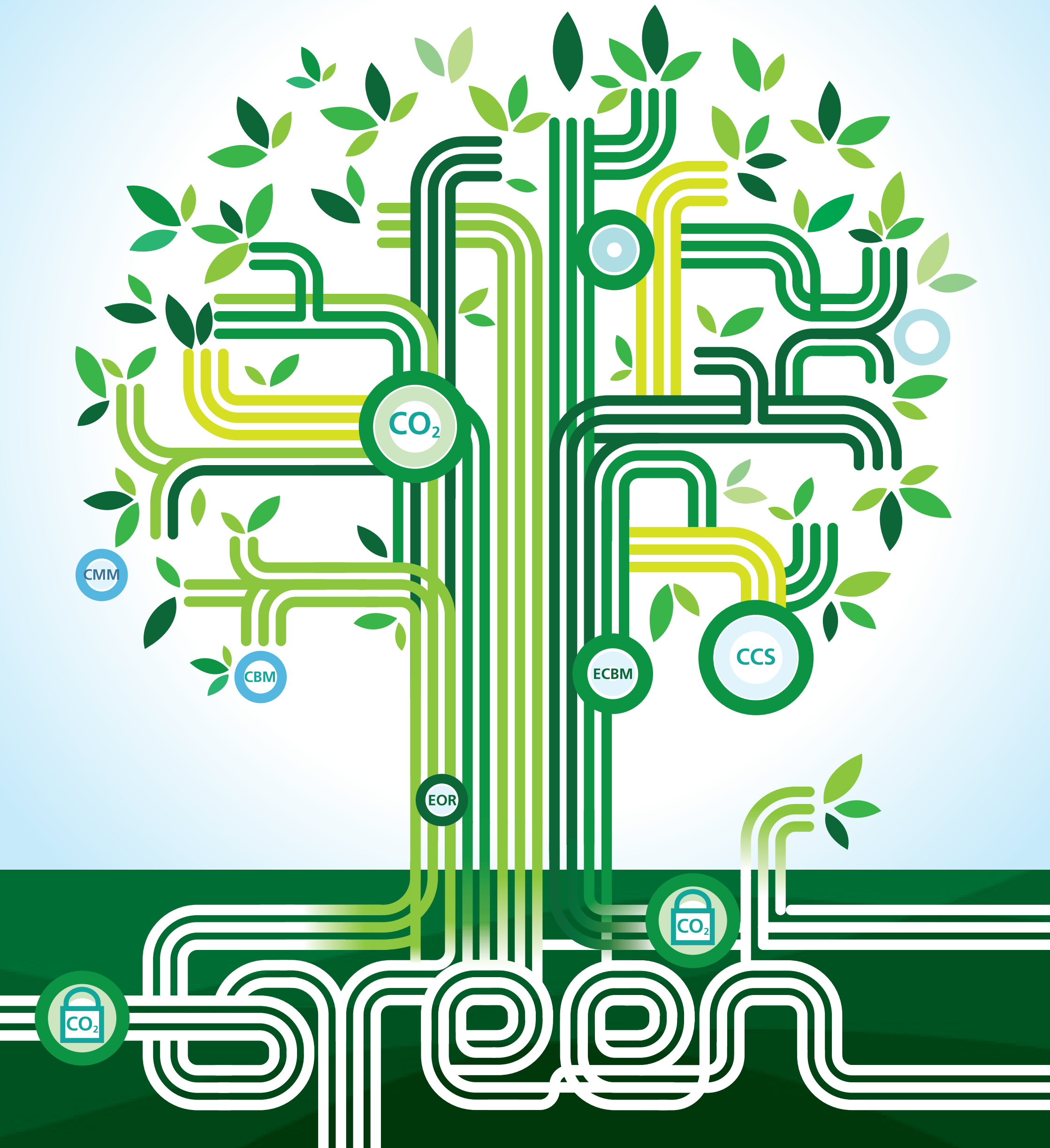
Enviro Energy International Holdings Limited

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8182)

Interim Report 2009



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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors ("**Directors**") of Enviro Energy International Holdings Limited ("**Company**", and together with its subsidiaries and jointly-controlled entity, "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

MANAGEMENT DISCUSSION AND ANALYSIS

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

Conventional crude oil business

During the second quarter of 2009, the crude oil price in the People's Republic of China ("**PRC**") increased slightly and maintained a level ranging between approximately US$46 to US$54 per barrel. PetroChina Company Limited ("**PetroChina**"), the operator of the two oilfields of Qian An Oil Development Co., Ltd. ("**Qian An Oilfields**"), has ramped up to normal production levels for the three months ended 30 June 2009. However, profit has yet to resume.

Unconventional natural gas business

During the period under review, TerraWest Energy Corp. ("**TWE**"), as Operator (as defined in the production sharing contract dated 30 December 2005 ("**PSC**") entered into with China United Coalbed Methane Corporation Limited ("**CUCBM**")) of the Liuhuanggou Project, announced the discovery of gas-bearing shale in the prospective Jurassic Badaowan ("**J1B**") formation and confirmed the thickness of the J1B on its Liuhuanggou Project lands located in the southern Junggar Basin of Xinjiang, the PRC.

As previously reported, well LHG 08-03 intersected approximately 350 metres (1,155 feet) of the J1B prior to reaching total depth in November 2008 and the intersection included approximately 170 metres (561 feet) of gas-bearing shale. Well LHG 08-03 also intersected approximately 52.3 metres (173 feet) of the previously known Jurassic Xishanyao ("**J2X**") coalbed methane ("**CBM**") target coal seam.

Geological survey work which commenced in May 2009 as part of the 2009 exploration program included reconnaissance and geological mapping of surface exposures of the J1B. Preliminary results of the survey confirm the true thickness of the J1B formation to be at least 750 metres (2,475 feet), much thicker than indicated in the 2008 drilling.

The geological survey also identified specific locations for drilling later this year. The additional test drilling at certain identified locations is expected to begin in the third quarter of 2009 and will include coring, sampling and geophysical logging of prospective formations. The drill core samples will be analyzed to provide additional information on the character and attributes of the prospective shale and other targets.

Samples of shale taken from 2008 drilling program are currently being analyzed for various qualities including total organic carbon content and mineral composition.

The board of Directors of the Company ("**Board**") considers that the confirmation of greater thickness of prospective shale as well as multiple interbedded CBM zones in the J1B, together with the known thickness of the J2X coal seam provides confidence that TWE has a multi-hydrocarbon play opportunity and potentially encountered a natural gas accumulation of great merit and importance to the PRC.

Environmental technologies

The Deep Un-mineable 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, CUCBM and Petromin Resources Ltd. ("**Petromin**") continued to move ahead smoothly during the period under review. As part of the contractual obligation to the JV Project, the Company and Petromin completed well design work which will be utilized in the forthcoming injection of CO_2. Prior to the actual injection, it is anticipated that the pilot well will be operated for a period of weeks to establish baseline production data.

The JV Project involves injecting CO_2 into a coal formation to test CO_2 sequestration and storage and enhanced CBM production. Pursuant to the JV Agreement, the Company holds a 20% participating interest in the JV Project which is operated by CUCBM. The Group's technology partner, the Alberta Research Council of Canada, provides expert consulting services to the Company and Petromin relating to the JV Project.

Business prospects

Conventional crude oil business

Overall oil demand in China was slightly down in the first half of 2009 as a result of significant drop in demand in the first quarter which was not totally offset by the demand increase in the second quarter of the year. The situation in China is more positive than the rest of the world where global oil demand is expected to remain below 2008 levels and continuation of this demand outlook is expected to keep oil prices at current levels for the remainder of the year.

Looking ahead, the Qian An Oilfields would have the upside benefit from increased oil price levels and opportunities for further development that could include in-fill drilling, opening additional by-pass pay formation zones, new target formation drilling and enhanced production concepts.

Unconventional natural gas business
In respect of CBM, given the high demand for clean energy and concerns over environmental issues, CBM is regarded as a key source of alternative clean energy which can ease the acute shortage of natural gas in various regions of the world. In the PRC, a number of favorable policies and incentives to encourage CBM exploration and utilisation have been implemented. These policies and incentives include value added tax waiver, corporate income tax relief, preferable access to pipeline transportation and CBM gas sales price subsidy. Under the 11th Five-year Plan, the PRC aims to achieve more than 10 billion cubic metres annual CBM production by 2010. The PRC is considered as one of the most prospective regions in the world for CBM development based on its widespread and high quality coal resources.

International shale gas developments
The Board considers it notable that the development of shale gas resources in the United States and Canada has continued at a rapid pace, spurred by very large capital investments by both domestic and international energy firms, including global majors, and advances in well completion technology. Commercial shale gas developments typically show very large natural gas resources in place and significant individual well production rates with long production life.

The energy resource additions represented by shale gas are large enough to potentially reduce long-term natural gas import demand in North America as well as increase the utilization of natural gas in industrial sectors currently dominated by coal and petroleum. The replacement of the higher carbon content fuels by natural gas would have a beneficial environmental effect.

These developments in North America and the positive impact of shale gas resources on domestic energy supply have made an impression in Europe where a major collaboration of government, universities and industry has launched a broad study of shale basins in European countries (Gas Shales in Europe, GASH). The industry participation includes major energy corporations. The positive international implications of shale gas development were also discussed by industry and governments at the G8 Energy Ministers Meeting in May 2009.

The Board considers the potential for similar energy resource additions and environmental benefits in the PRC to be a key driver of shale gas exploration and development in that country and further considers TWE to have gained a competitive, early-mover advantage in the PRC through the discovery of gas-bearing shale on the Liuhuanggou Project lands.

Capturing the above future potential returns to the Company's shareholders, the Company's effective controlling interest in TWE will increase from approximately 58.17% to approximately 65.58% upon the completion of the subscription for 40,000,000 units of TWE ("**Unit(s)**"). Each Unit consists of one common share, one A warrant and one B warrant of TWE. Assuming the A warrants and the B warrants are fully exercised pursuant to the subscription agreement dated 23 July 2009, the effective controlling interests of the Company in TWE will further increase to approximately 74.59%. In addition, the Company's effective interests in TWE will further increase to approximately 76.08% upon the completion and full conversion of 630 nine percent subordinated unsecured convertible debentures ("**Debenture(s)**") at the conversion price of C$0.2 per Debenture under the Subscription Agreement (as defined in Note 20 to the consolidated interim financial statements), to be issued by Petromin, a substantial shareholder of TWE, to Dragon Bounty Company Limited ("**Dragon Bounty**"), a wholly-owned subsidiary of the Company.

FINANCIAL REVIEW

Oil and gas segment

Conventional energy project

During the period under review, PetroChina maintained the production volume of crude oil at normal production levels. However, due to continuous low crude oil price in the PRC, the jointly-controlled entity contributed a loss of approximately HK$3,434,000 (2008: a profit of approximately HK$4,465,000) to the Group.

Non-conventional energy project

Upon completion of the acquisition of entire equity interest in Chavis International Limited ("**Chavis**") on 13 October 2008, the Group through Chavis holds approximately 58.17% of the existing issued common and preferred share capital of TWE, which holds 47% interest in a CBM PSC with CUCBM which holds the remaining 53% interest therein. According to the PSC, TWE, as Operator (as defined in the PSC), is entitled to recover the operating and exploration costs out of 70% of the revenue to be generated from the contract area of the PSC. The PSC, being classified as an intangible asset, is amortized on a straight-line basis over 28 years. The amortization of the PSC of approximately HK$15,366,000 and relative deferred tax credit of approximately HK$3,841,000 were thus recognized during the six months ended 30 June 2009.

During the period under review, the Group incurred additional exploration expenditure amounted to approximately HK$1,113,000 for further testing and analyzing the CBM and shale gas samples.

On 11 February 2009, Petromin exercised its warrants to acquire 16,666,667 common shares in, representing approximately 5.74% of the issued common and preferred shares in the capital of, TWE. As a result of the Group's deemed disposal of approximately 5.74% of its interest in TWE, its controlling interest was reduced to approximately 58.17%. The proceed of approximately HK$3,080,000 was received in cash from Petromin. The difference between the deemed disposal proceeds and the amount transferred to non-controlling interests of approximately HK$38,801,000 has been recognized directly in equity.

Information technology ("IT") and network infrastructure segment

During the period under review, the Group continued focusing its resources on energy-related business and scaled-down its IT solutions and services business. As a result of the Group's change in business model, the Group's revenue generated from IT and network infrastructure businesses dropped by approximately HK$328,000 from approximately HK$519,000 to approximately HK$191,000.

Administrative and operating expenses

Administrative and operating expenses decreased by approximately HK$8,403,000 from approximately HK$45,904,000 to approximately HK$37,501,000 compared with the same period of 2008. This was primarily due to the recognition of the PSC amortisation of approximately HK$15,366,000 (2008: Nil), increase in staff and Directors' salaries and allowance by approximately HK$1,670,000 from approximately HK$11,989,000 to approximately HK$13,659,000, which were mainly offset by the significant drop in legal and professional fees by approximately HK$23,878,000 to approximately HK$2,552,000 (2008: HK$26,430,000).

Share-based payment

As a result of additional 32,745,000 share options granted on 15 June 2009, equity settled share-based payment of approximately HK$622,000 was recognized.

Other comprehensive income

Exchange differences arising on translation of Canadian operation substantially increased to approximately HK$30,854,000 (2008: HK$604,000) because the Canadian dollars ("**C$**") as a functional currency against the Hong Kong dollars ("**HK$**") as a presentation currency increased significantly by approximately 5.2% when translating the consolidated net assets of Chavis and its Canadian subsidiary during the period.

LBITDA and loss attributable to equity holders of the Company

Compared with the same period of 2008, adjusted LBITDA (Loss before interest, tax, depreciation and amortisation) decreased by approximately HK$23,115,000 from approximately HK$45,148,000 to approximately HK$22,033,000, and the loss attributable to equity holders of the Company decreased by approximately 18.24% from approximately HK$39,577,000 to approximately HK$32,360,000.

Liquidity and financial resources

For the period under review, the Group's major business operations took place in Hong Kong, the PRC and Canada, financed mainly by internally generated cash flows and fund raised by previous share placings. As at 30 June 2009, the Group had bank balances and cash of approximately HK$107,165,000 (31 December 2008: HK$133,740,000). The Group's working capital ratio stood at 3.08 as at 30 June 2009 (31 December 2008: 3.2).

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

As at 30 June 2009, the Group maintained a debt-free capital structure.

Material acquisitions and disposals of subsidiaries and affiliated companies

Material acquisitions of the Company are set out in Note 20 to the consolidated interim financial statements.

Save as disclosed above, there were no other material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.

Employees' information

As at 30 June 2009, the Group had 20 full-time employees (31 December 2008: 21) working in Hong Kong, the PRC and Canada. The total employees benefit expense, including Directors' emoluments, amounted to approximately HK$13,659,000 for the period under review (2008: HK$11,989,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

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

Charge on group assets

As at 30 June 2009, the Group did not have any charges on the Group's assets (31 December 2008: Nil).

Gearing ratio

As at 30 June 2009, the Group had no payables incurred which were not in the ordinary course of business and accordingly the gearing ratio was nil.

Foreign exchange exposure

The Group mainly earned revenue and incurred costs in HK$, Renminbi ("**RMB**"), C$ and US$. Risk on exposure to fluctuation in exchange rates was insignificant to the Group despite there was fluctuation in the exchange rate between US$ against C$. The Directors and senior management will continue to monitor closely the exchange risk by entering into forward contracts and utilizing applicable derivatives to hedge out the exchange risk when necessary.

Capital commitments and contingent liabilities

Capital commitments are set out in Note 19 to the consolidated interim financial statements.

On 29 February 2008, the Group acquired 100% of the issued share capital of Allied Resources Limited. Save for amount due to the holding company of approximately HK$82,594,000, the accrued liabilities and other payables of approximately HK$28,069,000, the vendor, Global Richland Investment Limited, has agreed to fully indemnify the Group in respect of, among other matters, any losses or expenses incurred by the Group in respect of any other liabilities, tax provision, contingent liabilities and commitments of not exceeding in aggregate of HK$365.88 million and any liability incurred by the Group relating to tax and/or relief on or before the sixth anniversary of the date of completion, i.e. 28 February 2014.

On 13 October 2008, the Group acquired 100% of the issued share capital of Chavis. Save for accrued liabilities and other payables disclosed in the unaudited consolidated financial statements of Chavis and its subsidiary as at 31 July 2008, the vendor, Ms. Cheng Miu Fong, has agreed to fully indemnify the Group in respect of, among other matters, any losses or expenses incurred by the Group in respect of any other liabilities, tax provision, contingent liabilities and commitments of not exceeding in aggregate of US$4.031 million and any liability incurred by the Group relating to tax and/or relief on or before the sixth anniversary of the date of completion, i.e. 12 October 2014.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

The Board announces that the unaudited results of the Group for the three-month and six-month periods ended 30 June 2009, together with comparative figures for the same corresponding period in 2008 were as follows:

		For the three-month period ended 30 June		For the six-month period ended 30 June	
	Notes	**2009 HK$'000 (Unaudited)**	2008 HK$'000 (Unaudited)	**2009 HK$'000 (Unaudited)**	2008 HK$'000 (Unaudited)
Revenue	2	**66**	52	**191**	519
Cost of sales		**(43)**	(13)	**(140)**	(96)
Gross profit		**23**	39	**51**	423
Other operating income	3	**11**	473	**35**	1,460
Share-based payment		**(464)**	(21)	**(622)**	(21)
Administrative and operating expenses		**(13,853)**	(24,030)	**(37,501)**	(45,904)
Share of results of a jointly-controlled entity		**(911)**	3,127	**(3,434)**	4,465
Loss before taxation		**(15,194)**	(20,412)	**(41,471)**	(39,577)
Income tax	5	**2,015**	–	**3,841**	–
Net loss for the period		**(13,179)**	(20,412)	**(37,630)**	(39,577)
Loss attributable to:					
Equity holders of the Company		**(10,212)**	(20,412)	**(32,360)**	(39,577)
Non-controlling interests		**(2,967)**	–	**(5,270)**	–
		(13,179)	(20,412)	**(37,630)**	(39,577)
Loss per share	7				
Basic		**(HK0.44 cent)**	(HK0.87 cent)	**(HK1.38 cents)**	(HK1.72 cents)
Diluted		**N/A**	N/A	**N/A**	N/A

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2009	2008	**2009**	2008
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net loss for the period		**(13,179)**	(20,412)	**(37,630)**	(39,577)
Other comprehensive income/(loss):					
Exchange differences arising on translation of foreign operations		**49,686**	(375)	**30,854**	604
Change in fair value of available-for-sale financial assets, net of tax		**1,377**	(386)	**1,401**	(386)
Total comprehensive income/(loss) for the period		**37,884**	(21,173)	**(5,375)**	(39,359)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		**19,026**	(21,173)	**(15,091)**	(39,359)
Non-controlling interests		**18,858**	–	**9,716**	–
		37,884	(21,173)	**(5,375)**	(39,359)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2009 HK$'000 (Unaudited)	As at 31 December 2008 HK$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	8	**3,577**	4,198
Goodwill		**90,451**	90,451
Exploration and evaluation assets	9	**37,312**	34,422
Interests in a jointly-controlled entity	10	**6,417**	9,817
Intangible assets	11	**846,261**	819,744
Available-for-sale financial assets		**2,661**	659
Club memberships		**2,370**	2,370
		989,049	961,661
Current assets			
Trade receivables	12	**47**	86
Deposits, prepayments and other current assets		**1,855**	4,895
Dividend receivable from a jointly-controlled entity		**14,744**	14,694
Bank balances and cash		**107,165**	133,740
		123,811	153,415
Total assets		**1,112,860**	1,115,076

	Notes	As at 30 June 2009 HK$'000 (Unaudited)	As at 31 December 2008 HK$'000 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*13*	**5,842**	5,842
Accumulated losses		**(112,217)**	(79,881)
Other components of equity		**687,085**	704,939
		580,710	630,900
Non-controlling interests		**279,819**	231,302
Total equity		**860,529**	862,202
Non-current liabilities			
Deferred income tax liabilities	*14*	**212,166**	204,936
Current liabilities			
Trade payables	*15*	**3,629**	12,251
Accrued liabilities and other payables		**36,536**	35,607
Amount due to a Director		**–**	80
		40,165	47,938
Total liabilities		**252,331**	252,874
Total equity and liabilities		**1,112,860**	1,115,076
Net current assets		**83,646**	105,477
Total assets less current liabilities		**1,072,695**	1,067,138

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Attributable to equity holders of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
As at 31 December 2007 and 1 January 2008 (Unaudited)	5,564	535,401	83,977	(192,094)	432,848	–	432,848
Loss for the period	–	–	–	(39,577)	(39,577)	–	(39,577)
Other comprehensive income/(loss):							
Fair value changes on available-for-sale financial assets, net of tax	–	–	(386)	–	(386)	–	(386)
Exchange differences arising on translation of foreign operations	–	–	604	–	604	–	604
Total comprehensive income/(loss) for the six-month period ended 30 June 2008	–	–	218	(39,577)	(39,359)	–	(39,359)
Exercise of share options	3	977	(358)	–	622	–	622
Forfeiture of share options	–	–	(23)	23	–	–	–
Issue of new shares	275	109,725	–	–	110,000	–	110,000
	278	110,702	(381)	23	110,622	–	110,622
As at 30 June 2008 (Unaudited)	5,842	646,103	83,814	(231,648)	504,111	–	504,111

	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Attributable to equity holders of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 31 December 2008 and 1 January 2009 (Audited)	5,842	646,103	58,836	(79,881)	630,900	231,302	862,202
Loss for the period	–	–	–	(32,360)	(32,360)	(5,270)	(37,630)
Other comprehensive income/(loss):							
Fair value changes on available-for-sale financial assets, net of tax	–	–	1,401	–	1,401	–	1,401
Exchange differences arising on translation of foreign operations	–	–	15,868	–	15,868	14,986	30,854
Total comprehensive income/(loss) for the six-month period ended 30 June 2009	–	–	17,269	(32,360)	(15,091)	9,716	(5,375)
Deemed disposal of a subsidiary	–	–	(35,721)	–	(35,721)	38,801	3,080
Recognition of equity settled share-based payment	–	–	622	–	622	–	622
Forfeiture of share options	–	–	(24)	24	–	–	–
	–	–	(35,123)	24	(35,099)	38,801	3,702
As at 30 June 2009 (Unaudited)	5,842	646,103	40,982	(112,217)	580,710	279,819	860,529

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six-month period ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(26,026)**	(31,235)
Net cash used in investing activities	**(1,209)**	(26,592)
Net cash from financing activities	**3,080**	600
Net decrease in cash and cash equivalents	**(24,155)**	(57,227)
Cash and cash equivalents at beginning of period	**133,740**	255,480
Effect of foreign exchange rates changes	**(2,420)**	(751)
Cash and cash equivalents at end of period, represented by bank balances and cash	**107,165**	197,502

Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain intangible assets and financial instruments, which are measured at fair values and are consistent with those followed in the Group's audited financial statements for the seventeen-month period ended 31 December 2008.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretations (hereinafter collectively referred to as "**New HKFRSs**") issued by the HKICPA, which are or have become effective for the Group's financial period beginning 1 January 2009:

HKFRSs (Amendments)	Improvement to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The application of the New HKFRSs does not have any material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Effective for transfers of assets from customers received on or after 1 July 2009.

2. SEGMENT INFORMATION

An analysis of the Group's segment information during each of the six-month periods ended 30 June 2008 and 2009 is as follows:

	IT and network infrastructure	Upstream oil and gas exploration			
	Hong Kong	PRC	Canada	Other segments	Total Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six-month period ended 30 June 2009 (Unaudited)					
Revenue (from external customers)	**191**	**–**	**–**	**–**	**191**
Adjusted LBITDA (i)	**(877)**	**(1,089)**	**640**	**(20,707)**	**(22,033)**
Depreciation and amortisation	**(56)**	**(8)**	**(15,366)**	**(609)**	**(16,039)**
Interest income	**–**	**–**	**1**	**34**	**35**
Share of results of a jointly-controlled entity	**–**	**(3,434)**	**–**	**–**	**(3,434)**
Income tax expense	**–**	**–**	**3,841**	**–**	**3,841**
For the six-month period ended 30 June 2008 (Unaudited)					
Revenue (from external customers)	519	–	–	–	519
Adjusted LBITDA (i)	(3,196)	(11,360)	–	(30,592)	(45,148)
Depreciation and amortisation	(110)	(4)	–	(240)	(354)
Interest income	–	–	–	1,460	1,460
Share of results of a jointly-controlled entity	–	4,465	–	–	4,465
Income tax expense	–	–	–	–	–

	IT and network infrastructure	Upstream oil and gas exploration			
	Hong Kong	**PRC**	**Canada**	**Other segments**	**Total Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2009 (Unaudited)					
Total assets (ii)	**745**	**122,832**	**886,610**	**100,012**	**1,110,199**
Total assets include:					
Interests in a jointly-controlled entity	**–**	**6,417**	**–**	**–**	**6,417**
Additions to non-current assets (other than financial instruments)	**18**	**7**	**1,113**	**27**	**1,165**
As at 31 December 2008 (Audited)					
Total assets (ii)	555	127,012	861,265	125,585	1,114,417
Total assets include:					
Interests in a jointly-controlled entity	–	9,817	–	–	9,817
Additions to non-current assets (other than financial instruments)	320	299,684	899,637	4,874	1,204,515

Notes:

(i) Adjusted LBITDA excluded the effects of non-recurring expenditure from the operating segments.

(ii) Total assets excluded available-for-sale financial assets which were managed on a central basis. The measure of liabilities has not been disclosed for each reportable segment as it is not regularly provided to the chief operating decision maker.

A reconciliation of total adjusted LBITDA to loss before income tax is provided as follows:

	For the six-month period ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Adjusted LBITDA for reportable segments	**(22,033)**	(45,148)
Depreciation	**(673)**	(354)
Amortisation	**(15,366)**	–
Operating profit	**(38,072)**	(45,502)
Bank interest income	**35**	1,460
Share of post tax (loss)/profits of a jointly-controlled entity	**(3,434)**	4,465
Loss before income tax	**(41,471)**	(39,577)

As at 30 June 2009, total non-current assets other than financial instruments located in Hong Kong and other countries were approximately HK$5,947,000 (31 December 2008: HK$6,568,000) and approximately HK$980,441,000 (31 December 2008: HK$954,434,000), respectively.

For the six-month period ended 30 June 2009, revenues of approximately HK$126,000 (2008: HK$390,000) were derived from a single external customer. These revenues were attributable to the IT and network infrastructure segment.

3. OTHER OPERATING INCOME

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Bank interest income	**11**	473	**35**	1,460

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Cost of inventories sold	**43**	13	**140**	25
Cost of services provided	**–**	–	**–**	71
Depreciation for plant and equipment	**335**	253	**673**	354
Amortisation of intangible assets	**7,306**	–	**15,366**	–
Staff costs, including Directors' emoluments (including share-based payment)	**8,935**	5,317	**13,659**	11,989

5. INCOME TAX

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current income tax	**–**	–	**–**	–
Deferred income tax credit	**2,015**	–	**3,841**	–
Income tax credit	**2,015**	–	**3,841**	–

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 Act of the British Virgin Islands and, accordingly are exempted from payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax had been provided as the Group did not have any assessable profits in Hong Kong for the period (2008: Nil).

PRC Enterprise Income Tax of 25% had not been provided for the PRC subsidiaries as they did not generate any assessable profits for the period (2008: Nil).

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, is subject to the Income Tax Act (Canada) at a rate of 30%. TWE has been reporting tax loss since its incorporation.

6. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six-month period ended 30 June 2009 (2008: Nil).

7. LOSS PER SHARE

(a) Basic

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 period.

Basic loss per share is calculated as follows:

	For the three-month period ended 30 June		**For the six-month period ended 30 June**	
	2009 (Unaudited)	2008 (Unaudited)	**2009 (Unaudited)**	2008 (Unaudited)
Loss attributable to equity holders of the Company for the purpose of calculating basic loss per share *(HK$'000)*	**(10,212)**	(20,412)	**(32,360)**	(39,577)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *('000)*	**2,336,881**	2,336,792	**2,336,881**	2,300,558
Basic loss per share *(in HK cents)*	**(0.44)**	(0.87)	**(1.38)**	(1.72)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted loss per share is calculated as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)	**2009 (Unaudited)**	2008 (Unaudited)
Loss attributable to equity holders of the Company for the purpose of calculating diluted loss per share *(HK$'000)*	**(10,212)**	(20,412)	**(32,360)**	(39,577)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *('000)*	**2,336,881**	2,336,792	**2,336,881**	2,300,558
Effect of dilutive potential ordinary shares in respect of deferred consideration for acquisition of Chavis *('000)*#	**93,600**	–	**93,600**	–
Effect of dilutive potential ordinary shares in respect of share options *('000)*	**29,326**	22,553	**20,944**	29,441
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share *('000)*	**2,459,807**	2,359,345	**2,451,425**	2,329,999
Diluted loss per share *(in HK cents)*	**N/A**	N/A	**N/A**	N/A

Diluted loss per share for each of the three-month and six-month periods ended 30 June 2008 and 2009 has not been presented, as the share options outstanding during each of the three-month and six-month periods ended 30 June 2008 and 2009 had an anti-dilutive effect on the basic loss per share for the respective periods.

Pursuant to the sale and purchase agreement dated 17 September 2008, part of the consideration will be settled by way of the issue of 93,600,000 new shares at HK$0.25 each. As at 30 June 2009, the consideration shares were not issued yet.

8. PLANT AND EQUIPMENT

	HK$'000
Cost:	
As at 1 January 2009 (Audited)	5,603
Exchange realignment	1
Additions	52
Disposals	(3)
As at 30 June 2009 (Unaudited)	**5,653**
Accumulated depreciation:	
As at 1 January 2009 (Audited)	1,405
Exchange realignment	1
Provided for the period	673
Eliminated on disposals	(3)
As at 30 June 2009 (Unaudited)	**2,076**
Carrying values:	
As at 30 June 2009 (Unaudited)	**3,577**
As at 31 December 2008 (Audited)	4,198

9. EXPLORATION AND EVALUATION ASSETS

	As at 30 June 2009 ***HK$'000*** **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Carrying values:		
As at the beginning of period	**34,422**	–
Arising on acquisition of a subsidiary	**–**	17,236
Additions	**1,113**	18,742
Exchange realignment	**1,777**	(1,556)
As at end of period	**37,312**	34,422

10. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	As at 30 June 2009 *HK$'000* (Unaudited)	As at 31 December 2008 *HK$'000* (Audited)
Cost of unlisted investments in a jointly-controlled entity	**1,131**	1,131
Share of post-acquisition results and reserves, net of dividends received	**5,286**	8,686
	6,417	9,817

The dividend receivable from a jointly-controlled entity is unsecured, interest-free and repayable on demand.

As at 30 June 2009, particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activities
Qian An Oil Development Co., Ltd ("乾安石油開發有限責任公司")	Corporate	PRC	50	50	50	Exploitation for petroleum resources activities and production of petroleum

11. INTANGIBLE ASSETS

	PSC ***HK$'000***
Valuation:	
As at 1 January 2009 (Audited)	826,312
Exchange realignment	42,681
As at 30 June 2009 (Unaudited)	**868,993**
Amortisation:	
As at 1 January 2009 (Audited)	6,568
Provided during the period	15,366
Exchange realignment	798
As at 30 June 2009 (Unaudited)	**22,732**
Carrying values:	
As at 30 June 2009 (Unaudited)	**846,261**
As at 31 December 2008 (Audited)	819,744

The PSC was approved by the Ministry of Commerce of the PRC. Pursuant to the PSC, TWE holds the rights of exploration for, and development and production of CBM and/or liquid hydrocarbons in the contract area in Liuhuanggou, Xinjiang, the PRC, with a total area of 653.518 square kilometres in co-operation with CUCBM, without the need to separately apply for an exploration licence and/or a production licence.

12. TRADE RECEIVABLES

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 (net of impairment losses for bad and doubtful debts) as at the reporting date, based on the invoice date, is as follows:

	As at 30 June 2009 ***HK$'000*** **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Within 30 days	**5**	29
Between 31 – 60 days	**–**	11
Over 60 days	**42**	46
	47	86

13. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2009 *'000* (Unaudited)	As at 31 December 2008 *'000* (Audited)	**As at 30 June 2009 *HK$'000* (Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Authorised:				
As at beginning of period				
Ordinary shares of HK$0.0025 each for 2009 and HK$0.005 each for 2008	**20,000,000**	10,000,000	**50,000**	50,000
Share subdivision on 29 August 2007	**–**	10,000,000	**–**	–
As at end of period				
Ordinary shares of HK$0.0025 each	**20,000,000**	20,000,000	**50,000**	50,000
Issued and fully paid:				
As at beginning of period				
Ordinary shares of HK$0.0025 each for 2009 and HK$0.005 each for 2008	**2,336,881**	1,074,546	**5,842**	5,373
Issue of new shares upon exercise of share options on 6 August 2007	**–**	14,152	**–**	70
	2,336,881	1,088,698	**5,842**	5,443
Share subdivision	**–**	1,088,698	**–**	–
Issue of new shares upon exercise of share options	**–**	49,485	**–**	124
Issue of shares for acquisition of a subsidiary	**–**	110,000	**–**	275
As at end of period				
Ordinary shares of HK$0.0025 each	**2,336,881**	2,336,881	**5,842**	5,842

14. DEFERRED TAXATION

	As at 30 June 2009 *HK$'000* **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Intangible assets:		
As at beginning of period	**204,936**	–
Arising on acquisition of subsidiaries	**–**	215,915
Credited to consolidated income statement	**(3,841)**	(1,679)
Exchange realignment	**10,470**	(9,300)
	211,565	204,936
Available-for-sale financial assets:		
Charged to other comprehensive income	**601**	–
	212,166	204,936

15. TRADE PAYABLES

An aging analysis of the trade payables of the Group (net of impairment losses for bad and doubtful debts) as at the reporting date, based on the invoice date, is as follows:

	As at 30 June 2009 *HK$'000* **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Within 30 days	**301**	9,873
Between 31 – 60 days	**74**	856
Over 60 days	**3,254**	1,522
	3,629	12,251

16. SHARE-BASED PAYMENTS TRANSACTION

The fair value of options granted under the post-IPO share option scheme adopted by the Company on 25 January 2003 ("**Share Option Scheme**"), amounted to approximately HK$464,000 and approximately HK$622,000 for the three-month and six-month periods ended 30 June 2009, respectively (approximately HK$21,000 for each of three-month and six-month periods ended for 30 June 2008).

Regarding the share options granted on 19 June 2008 and 15 June 2009, 50% of the share options shall be exercised in a period commencing two 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 shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.

The fair values of the share options granted were derived from Binomial option pricing model by applying the following bases and assumptions:

Date of grant (dd/mm/yyyy)	**Dividend yield**	**Expected volatility[(i)]**	**Risk-free rate[(ii)]**	**Price of the Company's share at grant date of share options[(iii)]** *HK$ per share*
15/06/2009	Nil	59.5%	2.911%	0.730
19/06/2008	Nil	47.8%	3.730%	0.230

Notes:

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

(ii) The risk free rate has made 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 option.

(iii) The price of the Company's share disclosed as on the date of grant of the share options was the closing price on the trading day immediately prior to the date of grant of the share options.

(iv) 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 subjective input assumptions could materially affect the fair value estimate.

(v) The outstanding share options as at 30 June 2009 had a weighted average remaining contractual life of 5.84 years (31 December 2008: 4.76 years).

(vi) If the options are forfeited before expiration or lapsed, the related share option reserve will be transferred directly to accumulated losses of the Company.

(vii) The fair value of the share options has been arrived at on the basic of a valuation carried out on date of grant by Vigers Appraisal and Consulting Limited.

17. RELATED-PARTY TRANSACTIONS

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

	Notes	For the three-month period ended 30 June 2009 HK$'000 (Unaudited)	For the three-month period ended 30 June 2008 HK$'000 (Unaudited)	For the six-month period ended 30 June 2009 HK$'000 (Unaudited)	For the six-month period ended 30 June 2008 HK$'000 (Unaudited)
Petromin Provision of consultancy services	*(i)*	**297**	–	**646**	–
Y&K Printing Company Provision of printing services	*(ii)*	**28**	–	**28**	–

Key management compensation amounted to approximately HK$11,479,000 for the six-month period ended 30 June 2009 (2008: HK$9,284,000).

Notes:

(i) The Company held approximately 3% interests in Petromin. Some of the senior management personnel of the Company and Petromin are in common. 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".

(ii) Mr. Tam Hang Chuen, an independent non-executive Director of the Company, has beneficial interests in Y&K Printing Company.

18. OPERATING LEASES COMMITMENT

	As at 30 June 2009 HK$'000 (Unaudited)	As at 31 December 2008 HK$'000 (Audited)
Within one year	**2,889**	2,077
After one year but within five years	**1,033**	1,743
	3,922	3,820

19. CAPITAL COMMITMENTS

	As at 30 June 2009 ***HK$'000*** **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Other commitments contracted but not provided for in the consolidated interim financial statements in respect of:		
– PSC *(i)*	**20,280**	20,280
– JV Agreement *(ii)*	**1,868**	1,868
	22,148	22,148

Notes:

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

(ii) Pursuant to the JV Agreement, the Company had agreed to contribute RMB3,460,000 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.

20. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 5 July 2009, Dragon Bounty entered into a subscription agreement ("**Subscription Agreement**") with Petromin in respect of subscription for 850 Debentures in cash for an aggregate subscription price of C$850,000. Each Debenture will be convertible into 5,000 common shares of Petromin.

On 22 July 2009, Dragon Bounty and Petromin signed a supplemental deed ("**Deed**") to the Subscription Agreement. Pursuant to the Deed, the subscription price was revised from C$850,000 to C$630,000. Accordingly, 630 Debentures will be subscribed in cash by Dragon Bounty.

On 23 July 2009, Aces Diamond International Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement with TWE in respect of the subscription for 40,000,000 TWE common shares, 40,000,000 A warrants at the exercise price of C$0.10 each ("**A Warrant**") and 40,000,000 B warrants at the exercise price of C$0.15 each ("**B Warrant**") at an aggregate amount of C$2,000,000. Each A Warrant and B Warrant entitles the holder to purchase one TWE common share within two and three years, respectively, following the date of issuance of such warrants. Upon completion of the subscription for 40,000,000 common shares, the Company's indirect effective controlling interest in TWE will increase from approximately 58.17% to approximately 65.58%.

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

As at 30 June 2009, the interests and short positions of each Director and chief executive of the Company 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 Rule 5.46 of the GEM 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	(i) Interest of a controlled corporation	(i) Corporate interest	(i)1,185,680,000 *(Note)*	–	1,185,680,000	
	(ii) Beneficial owner	(ii) Personal interest	(ii) 1,756,000	(ii) 20,347,200	22,103,200	
			1,187,436,000	20,347,200	1,207,783,200	51.68%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	4,700,000	7,325,000	0.31%
David Tsoi	Beneficial owner	Personal interest	–	750,000	750,000	0.03%
Lo Chi Kit	Beneficial owner	Personal interest	–	600,000	600,000	0.03%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	100,000	1,100,000	0.05%

Long positions of chief executives in ordinary shares and underlying shares of the Company

Donald O Downing	Beneficial owner	Personal interest	–	2,350,000	2,350,000	0.10%
Poon Lai Yin Michael	Beneficial owner	Personal interest	–	1,500,000	1,500,000	0.06%

Note: 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 the chief executive officer ("**CEO**") of the Company and an executive Director, who is therefore deemed to be interested in the shares held by Colpo.

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	3,000,000	1.62%

Long positions of chief executive 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
Donald O Downing	Beneficial owner	Personal interest	500,000	3,500,000 *(Note)*	4,000,000	2.15%

Note: Such number of underlying shares consists of (a) 3,000,000 stock options exercisable at a price of C$0.03 per common share of TWE during the period from 27 August 2008 to 27 August 2011; and (b) 500,000 warrants exercisable at a price of C$0.03 per common share of TWE with expiry date on 18 February 2010.

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 2009, 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 Rule 5.46 of the GEM 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 2009, 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:

Long positions in the ordinary shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Colpo	Beneficial owner	1,185,680,000 *(Note)*	50.74%

Note: The entire issued share capital of Colpo was solely and beneficially owned by Mr. Chan Wing Him Kenny, the chairman and the CEO of the Company and an executive Director, who is therefore deemed to be interested in 1,185,680,000 shares in the Company held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 1,185,680,000 shares in the Company 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".

Save as disclosed above, as at 30 June 2009, no person (other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had registered any 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

1. Share Option Scheme of the Company

On 25 January 2003, the rules of the Share Option Scheme were approved and adopted pursuant to a written resolution of the Company.

As at 30 June 2009, details of the share options granted under the Share Option Scheme (including the options granted to Directors and chief executives of the Company disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures") were as follows:

				Number of Share Options				
Name or category of participants	Date of grant *(dd/mm/yyyy)*	Exercise period *(dd/mm/yyyy)*	Exercise price per share *(HK$)*	As at 1 January 2009	Granted during the six-month period	Lapsed/ cancelled during the six-month period	Exercised during the six-month period	As at 30 June 2009
Directors, chief executives, management shareholders or substantial shareholders or their respective associates:								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/1/2013	0.0635[1]	15,847,200[1]	–	–	–	15,847,200[1]
	22/6/2007	22/6/2007 to 24/1/2013	1.365[2]	2,000,000[2]	–	–	–	2,000,000[2]
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000[3]	–	–	–	500,000[3]
	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	2,000,000[3]	–	–	2,000,000[3]
Arthur Ross Gorrell	22/6/2007	22/6/2007 to 24/1/2013	1.365[2]	1,500,000[2]	–	–	–	1,500,000[2]
	29/10/2007	29/10/2007 to 24/1/2013	2.44	700,000	–	–	–	700,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000[3]	–	–	–	500,000[3]
	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	2,000,000[3]	–	–	2,000,000[3]

Name or category of participants	Date of grant	Exercise period	Exercise price per share	Number of Share Options				
				As at 1 January 2009	Granted during the six-month period	Lapsed/ cancelled during the six-month period	Exercised during the six-month period	As at 30 June 2009
	(dd/mm/yyyy)	*(dd/mm/yyyy)*	*(HK$)*					
David Tsoi	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	750,000[3]	–	–	750,000[3]
Lo Chi Kit	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	600,000[3]	–	–	600,000[3]
Tam Hang Chuen	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	100,000[3]	–	–	100,000[3]
Donald O Downing	19/6/2008	19/6/2010 to 19/6/2018	0.2316	350,000[3]	–	–	–	350,000[3]
	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	2,000,000[3]	–	–	2,000,000[3]
Poon Lai Yin Michael	19/6/2008	19/6/2010 to 19/6/2018	0.2316	500,000[3]	–	–	–	500,000[3]
	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	1,000,000[3]	–	–	1,000,000[3]
				21,897,200	8,450,000	–	–	30,347,200
Other employees:								
	26/4/2007	26/4/2007 to 24/1/2013	0.579[2]	120,000[2]	–	–	–	120,000[2]
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	8,600,000[3]	–	–	–	8,600,000[3]
	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	4,295,000[3]	–	–	4,295,000[3]
				8,720,000	4,295,000	–	–	13,015,000

Name or category of participants	Date of grant (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price per share (HK$)	Number of Share Options: As at 1 January 2009	Granted during the six-month period	Lapsed/ cancelled during the six-month period	Exercised during the six-month period	As at 30 June 2009
Others:								
In aggregate	18/1/2007	18/1/2007 to 24/1/2013	0.0635[1]	1,000,000[1]	–	–	–	1,000,000[1]
	20/3/2007	20/3/2007 to 24/1/2013	0.1125[1]	16,240,000[1]	–	–	–	16,240,000[1]
	26/4/2007	26/4/2007 to 24/1/2013	0.579[2]	1,040,000[2]	–	(40,000) [2]	–	1,000,000[2]
	22/6/2007	22/6/2007 to 24/1/2013	1.365[2]	13,000,000[2]	–	–	–	13,000,000[2]
	29/10/2007	29/10/2007 to 24/1/2013	2.44	23,500,000	–	–	–	23,500,000
	19/6/2008	19/6/2010 to 19/6/2018	0.2316	550,000[3]	–	(50,000) [3]	–	500,000[3]
	15/6/2009	15/6/2011 to 14/6/2019	0.73	–	20,000,000[3]	–	–	20,000,000[3]
				55,330,000	20,000,000	(90,000)	–	75,240,000
Total:				85,947,200	32,745,000	(90,000)	–	118,602,200[4]
Weighted average exercise price per share (HK$)				1.020	0.730	0.386	–	0.941

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 shall be exercised in a period commencing two 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 shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.

(4) As at 30 June 2009, the Company had 118,602,200 (31 December 2008: 85,947,200) share options outstanding under the Share Option Scheme, which represented approximately 5.08% (31 December 2008: 3.67%) of the Company's shares in issue on that date.

(5) During the six-month period ended 30 June 2009, a total of 32,745,000 share options were granted on 15 June 2009. The closing price of the Company's shares immediately before the date on which the aforesaid share options were granted was HK$0.77 per share.

2. Share Option Scheme of TWE

On 8 April 2009, TWE adopted a share option scheme ("**TWE Scheme**") which was approved by the Company's shareholders in its annual general meeting held on 20 April 2009. As at 30 June 2009, 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 which as at 30 June 2009 were as follows:

				Number of TWE Options				
Name or category of participants	**Date of grant** *(dd/mm/yyyy)*	**Exercise period** *(dd/mm/yyyy)*	**Exercise price per share** *(C$)*	**As at 1 January 2009**	**Granted during the six-month period**	**Lapsed/ cancelled during the six-month period**	**Exercised during the six-month period**	**As at 30 June 2009**
Directors, chief executives, management shareholders or substantial shareholders or their respective associates:								
Arthur Ross Gorrell	27/8/2008	27/8/2008 to 27/08/2011	0.03	3,000,000	–	–	–	3,000,000
Donald O Downing	27/8/2008	27/8/2008 to 27/08/2011	0.03	3,000,000	–	–	–	3,000,000
Others:								
In aggregate	27/8/2008	27/8/2008 to 27/08/2011	0.03	6,850,000	–	–	–	6,850,000
Total:				12,850,000	–	–	–	12,850,000

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 period under review.

COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the six months ended 30 June 2009, Mr. Chan Wing Him Kenny, an executive Director and management shareholder of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director, is a director, the president, co-chairman and chief executive officer of Petromin. As at 30 June 2009, Mr. Chan Wing Him Kenny directly and indirectly held 1,615,177 warrants entitling him to subscribe for 1,615,177 common shares in Petromin and Dr. Arthur Ross Gorrell held 2,243,193 common shares and 1,021,000 stock options entitling him to subscribe for 1,021,000 common shares in Petromin.

Petromin is engaged in the business of acquisition and development of oil and gas properties. The Board considers that the business of Petromin competes, or is likely to compete, directly or indirectly, with the Group's business.

Save as disclosed above, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

On 23 March 2009, the Board adopted a revised code of conduct regarding securities transactions by the Directors ("**Model Code**") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with the Model Code throughout the six months ended 30 June 2009.

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**") set out in Appendix 15 to the GEM Listing Rules, throughout the six months ended 30 June 2009:

1. Under Code Provision A.2.1 of the CG Code, the role of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. Mr. Chan Wing Him Kenny, an executive Director, serves both roles as the chairman of the Board and the CEO of the Group 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.

- The INEDs have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

2. Under Code Provision E.1.3 of the CG Code, listed issuers are recommended to give at least 20 clear business days of notice to shareholders for annual general meetings. The Company, in accordance with the requirements under its articles of association of the Company, gave at least 21 days' notice to its shareholders before the convening of the annual general meeting held on 20 April 2009 because the senior management and the auditor required more time to obtain a technical assessment report and a valuation report for assessment of fair value of the PSC held by TWE as at 31 December 2008. The Board is of the view that this has not caused any prejudice to the shareholders of the Company.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The Group's unaudited results for the six months ended 30 June 2009 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
Chan Wing Him Kenny
Chairman and Chief Executive Officer

Hong Kong, 10 August 2009

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

Executive Directors
Mr. Chan Wing Him Kenny
Dr. Arthur Ross Gorrell

Independent non-executive Directors
Mr. David Tsoi
Mr. Lo Chi Kit
Mr. Tam Hang Chuen