**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 2011

## 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 environmental energy-related projects involving conventional oil, unconventional natural gas and state-of-the-art oil and gas related environmental technologies.

### *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 81.11% of the issued common shares, preferred shares, warrants and options 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., 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 2011 TWE completed testing of pilot wells which had been previously drilled. All the testing was aimed at the prospective Xishanyao (J2X) thick coal seams and involved well workovers followed by pumping of water and CBM from coal seams. Produced CBM was flared.

The testing was completed under the direction of company production engineers assisted by Chinese professionals and work crews. The objective of the testing was to establish initial production of CBM and the generation of basic CBM reservoir data. Such data will be utilised to design further well completions in the project area and to design fracture stimulations where appropriate. All primary objectives of the testing were achieved and testing operations were completed without incident.

TWE also completed sampling at the deep exploration well Kala-1 drilled by Xinjiang Oilfield Co., which provided access to the well by TWE geologists. Various samples of the prospective Badaowan (J1B) formation were taken and sent to laboratories for analysis.

Planning for 2011 CBM operations advanced during the first half and the outline of the 2011 work program was submitted to the project joint management committee. The work program as submitted involves further pilot well drilling and well testing. Planning for the completion and testing of well LHG10-02, drilled and cased in 2010, is in the design stage and company professionals are undertaking inspection of potential service companies and related equipment.

EE has retained Netherland, Sewell and Associated Inc. (NSAI) to undertake an evaluation of CBM resources within the Liuhuanggou PSC area. The evaluation is intended to supplement an earlier CBM resource assessment completed in 2010 covering a small portion of the PSC area, which was disclosed in the circular of the Company dated 9 December 2010. Updates will be provided when they become available.

*Advanced production technologies*

The Deep Unmineable Coal Carbon Dioxide ("**$CO_2$**") Sequestration and Enhanced CBM Production Project ("**JV Project**") operated under the 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**") moved through its final stage of the initial phase during the six months ended 30 June 2011. The JV Project is a single-well pilot project that involves injecting $CO_2$ into target coal seams to test the $CO_2$ sequestration and storage capacity of the coal seams and then testing enhanced CBM ("**ECBM**") production. 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 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.

During the six months ended 30 June 2011 the parties completed reports on the results of initial phase operations during which $CO_2$ was successfully injected and ECBM produced. The reports have been submitted to the sponsoring government bodies in China and Canada and are being reviewed by all the parties. Initial planning considerations for a second phase are being discussed.

China National Offshore Oil Corporation (CNOOC) has taken a 50% ownership stake in CUCBM and the change in ownership is expected to positively influence the development strategy of CUCBM going forward.

*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 of Hong Kong Limited ("**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 2011, the crude oil price in the PRC continued to maintain at a level ranging between approximately US$84 to US$114 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 8,902 barrels, representing a daily production of approximately 295 barrels.

***BUSINESS PROSPECTS***

*Unconventional natural gas business*

Unconventional natural gas is that category of natural gas which requires advanced production technologies when compared to conventional methods including sophisticated well completions and fracture stimulation processes. The category includes CBM and shale gas in addition to other sources. Unconventional natural gas has gained the spotlight internationally as shale gas production ramped up rapidly in North America creating a supply imbalance such that major liquefied natural gas ("**LNG**") export projects in the United States of America ("**US**") and Canada are being considered. Both US and Canadian suppliers now propose to export natural gas to international markets which represents a reversal of the previous situation. New LNG export projects on the west coast of North America are conceived as shale gas-based exports.

Energy demand in China continued to grow rapidly in concert with overall economic growth. The central government of China remains enthusiastic about natural gas as a major fuel in the nation's energy mix. Domestic production of conventional and unconventional natural gas does not meet demand and imports are required. During the first half of 2011 the West-East 2 (WEP-2) natural gas pipeline achieved commercial operation and carries imported gas from Asia to the east and southeast of China. Should domestic production in northwest China grow sufficiently it will displace imported gas in the line.

West-East 3 (WEP-3) is now in the planning stage and is expected to twin WEP-2 in Xinjiang and the Junggar Basin.

China is encouraging exploration for shale gas and the first auction of shale gas concessions was completed in June. Foreign entities were not invited to participate but may eventually partner with domestic companies who are awarded concessions.

China's 12th Five Year Plan ("**Plan**") was announced in July 2011. The Plan is expected to focus strongly on natural gas and highlight incentives to explore for and develop unconventional natural gas including CBM and shale gas. Various public statements suggest the Plan will include policies to increase price incentives for CBM. The Plan is also expected to encourage further investments in frontier areas such as Xinjiang in order to raise personal income levels and increase infrastructure investments. Such moves are expected to increase energy demand in Xinjiang, including demand for natural gas.

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, including BP Plc and Dart Energy Limited (formerly the international operating subsidiary of Arrow Energy Limited) which are beginning to undertake unconventional natural gas exploration there. Dart Energy Limited publicly announced initiation of CBM exploration work in the eastern Junggar Basin. 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 1.4 million barrels per day (bbl/d) in 2011. 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$96 per barrel level in June. World crude oil prices fell in early June then rose again in late June and early July. 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*

The Company remains opportunistic and aggressive in reviewing potential new investment in natural resources throughout Southeast Asia. The great resource potential of the region provides outstanding opportunities for growth and EE is ever vigilant in the lookout for sound targets. The Company reviews projects with the potential to leverage investment in the upstream end of the business. New opportunities in upstream hydrocarbons – coal, petroleum, natural gas – are evaluated continuously and other new opportunities may present themselves in due course. In the current business environment EE is also focusing on prospect with near term cash flow potential as well as capital growth.

*FINANCIAL REVIEW*

**Oil and gas segment**

*Unconventional natural gas business*

During the six months ended 30 June 2011, EE's unconventional natural gas businesses were still in exploration and evaluation phases.

During the six months ended 30 June 2011, the capital expenditure incurred for EE's unconventional natural gas businesses amounted to approximately HK$16.6 million. TWE continued production testing on the pilot production wells drilled in 2010 and continued to plan for the drilling of more pilot production wells. As disclosed previously, once the results of the pilot production are available, TWE will start finalising off-take arrangements with local gas suppliers and / or owners of the national pipelines. TWE also expects to initiate the regulatory approval process of the overall development plan once preliminary transportation and sales arrangements are in place. TWE's plan is to follow the pilot CBM production with the development of a 30 wells CBM production project, targeting the first quarter of 2012. The project would represent the initial stage of a larger commercial development.

*Conventional crude oil business*

During the six months ended 30 June 2011, the crude oil price in China continued to maintain at a level ranging between approximately US$84 to US$114 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 53,000 barrels (2010: 58,000 barrels), representing a daily production of approximately 295 barrels (2010: 321 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 2011, after taking into account depreciation and tax considerations, amounting to approximately HK$4.1 million (2010: HK$1.0 million).

**Information technology ("IT") and network infrastructure segment**

During the six months ended 30 June 2011, 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 2011 amounted to approximately HK$140,000 (2010: HK$126,000).

**Administrative and operating expenses**

For the six months ended 30 June 2011, administrative and operating expenses amounted to approximately HK$36.4 million (2010: HK$28.8 million), representing an increase of approximately 26%. The significant increase was mainly due to (i) the increase in staff costs, including Directors' emoluments; and (ii) the increase in share-based payment expenses.

During the six months ended 30 June 2011, share-based payment expenses amounting to HK$3.5 million in relation to share options granted to employees of the Group was charged to the consolidated income statement (2010: HK$2.2 million). The share-based payment expenses in relation to share options granted to non-employees amounted to HK$11.1 million, of which HK$7.7 million (2010: HK$6.3 million) was recorded as investor relations expenses and HK$3.4 million (2010: Nil) 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 2011, exchange differences mainly arising on translation of the Canadian operation amounted to approximately HK$19.9 million (2010: HK$4.2 million) because the Canadian dollar ("**C$**") increased by approximately 2.4% 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 2011 amounted to approximately HK$31.5 million (2010: HK$26.9 million).

**Liquidity and financial resources**

For the six months ended 30 June 2011, 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 2011, the Group had bank balances and cash of approximately HK$106.7 million (as at 31 December 2010: HK$155.8 million). The Group's current ratio stood at approximately 3.1 as at 30 June 2011 (as at 31 December 2010: 3.4).

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.

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 2011, the Group had net assets of approximately HK$984.3 million (as at 31 December 2010: HK$981.6 million).

As at 30 June 2011, the Group continued to maintain a debt-free capital structure.

As at 30 June 2011, 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 2010: Nil).

**Charge on group assets**

As at 30 June 2011, the Group did not have any charges on the Group's assets (as at 31 December 2010: 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 2011, the Group had capital commitments amounting to approximately HK$21.4 million (as at 31 December 2010: HK$9.2 million).

**Contingent liabilities**

As at 30 June 2011, the Group had no contingent liabilities (as at 31 December 2010: Nil).

***SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS***

During the six months ended 30 June 2011, the Group did not make any significant investments.

On 7 July 2011, CCST Singapore Pte. Ltd. ("**CCST**"), a wholly-owned subsidiary of the Company, has entered into a memorandum of understanding with an independent third party in respect of, among other things, the potential investment in a company which is engaged in, among others, resources business in Southeast Asia. Pursuant to the memorandum of understanding, CCST shall pay the independent third party a refundable deposit of US$2.5 million and the parties agreed to set up working groups, conduct due diligence work and other necessary work for the purpose of finalising the potential investment.

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***

On 25 July 2010, Aces Diamond International Limited ("**Aces Diamond**") entered into a subscription agreement with TWE pursuant to which Aces Diamond has agreed to subscribe for 90 million units of TWE ("**Subscription**") at a subscription price of C$4.5 million (equivalent to approximately HK$33.3 million). On 1 April 2011, Aces Diamond completed the remaining part of the Subscription and the Group's controlling interests in TWE increased to approximately 71.61% of the then issued common shares and preferred shares in the capital of TWE or approximately 82.36% of the then issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis, respectively.

TWE has remained a subsidiary of EE after the above transaction. Therefore, the difference between the consideration paid and the share of the carrying value of the net assets of TWE acquired of approximately HK$49.3 million has been recorded in equity.

Save as disclosed above, there were no other material acquisitions and / or disposals which would have been required to be disclosed under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

## *EMPLOYEES' INFORMATION*

As at 30 June 2011, the Group had 19 full-time employees (as at 31 December 2010: 21) working in Hong Kong, China and Canada. 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 2011, together with the comparative figures for the corresponding period in 2010 as follows:

| | | For the six months ended 30 June | |
|---|---|---|---|
| | *Note* | **2011**<br>**HK$'000**<br>**(Unaudited)** | 2010<br>HK$'000<br>(Unaudited) |
| **Revenue** | *3* | **140** | 126 |
| **Cost of sales** | | **(115)** | (90) |
| **Gross profit** | | **25** | 36 |
| Other gain, net | | **74** | 210 |
| Administrative and operating expenses | | **(36,433)** | (28,778) |
| Finance income | | **229** | 291 |
| Share of profits less losses of a jointly-controlled entity | | **4,063** | 957 |
| **Loss before taxation** | *4* | **(32,042)** | (27,284) |
| Income tax | *5* | **286** | - |
| **Loss for the period** | | **(31,756)** | (27,284) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(31,485)** | (26,892) |
| Non-controlling interests | | **(271)** | (392) |
| | | **(31,756)** | (27,284) |
| **Loss per share attributable to equity holders of the Company** | *7* | | |
| Basic and diluted | | **(HK1.13 cent)** | (HK1.11 cent) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Loss for the period** | **(31,756)** | (27,284) |
| **Other comprehensive income** | | |
| (Loss)/Gain on change in fair value of available-for-sale investment | **(45)** | 265 |
| Exchange differences arising from translation of foreign operations | **19,887** | 4,222 |
| Other comprehensive income for the period, net of tax | **19,842** | 4,487 |
| **Total comprehensive loss for the period** | **(11,914)** | (22,797) |
| **Attributable to:** | | |
| Equity holders of the Company | **(15,340)** | (23,854) |
| Non-controlling interests | **3,426** | 1,057 |
| **Total comprehensive loss for the period** | **(11,914)** | (22,797) |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 30 June 2011 HK$'000 (Unaudited) | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | *9* | **1,678** | 2,235 |
| Oil and gas properties | *10* | **1,150,006** | 1,107,078 |
| Interest in a jointly-controlled entity | *11* | **6,552** | 3,299 |
| Available-for-sale investment | | **968** | 1,013 |
| Club memberships | | **2,700** | 2,700 |
| | | **1,161,904** | 1,116,325 |
| **Current assets** | | | |
| Trade receivables | *12* | **-** | 112 |
| Deposits, prepayments and other receivables | | **2,645** | 2,394 |
| Amount due from a jointly-controlled entity | | **903** | - |
| Financial asset at fair value through profit or loss | | **3,204** | 3,130 |
| Bank balances and cash | | **106,713** | 155,800 |
| | | **113,465** | 161,436 |
| **Total assets** | | **1,275,369** | 1,277,761 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | *13* | **6,944** | 6,944 |
| Share premium and reserves | | **735,712** | 687,095 |
| | | **742,656** | 694,039 |
| Non-controlling interests | | **241,663** | 287,547 |
| **Total equity** | | **984,319** | 981,586 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *14* | **254,712** | 249,083 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **36,338** | 47,092 |
| **Total liabilities** | | **291,050** | 296,175 |
| **Total equity and liabilities** | | **1,275,369** | 1,277,761 |
| **Net current assets** | | **77,127** | 114,344 |
| **Total assets less current liabilities** | | **1,239,031** | 1,230,669 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Capital reserve HK$'000 | Available-for-sale investment reserve HK$'000 | Share options reserve HK$'000 | Translation reserve HK$'000 | Warrant reserve HK$'000 | Other reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| As at 1 January 2010 (Audited) | 6,080 | 654,589 | 19,980 | (2,170) | 62,860 | 48,013 | - | (17,873) | (215,943) | 555,536 | 299,118 | 854,654 |
| **Comprehensive income/(loss)** | | | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | - | - | (26,892) | (26,892) | (392) | (27,284) |
| **Other comprehensive income** | | | | | | | | | | | | |
| Gain on change in fair value of available-for-sale investment | - | - | - | 265 | - | - | - | - | - | 265 | - | 265 |
| Exchange differences arising from translation of foreign operations | - | - | - | - | - | 2,773 | - | - | - | 2,773 | 1,449 | 4,222 |
| Total other comprehensive income | - | - | - | 265 | - | 2,773 | - | - | - | 3,038 | 1,449 | 4,487 |
| **Total comprehensive income/(loss) for the period** | - | - | - | 265 | - | 2,773 | - | - | (26,892) | (23,854) | 1,057 | (22,797) |
| **Transactions with shareholders** | | | | | | | | | | | | |
| Recognition of equity settled share-based payment | - | - | - | - | 8,477 | - | - | - | - | 8,477 | - | 8,477 |
| **Total transactions with shareholders** | - | - | - | - | 8,477 | - | - | - | - | 8,477 | - | 8,477 |
| **As at 30 June 2010 (Unaudited)** | 6,080 | 654,589 | 19,980 | (1,905) | 71,337 | 50,786 | - | (17,873) | (242,835) | 540,159 | 300,175 | 840,334 |
| | | | | | | | | | | | | |
| As at 1 January 2011 (Audited) | **6,944** | **807,697** | **19,980** | **-** | **86,952** | **76,094** | **-** | **9,459** | **(313,087)** | **694,039** | **287,547** | **981,586** |
| **Comprehensive (loss)/income** | | | | | | | | | | | | |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(31,485)** | **(31,485)** | **(271)** | **(31,756)** |
| **Other comprehensive (loss)/income** | | | | | | | | | | | | |
| 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** |
| **Total comprehensive (loss)/income for the period** | **-** | **-** | **-** | **(45)** | **-** | **16,190** | **-** | **-** | **(31,485)** | **(15,340)** | **3,426** | **(11,914)** |
| **Transactions with shareholders** | | | | | | | | | | | | |
| 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** |
| **Total transactions with shareholders** | **-** | **-** | **-** | **-** | **14,624** | **-** | **23** | **49,310** | **-** | **63,957** | **(49,310)** | **14,647** |
| **As at 30 June 2011 (Unaudited)** | **6,944** | **807,697** | **19,980** | **(45)** | **101,576** | **92,284** | **23** | **58,769** | **(344,572)** | **742,656** | **241,663** | **984,319** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Net cash used in operating activities | **(23,820)** | (28,894) |
| Net cash used in investing activities | **(24,671)** | (4,334) |
| Net cash from financing activities | **23** | - |
| Net decrease in bank balances and cash | **(48,468)** | (33,228) |
| Bank balances and cash at beginning of period | **155,800** | 79,513 |
| Exchange losses on bank balances and cash | **(619)** | (160) |
| Bank balances and cash at end of period | **106,713** | 46,125 |

*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) Qian An - Exploration, development and production of petroleum in China
(iii) 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.

2. **SEGMENT INFORMATION (Continued)**

(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, administrative and operating expenses and finance income. There is no transaction between segments. The measure used for reporting revenue and expenses of reportable segments is loss before taxation.

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 technology related services in Hong Kong** | **Oil and gas exploration in China** | | |
|---|---|---|---|---|
| | | **Qian An** | **TWE** | **Consolidated** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the six months ended 30 June 2011** | | | | |
| 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 |
| Segment results | (673) | 4,063 | (856) | 2,534 |
| Unallocated: | | | | |
| Other gain, net | | | | 74 |
| Administrative and operating expenses | | | | (34,879) |
| Finance income | | | | 229 |
| Loss before taxation | | | | (32,042) |
| Income tax | | | | 286 |
| Loss for the period | | | | (31,756) |
| **As at 30 June 2011** | | | | |
| Segment assets | 1,556 | 7,455 | 1,158,111 | 1,167,122 |
| Unallocated assets | | | | 108,247 |
| Total assets | | | | 1,275,369 |
| Segment liabilities | 306 | - | 268,487 | 268,793 |
| Unallocated liabilities | | | | 22,257 |
| Total liabilities | | | | 291,050 |

| | **Information technology related services in Hong Kong** | **Oil and gas exploration in China** | | | |
|---|---|---|---|---|---|
| | | **Qian An** | **TWE** | **Unallocated** | **Consolidated** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the six months ended 30 June 2011** | | | | | |
| Capital additions | - | - | 16,601 | 49 | 16,650 |

## 2. SEGMENT INFORMATION (Continued)

| | Information technology related services in Hong Kong | Oil and gas exploration in China | | |
|---|---|---|---|---|
| | | Qian An | TWE | Consolidated |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the six months ended 30 June 2010** | | | | |
| Segment revenue | 126 | - | - | 126 |
| Gross profit | 36 | - | - | 36 |
| Administrative and operating expenses | (1,274) | - | (960) | (2,234) |
| Share of profits less losses of a jointly-controlled entity | - | 957 | - | 957 |
| Segment results | (1,238) | 957 | (960) | (1,241) |
| Unallocated: | | | | |
| Other gain, net | | | | 210 |
| Administrative and operating expenses | | | | (26,544) |
| Finance Income | | | | 291 |
| Loss before taxation | | | | (27,284) |
| Income tax | | | | - |
| Loss for the period | | | | (27,284) |
| **As at 31 December 2010** | | | | |
| Segment assets | 2,934 | 3,299 | 1,118,643 | 1,124,876 |
| Unallocated assets | | | | 152,885 |
| Total assets | | | | 1,277,761 |
| Segment liabilities | 498 | - | 270,690 | 271,188 |
| Unallocated liabilities | | | | 24,987 |
| Total liabilities | | | | 296,175 |

| | Information technology related services in Hong Kong | Oil and gas exploration in China | | | |
|---|---|---|---|---|---|
| | | Qian An | TWE | Unallocated | Consolidated |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the year ended 31 December 2010** | | | | | |
| Capital additions | 49 | - | 29,662 | 506 | 30,217 |

## 2. SEGMENT INFORMATION (Continued)

The Group's revenue for both the six months ended 30 June 2011 and 2010 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 2011 and 31 December 2010 are further analysed as follows:

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Hong Kong (place of domicile) | **4,360** | 4,915 |
| China | **1,156,576** | 1,110,397 |
| | **1,160,936** | 1,115,312 |

## 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** | |
|---|---|---|
| | **2011 HK$'000 (Unaudited)** | 2010 HK$'000 (Unaudited) |
| Sale of computer software | **40** | 116 |
| Network infrastructure maintenance and sale of computer hardware | **100** | 10 |
| | **140** | 126 |

## 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 | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **36** | 88 |
| Cost of services provided | **79** | 2 |
| Depreciation of plant and equipment | **607** | 805 |
| Auditor's remuneration | **862** | 787 |
| Operating lease payments | **1,711** | 1,843 |
| Legal and professional fees | **468** | 844 |
| Investor relations expenses | | |
| - Cash payments | **728** | 736 |
| - Share-based payments | **7,694** | 6,261 |
| Technical consultancy expenses | | |
| - Share-based payments | **3,400** | - |
| Staff costs, including Directors' emoluments | | |
| - Salaries, allowances and other benefits | **13,238** | 10,601 |
| - Retirement benefit scheme contributions | **108** | 84 |
| - Share-based payments | **3,530** | 2,216 |
| Exchange gain, net | **(57)** | (60) |

## 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 2011 (2010: Nil).

China 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 2011 (2010: 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 2011, the Group has recognised deferred tax asset of approximately HK$286,000 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 2011 (2010: 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 2011 and 2010.

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 ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| Loss attributable to equity holders of the Company for the purpose of basic loss per share (HK$'000) | **(31,485)** | (26,892) |
| Weighted average number of ordinary shares for the purpose of basic loss per share ('000) | **2,777,459** | 2,431,961 |
| Basic loss per share (in HK cents) | **(1.13)** | (1.11) |

The Group had share options and warrants outstanding as at 30 June 2011 and 30 June 2010. The share options and warrants did not have a dilutive effect on loss per share for the six months ended 30 June 2011 (2010: 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 2011, the fair value of options granted, which has been recognised in administrative and operating expenses, amounted to approximately HK$14,624,000 (2010: approximately HK$8,477,000).

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) 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 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 improvements** 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 2011 (Audited) | 1,160 | 1,017 | 525 | 183 | 3,585 | 6,470 |
| Exchange differences | - | 2 | - | - | - | 2 |
| Additions | - | 33 | - | 16 | - | 49 |
| Disposals | - | - | - | - | - | - |
| **At 30 June 2011 (Unaudited)** | **1,160** | **1,052** | **525** | **199** | **3,585** | **6,521** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2011 (Audited) | 1,126 | 806 | 291 | 133 | 1,879 | 4,235 |
| Exchange differences | - | 1 | - | - | - | 1 |
| Depreciation for the period | 34 | 70 | 50 | 15 | 438 | 607 |
| Disposals | - | - | - | - | - | - |
| **At 30 June 2011 (Unaudited)** | **1,160** | **877** | **341** | **148** | **2,317** | **4,843** |
| **Carrying values** | | | | | | |
| **At 30 June 2011 (Unaudited)** | **-** | **175** | **184** | **51** | **1,268** | **1,678** |
| At 31 December 2010 (Audited) | 34 | 211 | 234 | 50 | 1,706 | 2,235 |

10. **OIL AND GAS PROPERTIES**

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| At cost | | |
| At beginning of the period / year | **1,107,078** | 1,022,216 |
| Additions | **16,601** | 29,653 |
| Exchange differences | **26,327** | 55,209 |
| At end of the period / year | **1,150,006** | 1,107,078 |

## 11. INTEREST IN A JOINTLY-CONTROLLED ENTITY

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Unlisted shares, at cost | **298,401** | 298,401 |
| Share of post-acquisition losses and other comprehensive losses, net of dividends declared | **(4,299)** | (7,552) |
| Less: Impairment losses recognised | **(287,550)** | (287,550) |
| | **6,552** | 3,299 |

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 2011 and 31 December 2010.

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

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

## 12. TRADE RECEIVABLES

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Trade receivables | **-** | 112 |

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 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **-** | 70 |
| Between 31 - 60 days | **-** | 3 |
| Over 60 days | **-** | 39 |
| | **-** | 112 |

## 13. SHARE CAPITAL

| | Number of ordinary shares | | Nominal value | |
|---|---|---|---|---|
| | Six months ended 30 June | | Six months ended 30 June | |
| | **2011** | 2010 | **2011** | 2010 |
| | **'000** | '000 | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| **Authorised** | | | | |
| As at beginning and end of period<br>Ordinary shares of HK$0.0025 each | **20,000,000** | 20,000,000 | **50,000** | 50,000 |
| **Issued and fully paid** | | | | |
| As at beginning and end of period<br>Ordinary share of HK$0.0025 each | **2,777,459** | 2,431,961 | **6,944** | 6,080 |

## 14. 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**

| | Oil and gas properties | |
|---|---|---|
| | **Six months ended 30 June 2011** | Year ended 31 December 2010 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Audited) |
| At beginning of the period / year | **253,701** | 240,941 |
| Exchange differences | **5,915** | 12,760 |
| At end of the period / year | **259,616** | 253,701 |

**Deferred tax assets**

| | Tax losses | |
|---|---|---|
| | **Six months ended 30 June 2011** | Year ended 31 December 2010 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Audited) |
| At beginning of the period / year | **4,618** | - |
| Credited to consolidated income statement (Note 5) | **286** | 4,618 |
| At end of the period / year | **4,904** | 4,618 |

## 14. 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:

| | **Six months ended 30 June 2011 HK$'000 (Unaudited)** | Year ended 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Deferred tax liabilities | **259,616** | 253,701 |
| Deferred tax assets | **(4,904)** | (4,618) |
| | **254,712** | 249,083 |

## 15. TRADE AND OTHER PAYABLES

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Trade payables | **-** | 17 |
| Other payables | **32,828** | 40,741 |
| Accrued liabilities | **3,510** | 6,334 |
| | **36,338** | 47,092 |

At 30 June 2011, the aging analysis of the trade payables based on invoice date is as follows:

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **-** | 12 |
| Between 31 - 60 days | **-** | 5 |
| | **-** | 17 |

## 16. 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 | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Petromin *(Note (i))* | | |
| - Professional fees and disbursement *(Note (ii))* | **-** | 368 |

Key management compensation, including share-based payments and accrued bonuses, amounted to approximately HK$15,108,000 for the six months ended 30 June 2011 (2010: HK$10,351,000).

*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 3% equity interests in Petromin, and Dragon Bounty Company Limited, a wholly-owned subsidiary of the Company, held certain convertible debentures issued by Petromin. The debenture is convertible into 3,150,000 common shares of Petromin.*

*(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.*

## 17. OPERATING LEASES COMMITMENT

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Within one year | **3,094** | 2,123 |
| After one year but within five years | **2,018** | 814 |
| | **5,112** | 2,937 |

## 18. CAPITAL COMMITMENT

| | **As at 30 June 2011 HK$'000 (Unaudited)** | As at 31 December 2010 HK$'000 (Audited) |
|---|---|---|
| Other commitments contracted for but not provided in the unaudited consolidated financial statements in respect of: | | |
| - PSC *(Note (i))* | **20,280** | 8,105 |
| - JV Agreement *(Note (ii))* | **1,111** | 1,089 |
| | **21,391** | 9,194 |

*Notes:*

*(i)* *As at 30 June 2011, the amount of approximately US$2,600,000 (equivalent to HK$20,280,000) represents the minimum work obligations as required by the PSC to be incurred before the end of February 2013.*

*As at 31 December 2010, the amount represents contracted project costs relating to PSC, but not provided in the consolidated financial statements.*

*(ii)* *Pursuant to the JV Agreement, the Company would contribute RMB3,460,000 (approximately HK$4,166,000) jointly with Petromin for the engineering design and study, simulation technology and analysis, materials and salaries etc in the first phase. An additional RMB15,000,000 or more would be funded in the second phase. The capital contribution of each party in the second phase would be further determined.*

## 19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 July 2011, CCST, a wholly-owned subsidiary of the Company, has entered into a memorandum of understanding with an independent third party in respect of, among other things, the potential investment in a company which is engaged in, among others, resources business in Southeast Asia. Pursuant to the memorandum of understanding, CCST shall pay the independent third party a refundable deposit of US$2.5 million and the parties agreed to set up working groups, conduct due diligence work and other necessary work for the purpose of finalising the potential investment.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, 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 *(Note 1)* | - | 1,188,680,000 | |
| | Beneficial owner | Personal interest | 8,834,000 | 28,847,200 *(Note 2)* | 37,681,200 | |
| | | | 1,197,514,000 | 28,847,200 | 1,226,361,200 | 44.15% |
| Arthur Ross Gorrell | Beneficial owner | Personal interest | 2,625,000 | 5,200,000 *(Note 2)* | 7,825,000 | 0.28% |
| David Tsoi | Beneficial owner | Personal interest | - | 1,150,000 *(Note 2)* | 1,150,000 | 0.04% |
| Lo Chi Kit | Beneficial owner | Personal interest | - | 800,000 *(Note 2)* | 800,000 | 0.03% |
| Tam Hang Chuen | Beneficial owner | Personal interest | 1,000,000 | 300,000 *(Note 2)* | 1,300,000 | 0.05% |

*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.*

*Long positions of Director in common shares and underlying shares of TWE*

| Name | Capacity | Nature of interests | Number of common shares held | Number of underlying shares held | Total | Approximate % of shareholding |
|---|---|---|---|---|---|---|
| Arthur Ross Gorrell | Beneficial owner | Personal interest | - | 3,000,000 *(Note)* | 3,000,000 | 0.92% |

*Note:*

*Total number of TWE common shares to be allotted and issued upon exercise in full of stock options granted under the articles of TWE.*

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 2011, 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 SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests and short positions of 10% or more of the issued share capital of the Company held by the following party (other than a Director or chief executive of the Company) 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 held | Approximate % of shareholding |
|---|---|---|---|---|
| Colpo | Long positions | Beneficially owned | 1,188,680,000 *(Note 1)* | 42.8% |
| | Short positions | Beneficially owned | 200,000,000 *(Note 2)* | 7.2% |

*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. *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.*

Save as disclosed above, as at 30 June 2011, 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 2011 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 2011 | Granted during the period | Lapsed / cancelled during the period | Exercised during the period | As at 30 June 2011 |
|---|---|---|---|---|---|---|---|---|
| **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 eriod | Exercise price per share (HK$) | As at 1 January 2011 | Granted during the period | Lapsed / cancelled during the period | Exercised during the period | As at 30 June 2011 |
|---|---|---|---|---|---|---|---|---|
| **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 | - | - | - | 35,947,200 |
| **Other employees** | | | | | | | | |
| In aggregate | 19/06/2008 | 19/06/2010 to 19/06/2018 | 0.2316 | 8,850,000[3] | - | - | - | 8,850,000[3] |
| | 15/06/2009 | 15/06/2011 to 15/06/2019 | 0.73 | 6,040,000[3] | - | (10,000)[3] | - | 6,030,000[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 | 13,260,000[3] | - | (30,000)[3] | - | 13,230,000[3] |
| | 09/07/2010 | 09/07/2012 to 08/07/2020 | 0.56 | 8,700,000[4] | - | - | - | 8,700,000[4] |
| | | | | 36,910,000 | - | (40,000) | - | 36,870,000 |
| **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 | - | - | - | 186,290,000 |
| | | | **Total:** | 259,147,200 | - | (40,000) | - | 259,107,200[5] |
| **Weighted average exercise price per share (HK$)** | | | | 0.73 | - | 0.57 | - | 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 2011, the Company had 259,107,200 (31 December 2010: 259,147,200) share options outstanding under the 2003 Share Option Scheme, which represented approximately 9.33% (31 December 2010: 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 2011 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$) | **As at 1 January 2011** | **Granted during the period** | **Lapsed / cancelled during the period** | **Exercised during the period** | **As at 30 June 2011** |
|---|---|---|---|---|---|---|---|---|
| **Independent non-executive Directors** | | | | | | | | |
| David Tsoi | 23/06/2011 | 23/06/2012 to 22/06/2021 | 0.435 | - | 150,000[1] | - | - | 150,000[1] |
| Lo Chi Kit | 23/06/2011 | 23/06/2012 to 22/06/2021 | 0.435 | - | 100,000[1] | - | - | 100,000[1] |
| Tam Hang Chuen | 23/06/2011 | 23/06/2012 to 22/06/2021 | 0.435 | - | 100,000[1] | - | - | 100,000[1] |
| | | | | - | 350,000 | - | - | 350,000 |
| **Other employees** | | | | | | | | |
| In aggregate | 23/06/2011 | 23/06/2012 to 22/06/2021 | 0.435 | - | 4,300,000[1] | - | - | 4,300,000[1] |
| | | | | - | 4,300,000 | - | - | 4,300,000 |
| **Others** | | | | | | | | |
| In aggregate | 23/06/2011 | 23/06/2012 to 22/06/2021 | 0.435 | - | 45,350,000[1] | - | - | 45,350,000 [1] |
| | | | | - | 45,350,000 | - | - | 45,350,000 |
| | | | **Total:** | - | 50,000,000 | - | - | 50,000,000[2] |
| | **Weighted average exercise price per share (HK$)** | | | - | 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 2011, the Company had 50,000,000 (31 December 2010: Nil) share options outstanding under the 2011 Share Option Scheme, which represented approximately 1.8% (31 December 2010: Nil) of the Company's shares in issue on that date.*

*(3) During the six months ended 30 June 2011, 50,000,000 share options were granted on 23 June 2011. The closing price of the Company's shares on the date of which the aforesaid share options were granted was HK$0.435.*

### 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 2011, 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.

Details of movement of the TWE Options for the six months ended 30 June 2011 were as follows:

*Movement in the TWE Options*

| Name or category of participants | Date of grant | Exercise period | Exercise price per share (C$) | As at 1 January 2011 | Granted during the period | Lapsed/ cancelled during the period | Exercised during the period | As at 30 June 2011 |
|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | |
| Arthur Ross Gorrell | 27/08/2008 | 27/08/2008 to 27/08/2011 | 0.03 | 3,000,000 | - | - | - | 3,000,000 |
| **Others** | | | | | | | | |
| In aggregate | 27/08/2008 | 27/08/2008 to 27/08/2011 | 0.03 | 9,350,000 | - | - | - | 9,350,000 |
| | | | **Total:** | 12,350,000 | - | - | - | 12,350,000 |

## 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 2011.

## COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the six months ended 30 June 2011, 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, Mr. Chan Wing Him Kenny held 119,867 stock options entitling him to subscribe for 119,867 common shares (representing approximately 0.21% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 2,230,193 common shares (representing approximately 3.83% of the issued common share capital) and 23,000 stock options entitling him to subscribe for 23,000 common shares (representing approximately 0.04% 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 2011, 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 2011.

## 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 2011:

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer 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.

## 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 2011 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, 26 August 2011

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