolidated statement of Cash Flows

	For the six months ended 30 June	
	2013	2012
	HK\$'000	(Restated) HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(35,394)	(19,258)
Net cash generated from/(used in) investing activities	57,347	(786)
Net cash generated from financing activities	14,413	-
Net increase/(decrease) in bank balances and cash	36,366	(20,044)
Bank balances and cash at beginning of period	25,884	48,906
Exchange gains on bank balances and cash	499	696
Bank balances and cash at end of period	62,749	29,558

Notes:

1. Principal Accounting Policies and Basis of Preparation

The Company has a financial year end date of 31 December. This consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". This consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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.

In the reporting period, the Group has adopted a number of new and revised HKFRS, issued by the Hong Kong Institute of Certified Public Accountants that are effective for the accounting period beginning on 1 January 2013. The adoption of these new and revised HKFRS has no material impact on the Group's financial statements.

The Group has not early adopted the new and revised HKFRS which have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new and revised HKFRS and the directors so far concluded that the application of these new and revised HKFRS will have no material impact on the Group's financial statements.

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) Exploration, development and production of CBM and natural gas in China
- (ii) Marble rock mining in Indonesia
- (iii) Exploration, development and production of petroleum in China
- (iv) Information technology related services in Hong Kong

2. Segment Information *(Continued)*

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 joint venture, selling and distribution expense, administrative and operating expense, finance income and income tax. 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:

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Information technology related services in Hong Kong HK\$'000	Gas exploration in China HK\$'000	Marble rock mining in Indonesia HK\$'000	Sub-total HK\$'000	Oil exploration in China HK\$'000	
For the six months ended 30 June 2013						
Segment revenue	33	-	260	293	-	293
Gross profit	23	-	96	119	-	119
Selling and distribution expenses	-	-	(1,054)	(1,054)	-	(1,054)
Administrative and operating expenses	(1,201)	(1,163)	(2,532)	(4,896)	(21)	(4,917)
Finance income	-	1	-	1	-	1
Income tax	-	399	-	399	-	399
Segment results	(1,178)	(763)	(3,490)	(5,431)	(21)	(5,452)
Unallocated: Other loss, net						(133)
Administrative and operating expenses						(23,723)
Gain on disposal of subsidiaries						81,934
Finance income						220
Profit before taxation						52,846
Income tax						-
Profit for the period						52,846
As at 30 June 2013						
Segment assets	677	1,077,674	185,180	1,263,531	-	1,263,531
Unallocated assets						72,789
Total assets						1,336,320
Segment liabilities	292	241,816	623	242,731	-	242,731
Unallocated liabilities						11,499
Total liabilities						254,230

2. Segment Information (Continued)

	Information technology related services in Hong Kong HK\$'000	Gas exploration in China HK\$'000	Marble rock mining in Indonesia HK\$'000	Oil exploration in China HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2013						
Capital expenditures	-	400	631	-	332	1,363
	Continuing operations			Discontinued operations		
	Information technology related services in Hong Kong HK\$'000	Gas exploration in China HK\$'000	Marble rock mining in Indonesia (Restated) HK\$'000	Sub-total (Restated) HK\$'000	Oil exploration in China (Restated) HK\$'000	Consolidated (Restated) HK\$'000
For the six months ended 30 June 2012						
Segment revenue	48	-	-	48	-	48
Gross profit	19	-	-	19	-	19
Administrative and operating expenses	(1,275)	(1,001)	(123)	(2,399)	(1,336)	(3,735)
Share of profits less losses of a joint venture	-	-	-	-	599	599
Finance income	-	-	-	-	1	1
Income tax	-	339	-	339	-	339
Segment results	(1,256)	(662)	(123)	(2,041)	(736)	(2,777)
Unallocated:						
Other gain, net						138
Administrative and operating expenses						(31,023)
Finance income						219
Loss before taxation						(33,443)
Income tax						-
Loss for the period						(33,443)
As at 31 December 2012						
Segment assets	2,337	1,140,733	184,205	1,327,275	1,711	1,328,986
Unallocated assets						28,890
Total assets						1,357,876
Segment liabilities	602	259,064	1,352	261,018	20,305	281,323
Unallocated liabilities						19,905
Total liabilities						301,228

2. Segment Information (Continued)

	Information technology related services in Hong Kong HK\$'000	Gas exploration in China HK\$'000	Marble rock mining in Indonesia HK\$'000	Oil exploration in China HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2012						
Capital expenditures	-	8,090	851	-	152	9,093

The Group's revenue for the six months ended 30 June 2013 is mainly derived from the marble rock mining segment in Pangkep Regency, South Sulawesi Province, Indonesia (2012: 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 2013 and 31 December 2012 are further analysed as follows:

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Hong Kong (place of domicile)	4,692	4,862
China	1,075,681	1,134,715
Indonesia	183,379	182,959
	1,263,752	1,322,536

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 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Continuing operations:		
Sale of marble blocks – mine concession in Pangkep Regency	260	-
Sale of computer software	-	21
Network infrastructure maintenance and sale of computer hardware	33	27
	293	48

4. Profit/(Loss) before Taxation

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

	Continuing operations		Discontinued operations		Total	
	For the six months ended		For the six months ended		For the six months ended	
	2013	2012	2013	2012	2013	2012
	30 June	30 June	30 June	30 June	30 June	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	164	19	-	-	164	19
Depreciation of plant and equipment	442	669	-	3	442	672
Fair value loss on financial asset at fair value through profit or loss	174	13	-	-	174	13
Auditor's remuneration	895	755	-	10	895	765
Operating lease payments	1,997	1,797	-	-	1,997	1,797
Legal and professional fees	2,465	1,332	-	18	2,465	1,350
Investor relations expenses						
- Cash payments	258	438	-	-	258	438
- Share-based payments	2,299	7,461	-	-	2,299	7,461
Technical consultancy expenses						
- Share-based payments	1,360	3,419	-	-	1,360	3,419
Staff costs, including directors' emoluments						
- Salaries, allowances and other benefits	12,368	10,805	233	646	12,601	11,451
- Retirement benefit scheme contributions	93	86	12	23	105	109
- Share-based payments	2,120	2,335	-	-	2,120	2,335
Loss on disposal of plant and equipment	42	-	-	-	42	-
Exchange (gain)/loss, net	(117)	742	3	(10)	(114)	732

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 2013 (2012: Nil).

Enterprise Income Tax has not been provided for the subsidiaries in China as they did not generate any assessable profits during the six months ended 30 June 2013 (2012: Nil).

Corporate Income Tax has not been provided for the subsidiaries in Indonesia as they did not generate any assessable profits during the six months ended 30 June 2013 (2012: 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 2013, the Group has recognised deferred tax asset of approximately HK\$399,000 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 2013 (2012: Nil).

7. Earnings/(Loss) per Share

Basic earnings/(loss) per share is calculated by dividing the profit/(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 2013 and 2012.

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company for the purpose of basic earnings/(loss) per share (HK\$'000)		
- Continuing operations	54,232	(32,399)
- Discontinued operations	(21)	(736)
	54,211	(33,135)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share ('000)	3,419,600	2,894,788
Effect of dilution – weighted average number of ordinary shares: warrants	3,458	-
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share ('000)	3,423,058	2,894,788

The Group had share options and warrants outstanding as at 30 June 2013 and 30 June 2012. The share options did not have a dilutive effect on earnings per share for the six months ended 30 June 2013 (2012: The share options and warrants did not have a dilutive effect on loss per share).

8. Share-based Payments Transaction

On 31 December 2012, share options for subscribing 36,950,000 shares of the Company were granted for a total consideration of HK\$21.

During the six months ended 30 June 2013, the aggregate share-based payment expense of HK\$2,120,000 (2012: HK\$2,335,000) in relation to stock options granted to employees of the Group was charged to the consolidated income statement. The share-based payment expense in relation to stock options granted to non-employees amounted to HK\$3,659,000 (2012: HK\$10,880,000), of which HK\$2,299,000 (2012: HK\$7,461,000) was recorded as investor relations expenses and HK\$1,360,000 (2012: HK\$3,419,000) was recorded as technical consultancy expenses, in the consolidated income statement.

The fair value of the services received by the Group is measured by the reference to the fair value of the share options granted as consideration because the fair value of the services cannot be measured reliably .

During the six months ended 30 June 2013, 15,847,200 and 15,840,000 options were exercised at HK\$0.06 per share and HK\$0.11 per share, respectively. The related weighted average share price at the time of exercise was HK\$0.20 per share and HK\$0.18 per share, respectively.

During the six months ended 30 June 2013, 1,000,000, 16,500,000 and 24,200,000 options with respective exercise price HK\$0.58 per share, HK\$1.37 per share and HK\$2.44 per share were lapsed.

The fair value of the share options granted on 31 December 2012 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) HK\$ per share
31 December 2012	Nil	70.3%	0.60%	HK\$0.163

- (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.

The fair value of the share options granted on 31 December 2012 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

	Land HK\$'000	Leasehold Improvements HK\$'000	Plant and equipment HK\$'000	Computer equipment and software HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost								
At 1 January 2013 (Audited)	932	1,239	98	1,145	507	520	5,150	9,591
Exchange differences	(26)	-	(3)	(4)	-	(8)	(4)	(45)
Additions	-	7	-	36	-	-	320	363
Disposals	-	-	-	-	-	-	(778)	(778)
At 30 June 2013 (Unaudited)	906	1,246	95	1,177	507	512	4,688	9,131
Accumulated depreciation								
At 1 January 2013 (Audited)	-	1,200	12	1,010	466	224	3,674	6,586
Exchange difference	-	-	(1)	(1)	-	(2)	(1)	(5)
Depreciation for the period	-	18	10	34	33	42	305	442
Disposals	-	-	-	-	-	-	(375)	(375)
At 30 June 2013 (Unaudited)	-	1,218	21	1,043	499	264	3,603	6,648
Carrying values								
At 30 June 2013 (Unaudited)	906	28	74	134	8	248	1,085	2,483
At 31 December 2012 (Audited)	932	39	86	135	41	296	1,476	3,005

10. Exploration and Evaluation Assets

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Oil and gas properties (Note i)	1,075,673	1,134,704
Mining properties (Note ii)	182,039	181,553
	1,257,712	1,316,257

10. Exploration and Evaluation Assets (Continued)

Notes:

(i) Movement of the oil and gas properties is as follows:

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Year ended 31 December 2012 HK\$'000 (Audited)
At cost		
At beginning of the period/year	1,134,704	1,103,650
Additions	400	8,090
Exchange differences	(59,431)	22,964
	<hr/>	<hr/>
At end of the period/year	1,075,673	1,134,704

The initial five-year exploration for the block covered by the PSC expired on 28 February 2011 and required extension of exploration period to be agreed with CNPC and subject to approval by the Ministry of Commerce of the PRC ("MOC"). As at 30 June 2013, TWE was in the process of discussing the terms of the extension with CNPC and approval from the MOC was not yet available. In addition, TWE was seeking written clarification from CNPC regarding the CBM fairway lands within the PSC. Until such clarification is received, TWE has delayed the start of CBM operations for 2013.

Based on the above and the legal opinion obtained earlier from the Group's PRC legal counsel for the purposes of the annual results for the year ended 31 December 2012, the Directors consider there is no impairment indicator relating to the oil and gas properties as at 30 June 2013. Adjustments may be made on the carrying amount of the oil and gas properties of the Group in the financial statements in due course should the exploration period of the PSC not be extended or should the referenced clarification have a negative effect.

(ii) Movement of the mining properties is as follows:

	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Year ended 31 December 2012 HK\$'000 (Audited)
At cost		
At beginning of the period/year	181,553	-
Acquisitions	-	180,758
Additions	600	795
Exchange differences	(114)	-
	<hr/>	<hr/>
At end of the period/year	182,039	181,553

11. Trade Receivables

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Trade receivables	273	2

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:

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Within 30 days	272	1
Over 60 days	1	1
	273	2

12. Share Capital

	Number of ordinary shares		Nominal value	
	Six months ended 30 June 2013 '000 (Unaudited)	Year ended 31 December 2012 '000 (Audited)	Six months ended 30 June 2013 HK\$'000 (Unaudited)	Year ended 31 December 2012 HK\$'000 (Audited)
Authorised				
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
Issued and fully paid				
At the beginning of period/year				
Ordinary share of HK\$0.0025 each	3,384,359	2,777,959	8,461	6,945
Issuance of new shares upon exercise of share options	31,687	-	79	-
Issuance of new shares for acquisition of subsidiaries (note 16)	-	452,400	-	1,131
Issuance of new shares	77,500	154,000	194	385
As at end of period/year				
Ordinary share of HK\$0.0025 each	3,493,546	3,384,359	8,734	8,461

13. Deferred Income Tax

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

	Oil and gas properties	
	Six months ended	Year ended
	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of the period/year	253,423	248,265
Exchange differences	(13,271)	5,158
At end of the period/year	<u>240,152</u>	<u>253,423</u>

Deferred tax assets

	Tax losses	
	Six months ended	Year ended
	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At beginning of the period/year	5,690	4,906
Exchange differences	(298)	101
Credited to consolidated income statement (Note 5)	399	683
At end of the period/year	<u>5,791</u>	<u>5,690</u>

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:

	As at	As at
	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Deferred tax liabilities	240,152	253,423
Deferred tax assets	(5,791)	(5,690)
	<u>234,361</u>	<u>247,733</u>

14. Trade and Other Payables

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Trade payables	5	-
Other payables	5,108	10,085
Consideration payables (Note 16)	7,800	7,800
Accrued liabilities	6,956	15,305
	19,869	33,190

As at 30 June 2013, the ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Within 30 days	5	-

15. Gain on Disposal of Subsidiaries

On 11 March 2013, the Group completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited.

	For the six months ended 30 June 2013 HK\$'000 (Unaudited)
Net assets disposed of:	
Plant and equipment	2
Deposits, prepayments and other receivables	6
Bank balances and cash	1,563
Other payables	(20,217)
	(18,646)
Add: Translation reserve	(509)
Add: Professional expenses incurred on disposal	61
	(19,094)
Gain on disposal of subsidiaries	81,934
Total consideration	62,840
Total consideration satisfied by:	
Cash	62,840

16. Acquisition of Hugo Link Global Investments Limited (“Hugo Link”)

On 15 May 2012, the Group acquired 95% of the issued share capital of Hugo Link for consideration of HK\$110,994,000, comprised of US\$3,500,000 (equivalent to approximately HK\$27,300,000) in cash and HK\$83,694,000 in the form of 452,400,000 new Company shares. As a result of the acquisition, Hugo Link holds 95% of BHE which in turn holds 37.5% of GM. BHE also holds warrants in GM which upon exercise will bring its shareholding in GM to 60%.

GM 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. The mining permit is valid until 22 January 2017 and is renewable for two 10-year periods.

The acquisition of Hugo Link was accounted for as an asset purchase rather than a business combination because GM was in the very early stage and its main asset was the mining property.

The following assets and liabilities were acquired as part of the transaction:

	HK\$'000
Plant and equipment	1,413
Exploration and evaluation assets – mining properties	180,758
Deposits, prepayments and other receivables	830
Bank balances and cash	907
Other payables	(551)
	<hr/>
Fair value of net assets	183,357
Non-controlling interests	(120,145)
Warrants in GM recorded in Other reserve	47,782
	<hr/>
Total consideration – shown as below	110,994
	<hr/> <hr/>
Total consideration satisfied by:	
Cash deposit utilised	19,500
Consideration payable (Note 14)	7,800
Fair value of shares issued (Note)	83,694
	<hr/>
Total consideration	110,994
	<hr/> <hr/>

Note:

Pursuant to the sales and purchase agreement, part of the consideration was settled by way of issuance of 452,400,000 new ordinary shares (the “**Consideration Shares**”). The fair value of the Consideration Shares, determined using the published closing price as at the date of acquisition, amounted to approximately HK\$83,694,000 at HK\$0.185 each.

17. 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	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Petromin Resources Ltd. (“ Petromin ”) (<i>Note (i)</i>)		
- Professional fees and disbursement (<i>Note (ii)</i>)	114	116
Power International Capital Limited (<i>Note (iii)</i>)		
- Operating lease payments	100	-
	100	-

Key management compensation, including share-based payments and accrued bonuses, amounted to approximately HK\$11,626,000 for the six months ended 30 June 2013 (2012: HK\$11,004,000).

Notes:

- (i) Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell, executive Directors of the Company, have certain interests in Petromin as set out in the section headed “Competing Business and Conflicts of Interest”.

The Company also held approximately 2.4% equity interests in Petromin, and certain convertible debentures issued by Petromin. The debenture is convertible into 3,150,000 common shares of Petromin (approximately 4.4% of the outstanding common shares of Petromin as of 30 June 2013).

- (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.
- (iii) The Chairman and CEO of the Company, Mr. Chan Wing Him Kenny, has beneficial interests in Power International Capital Limited.

18. Operating Leases Commitment

	As at	As at
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	3,921	2,920
After one year but within five years	5,867	1,196
	9,788	4,116

19. Capital Commitment

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Authorised but not contracted for in respect of the PSC	-	630
Contracted but not provided in respect of oil and gas exploration activities	-	3,598
	-	4,228

As at 30 June 2013, TWE was seeking written clarification from CNPC regarding the CBM fairway lands within the PSC. Until such clarification is received, TWE will delay the start of CBM operations for 2013.

20. Subsequent Events

On 22 May 2013, STCC Limited, a wholly-owned subsidiary of the Company, joined Hong Kong Outbound Tour Operators' Association Limited as member. On 8 August 2013, STCC Limited obtained a travel agents licence from the Travel Agents Registry Tourism Commission. STCC Limited will commence operating a travel business in Hong Kong.

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

As at 30 June 2013, 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 <i>(Note 1)</i>	-	1,188,680,000	
	Beneficial owner	Personal interest	24,681,200	26,000,000 <i>(Note 2)</i>	50,681,200	
			1,213,361,200	26,000,000	1,239,361,200	35.48%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	5,000,000 <i>(Note 2)</i>	7,625,000	0.22%
David Tsoi	Beneficial owner	Personal interest	-	1,500,000 <i>(Note 2)</i>	1,500,000	0.04%
Lo Chi Kit	Beneficial owner	Personal interest	-	1,100,000 <i>(Note 2)</i>	1,100,000	0.03%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	600,000 <i>(Note 2)</i>	1,600,000	0.05%

Notes:

- 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.
- 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 (hereinafter defined).

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 2013, 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' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director, as at 30 June 2013, 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 of the Company

Name	Long / Short positions	Capacity	Number of shares or underlying shares held	Approximate % of shareholding
Colpo	Long positions	Beneficial owner	1,188,680,000 <i>(Note 1)</i>	34.03%
Cool Legend Limited ("Cool Legend")	Long positions	Beneficial owner	452,400,000 <i>(Note 2)</i>	12.95%

Notes:

1. 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. 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.

Save as disclosed above, as at 30 June 2013, 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 (hereinafter defined) 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 2013 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 2013	Granted during the period	Lapsed / cancelled during the period	Exercised during the period	As at 30 June 2013
Executive Directors								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/01/2013	0.0635 ⁽¹⁾	15,847,200 ⁽¹⁾	-	-	(15,847,200) ⁽¹⁾	-
	22/06/2007	22/06/2007 to 24/01/2013	1.365 ⁽²⁾	2,000,000 ⁽²⁾	-	(2,000,000) ⁽²⁾	-	-
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000 ⁽³⁾	-	-	-	500,000 ⁽³⁾
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000 ⁽³⁾	-	-	-	2,000,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	8,500,000 ⁽⁴⁾	-	-	-	8,500,000 ⁽⁴⁾
Arthur Ross Gorrell	22/06/2007	22/06/2007 to 24/01/2013	1.365 ⁽²⁾	1,500,000 ⁽²⁾	-	(1,500,000) ⁽²⁾	-	-
	29/10/2007	29/10/2007 to 24/01/2013	2.44	700,000	-	(700,000)	-	-
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000 ⁽³⁾	-	-	-	500,000 ⁽³⁾
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000 ⁽³⁾	-	-	-	2,000,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	500,000 ⁽⁴⁾	-	-	-	500,000 ⁽⁴⁾

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 January 2013	Granted during the period	Lapsed / cancelled during the period	Exercised during the period	As at 30 June 2013
Independent non-executive Directors								
David Tsoi	15/06/2009	15/06/2011 to 15/06/2019	0.73	750,000 ⁽³⁾	-	-	-	750,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	250,000 ⁽⁴⁾	-	-	-	250,000 ⁽⁴⁾
Lo Chi Kit	15/06/2009	15/06/2011 to 15/06/2019	0.73	600,000 ⁽³⁾	-	-	-	600,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	100,000 ⁽⁴⁾	-	-	-	100,000 ⁽⁴⁾
Tam Hang Chuen	15/06/2009	15/06/2011 to 15/06/2019	0.73	100,000 ⁽³⁾	-	-	-	100,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	100,000 ⁽⁴⁾	-	-	-	100,000 ⁽⁴⁾
				35,947,200	-	(4,200,000)	(15,847,200)	15,900,000
Other employees								
In aggregate	19/06/2008	19/06/2010 to 19/06/2018	0.2316	8,350,000 ⁽³⁾	-	-	-	8,350,000 ⁽³⁾
	15/06/2009	15/06/2011 to 15/06/2019	0.73	4,030,000 ⁽³⁾	-	-	-	4,030,000 ⁽³⁾
	06/10/2009	06/10/2011 to 06/10/2019	0.75	60,000 ⁽³⁾	-	-	-	60,000 ⁽³⁾
	04/02/2010	04/02/2012 to 04/02/2020	0.514	7,230,000 ⁽³⁾	-	-	-	7,230,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	7,700,000 ⁽⁴⁾	-	-	-	7,700,000 ⁽⁴⁾
				27,370,000	-	-	-	27,370,000
Others								
In aggregate	20/03/2007	20/03/2007 to 24/01/2013	0.1125 ⁽¹⁾	15,840,000 ⁽¹⁾	-	-	(15,840,000) ⁽¹⁾	-
	26/04/2007	26/04/2007 to 24/01/2013	0.579 ⁽²⁾	1,000,000 ⁽²⁾	-	(1,000,000) ⁽²⁾	-	-
	22/06/2007	22/06/2007 to 24/01/2013	1.365 ⁽²⁾	13,000,000 ⁽²⁾	-	(13,000,000) ⁽²⁾	-	-
	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 ⁽³⁾	-	-	-	500,000 ⁽³⁾
	15/06/2009	15/06/2011 to 15/06/2019	0.73	20,000,000 ⁽³⁾	-	-	-	20,000,000 ⁽³⁾
	06/10/2009	06/10/2011 to 06/10/2019	0.75	350,000 ⁽³⁾	-	-	-	350,000 ⁽³⁾
	04/02/2010	04/02/2012 to 04/02/2020	0.514	50,250,000 ⁽³⁾	-	-	-	50,250,000 ⁽³⁾
	09/07/2010	09/07/2012 to 08/07/2020	0.56	61,850,000 ⁽⁴⁾	-	-	-	61,850,000 ⁽⁴⁾
				186,290,000	-	(37,500,000)	(15,840,000)	132,950,000
Total:				249,607,200	-	(41,700,000)	(31,687,200)	176,220,000 ⁽⁵⁾
Weighted average exercise price per share (HK\$)				0.73	-	1.970	0.088	0.556

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 2013, the Company had 176,220,000 (31 December 2012: 249,607,200) share options outstanding under the 2003 Share Option Scheme, which represented approximately 5.04% (31 December 2012: approximately 7.38%) of the Company's shares in issue on that date.

(2) Share option scheme adopted by the Company on 12 May 2011 (“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 2013 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 2013	Granted during the period	Lapsed / cancelled during the period	Exercised during the period	As at 30 June 2013
Executive Directors								
Chan Wing Him Kenny	31/12/2012	31/12/2013 to 30/12/2022	0.163	15,000,000 ^(1 & 2)	-	-	-	15,000,000 ^(1 & 2)
Arthur Ross Gorrell	31/12/2012	31/12/2013 to 30/12/2022	0.163	2,000,000 ^(1 & 2)	-	-	-	2,000,000 ^(1 & 2)
Independent non-executive Directors								
David Tsoi	23/06/2011	23/06/2012 to 22/06/2021	0.435	150,000 ⁽²⁾	-	-	-	150,000 ⁽²⁾
	31/12/2012	31/12/2013 to 30/12/2022	0.163	350,000 ^(1 & 2)	-	-	-	350,000 ^(1 & 2)
Lo Chi Kit	23/06/2011	23/06/2012 to 22/06/2021	0.435	100,000 ⁽²⁾	-	-	-	100,000 ⁽²⁾
	31/12/2012	31/12/2013 to 30/12/2022	0.163	300,000 ^(1 & 2)	-	-	-	300,000 ^(1 & 2)
Tam Hang Chuen	23/06/2011	23/06/2012 to 22/06/2021	0.435	100,000 ⁽²⁾	-	-	-	100,000 ⁽²⁾
	31/12/2012	31/12/2013 to 30/12/2022	0.163	300,000 ^(1 & 2)	-	-	-	300,000 ^(1 & 2)
				18,300,000	-	-	-	18,300,000
Other employees								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.435	4,200,000 ⁽¹⁾	-	-	-	4,200,000 ⁽¹⁾
	31/12/2012	31/12/2013 to 30/12/2022	0.163	14,750,000 ⁽²⁾	-	-	-	14,750,000 ⁽²⁾
				18,950,000	-	-	-	18,950,000
Others								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.435	45,350,000 ⁽¹⁾	-	-	-	45,350,000 ⁽¹⁾
	31/12/2012	31/12/2013 to 30/12/2022	0.163	4,250,000 ⁽²⁾	-	-	-	4,250,000 ⁽²⁾
				49,600,000	-	-	-	49,600,000
			Total:	86,850,000 ⁽³⁾	-	-	-	86,850,000 ⁽³⁾
Weighted average exercise price per share (HK\$)				0.319	-	-	-	0.319

Notes:

- (1) Pursuant to acceptance letters dated 17 January 2013 signed by the Directors, they accepted the offer of share options granted to them on 17 January 2013.

- (2) 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.
- (3) As at 30 June 2013, the Company had 86,850,000 (31 December 2012: 86,850,000) share options outstanding under the 2011 Share Option Scheme, which represented approximately 2.49% (31 December 2012: 2.57%) 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 2013, 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 2013.

Competing Business and Conflicts of Interest

During the six months ended 30 June 2013, 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 2013, Mr. Chan Wing Him Kenny held 1,000,000 stock options entitling him to subscribe for 1,000,000 common shares (representing approximately 1.41% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 5.72% of the issued common share capital) and 1,000,000 stock options entitling him to subscribe for 1,000,000 common shares (representing approximately 1.41% 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 2013, 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 code of conduct regarding directors' securities transactions ("**EE Model Code**") based on the former Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Appendix 10 Model Code**"). Having made specific enquiry with all Directors, the Directors have complied with the EE Model Code and the revised Appendix 10 Model Code which took effect from 1 January 2013 throughout the six months ended 30 June 2013. On 23 August 2013, the Board revoked the EE Model Code and adopted a new code of conduct regarding directors' securities transactions based on the revised Appendix 10 Model Code in replacement of the EE Model Code.

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 Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2013:

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 Provisions A.5.1 to A.5.5 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.

As the Board as a whole is responsible for reviewing the Board composition, selection and approval of candidates for appointment as directors to the Board, the Company did not set up a nomination committee in accordance with Code Provisions A.5.1 to A.5.5 under the CG Code for the six months ended 30 June 2013.

During the six months ended 30 June 2013, the role of the proposed nomination committee was 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.

In considering the nomination of a new director or where vacancies on the Board exist, the Board will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates. Any newly appointed director to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. The Board will review its composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

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.

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 2013 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, 23 August 2013

As at the date of this announcement, 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