Interim Report 2014

enviro energy

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: 1102)

Management Discussion and Analysis

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

Business Review

Unconventional natural gas business

As at 30 June 2014, the Company held approximately 71.61% of the current issued common shares and preferred shares in the capital of TerraWest Energy Corp. ("**TWE**"), or approximately 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis, respectively. TWE holds a 47% interest in and is the operator in the first and currently the only, foreign-operated coalbed methane ("**CBM**") production sharing contract ("**PSC**") in the Junggar Basin of Xinjiang, China. China National Petroleum Corporation holds the remaining 53% of the PSC.

As previously reported, TWE has declared a dispute ("**Dispute**") with China National Petroleum Corporation and/or its affiliates, including, among others, PetroChina Company Limited ("**PetroChina**") and PetroChina Coalbed Methane Company Limited ("**PCCBM**") (collectively "**CNPC**") in relation to the PSC. TWE has taken advice from its retained special international arbitration counsel ("**Counsel**") and a notice was issued to CNPC on 3 July 2014 to terminate the PSC ("**Termination**"). In reaching the decision on the Termination, TWE has taken into account CNPC's breaches of the PSC, including the breakdown in the relationship between TWE and CNPC, the reduction in the CBM exploration area as previously reported and the scale of ongoing coal mining activities, and the fact that the project is no longer financially or operationally viable.

Management Discussion and Analysis

Immediately on 4 July 2014, Counsel formally served a notice of arbitration on PetroChina and CNPC relating to the Dispute. By this notice of arbitration, TWE seeks an award of damages as compensation for the losses caused by CNPC's breaches of the PSC, together with declaratory relief, costs and interest. The amount of damages ("**Damages**") has taken into account, among others (i) the CBM discovered resources as previously reported by an independent third party in 2010 according to reporting standard National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities; and (ii) the original gas in place as previously reported by an independent third party in 2011 according to Petroleum Resources Management System of the Society of Petroleum Engineers. Details of the resources from the two reports mentioned above have been set out in the annual report of the Company for the year ended 31 December 2013. As at 30 June 2014, there were no material changes to these resource figures.

As at the date of this report, TWE has not received any updates from the Counsel nor any feedback from CNPC on the Dispute. Going forward, TWE will update its shareholders on a regular basis, and as and when necessary.

Prior to the Termination, the PSC had been administered by PCCBM, an indirect subsidiary of CNPC. TWE pioneered CBM operations in the Xinjiang region of China and since the PSC came into force in 2006, the project has reported independently evaluated discovered CBM resources and natural gas resources in-place. To date, these are the only independently evaluated CBM resources (including substantial natural gas in other rocks) reported in the Junggar Basin. These reported results, estimated based on drilling results according to international resource-reporting standards, reflect the substantial resource value for both TWE and CNPC, in-place within the total PSC area.

The PSC was executed on 30 December 2005 and came into effect on 1 March 2006. Prior to the Termination, the PSC covered an area of 653.718 square kilometers (approximately 255 square miles) and provided the parties to the contract exclusive rights across the entire area of the PSC, to explore for, develop, produce and sell gas consisting methane and stored in the formations as stated in the PSC.

Management Discussion and Analysis

Marble business

During the six months ended 30 June 2014, the Group steadily increased the marketing of marble products globally via various channels. With processing and warehouse facilities in place, the Group began to generate orders for the domestic Indonesian market. The overseas markets have also started to open up after the Indonesian government lifted the export ban on marble products in April 2014. The current operating arrangements between the Group and other marble suppliers do not necessitate qualification of marble resources/reserves according to international reporting standards. If and when the Group requires the issuance of marble resources/reserves according to a reportable standard, such evaluations will be completed and shared with shareholders of the Company.

As at 30 June 2014, the Company indirectly held approximately 90% of PT. Bara Hugo Energy ("**BHE**") which in turn held 37.5% of PT. Grasada Multinational ("**GM**"), which held a mining permit covering the Maros Marble Project in southwestern Sulawesi, Indonesia. BHE also held warrants in GM which upon exercise will bring its shareholding in GM to 60%. As announced on 17 February 2014, the Company completed a competent person's report ("**CPR**") regarding the GM Quarry. According to the CPR, as of 30 November 2013, the total proved and probable gross (100%) mineable reserve of marble estimated was approximately 2,613,000 m^3. Details of the resources from the CPR have been set out in the annual report of the Company for the year ended 31 December 2013. As at 30 June 2014, there were no material changes to these resource figures.

Industrial minerals & oilfield minerals

As announced on 21 February 2014, the Group entered into an arrangement with PT. Baramas Mandiri ("**Baramas**") to develop the industrial minerals business in Southeast Asia, which includes a first right of refusal to invest up to 20% in Baramas. The business model adopted by Baramas is based on control of high quality mineral natural resources and production, strategic facilities locations(s), low cost processing and manufacturing and efficient logistics.

Management Discussion and Analysis

Baramas targets oilfield minerals utilised in unconventional hydrocarbons especially as source material for proppant in shale oil and gas production offer attractive investment opportunities. Proppant is a necessary material in the production of shale oil and gas and minerals include high silica sand and high alumina content minerals such as kaolin or bauxite which can be processed into ceramic proppant. Proppant demand is tied directly to the growth in new oil and natural gas well drilling and has seen spectacular growth over the previous ten years with a total market value of US$7.5 billion which is expected to double in the period to 2017. High-value ceramic proppant represents 10% of the market by volume and 50% by value.

Business Prospects

Unconventional natural gas business

Expansion of unconventional hydrocarbon production, both oil and natural gas continued through 2014 in North America and elsewhere. The focus of this energy revolution is production from fine-grained rocks previously known to contain hydrocarbons but until early in the 21st century were non-productive.

The revolution in production technologies, mainly advances in fracture stimulation technologies, engineering and associated service practices as well as in the supporting equipment has boosted the United States to a lead position in natural gas production, boosted US domestic oil production, started a competitive race to export LNG from various sites in North America to Asia and influenced the domestic exploration agendas in several countries of the world.

Among the countries hoping to benefit from an unconventional hydrocarbon revolution is China which has several sedimentary basins thought to contain favourable geology for exploration and development. Over the past few years China has encouraged domestic firms to explore for shale gas in selected areas within the country and the central Government has encouraged greater activity to produce more natural gas. The encouragement policies target both CBM and shale gas. As unconventional exploration and development activity expands in China the various service requirements are also seen to be more readily available which is positive to the future of the industry.

Management Discussion and Analysis

Industrial minerals & oilfield minerals

The industrial minerals industry supplies a nearly endless list of prospective uses and market applications globally. Within the industry, the oilfield minerals segment offers outstanding growth opportunities and profitability for a narrower range of minerals.

The demand for such minerals is well understood by the Company based on its hydrocarbon industry experience. The group of minerals including but not limited to barite, bentonite, and the proppant minerals, high silica sand, kaolin and bauxite are all characterised by high unit values, exploitation by off-the-shelf technology and growing demand across a global marketplace. As reported, the proppant minerals are the focus of serious and detailed study in several regards.

Financial Review

Unconventional natural gas segment

As disclosed above, TWE has declared a dispute with CNPC relating to the CBM PSC. As at 30 June 2014, the value of oil and gas properties attributed to the PSC amounted to approximately HK$1,063.9 million on the Group's balance sheet. The Directors have taken into account the merits of the Dispute, and consider that while the PSC has been terminated, no impairment losses are required for PSC as the estimated recoverable amount of the oil and gas properties from the Damages far exceeds its carrying value as at 30 June 2014. As a result of the Dispute, EE did not incur any capital expenditure for the six months ended 30 June 2014.

Marble segment

During the six months ended 30 June 2014, sales in the marbles business amounted to approximately HK$540,000 (2013: HK$260,000). There is no capital expenditure incurred and operating cash flows in relation to the GM Quarry during the six months ended 30 June 2014.

Information technology ("IT") and network infrastructure segment

During the six months ended 30 June 2014, the Group's revenue generated from IT related businesses amounted to approximately HK$31,000 (2013: HK$33,000).

Management Discussion and Analysis

Administrative and operating expenses

For the six months ended 30 June 2014, administrative and operating expenses amounted to approximately HK$22.1 million (2013: HK$29.1 million), representing a decrease of approximately 24.1%. The decrease was mainly due to the decrease in share-based payment expenses.

During the six months ended 30 June 2014, share-based payment expenses amounting to HK$475,000 in relation to share options granted to employees of the Group was charged to the consolidated income statement (2013: HK$2,120,000). The share-based payment expenses in relation to share options granted to non-employees amounted to HK$63,000 was recorded as investor relations expenses (2013: HK$3,659,000, of which HK$2,299,000 was recorded as investor relations expenses and HK$1,360,000 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 2014, exchange differences mainly arising on translation of the Canadian and Indonesian operations amounted to approximately HK$4.1 million (2013: HK$46.1 million) because the Canadian dollar ("**C$**") and Indonesian Rupiah ("**IDR**") appreciated by approximately 0.2% and 1.6% respectively against the Hong Kong dollar ("**HK$**"), when translating the carrying value of EE's Canadian and Indonesian subsidiaries.

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 2014 amounted to approximately HK$18.6 million (2013: profit of HK$54.2 million).

Liquidity and financial resources

For the six months ended 30 June 2014, EE mainly financed its operations with funds raised from previous share placements and proceeds from the disposal of Allied Resources Limited in March 2013. As at 30 June 2014, the Group had bank balances and cash of approximately HK$10.0 million (as at 31 December 2013: HK$37.5 million). The Group's current ratio stood at approximately 0.7 as at 30 June 2014 (as at 31 December 2013: 1.5).

Management Discussion and Analysis

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

As at 30 June 2014, the Group had net assets of approximately HK$980.8 million (as at 31 December 2013: HK$996.3 million).

As at 30 June 2014, the Group continued to maintain a debt-free capital structure.

As at 30 June 2014, 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 2013: Nil).

Charge on group assets

As at 30 June 2014, the Group did not have any charges on the Group's assets (as at 31 December 2013: Nil).

Foreign exchange exposure

EE mainly earned revenue and incurred costs in HK$, Renminbi, C$, IDR 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 2014, the Group did not have any capital commitments (as at 31 December 2013: HK$3.7 million).

Contingent liabilities

As at 30 June 2014, the Group had no contingent liabilities (as at 31 December 2013: Nil).

Management Discussion and Analysis

Significant Investments and Future Plans for Material Investments

During the six months ended 30 June 2014, save for the first right of refusal to invest up to 20% in Baramas as mentioned above, the Group did not make any significant investments or future plans for material investments.

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2014, there were no material acquisitions and/or disposals which would have been required to be disclosed under the Listing Rules.

Employees' Information

As at 30 June 2014, the Group had 29 full-time employees (as at 31 December 2013: 56) working in Hong Kong, China, Canada and Indonesia. EE remunerates its employees based on their performance, experience and the prevailing industry practice.

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

Consolidated Income Statement

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013 as follows:

	Note	For the six months ended 30 June 2014 HK$'000 (Unaudited)	2013 (Restated) HK$'000 (Unaudited)
Continuing operations:			
Revenue	3	**571**	293
Cost of sales		**(398)**	(174)
Gross profit		**173**	119
Other gains/(losses), net		**98**	(133)
Selling and distribution expenses		**(62)**	(590)
Administrative and operating expenses		**(22,068)**	(29,083)
Gain on disposal of subsidiaries	15	**–**	81,934
Finance income		**207**	221
(Loss)/profit before taxation	4	**(21,652)**	52,468
Income tax	5	**1,556**	399
(Loss)/profit for the period from continuing operations		**(20,096)**	52,867
Discontinued operations:			
Loss for the period from discontinued operations		**–**	(21)
(Loss)/profit for the period		**(20,096)**	52,846

Consolidated Income Statement

	Note	For the six months ended 30 June 2014 HK$'000 (Unaudited)	2013 (Restated) HK$'000 (Unaudited)
Attributable to:			
Equity holders of the Company			
Continuing operations		**(18,576)**	54,232
Discontinued operations		**–**	(21)
		(18,576)	54,211
Non-controlling interests			
Continuing operations		**(1,520)**	(1,365)
		(20,096)	52,846
		HK Cents	HK Cents
(Loss)/earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	7		
Basic — from continuing operations		**(0.53)**	1.59
Basic — from discontinued operations		**–**	(0.00)
Basic — from the (loss)/profit for the period		**(0.53)**	1.59
Diluted — from continuing operations		**(0.53)**	1.58
Diluted — from discontinued operations		**–**	(0.00)
Diluted — from the (loss)/profit for the period		**(0.53)**	1.58
Dividends	6	**–**	–

Consolidated Statement of Comprehensive Income

	For the six months ended 30 June 2014 HK$'000 (Unaudited)	2013 (Restated) HK$'000 (Unaudited)
(Loss)/profit for the period	**(20,096)**	52,846
Other comprehensive income/(loss)		
Item that is or may be reclassified subsequently to profit or loss:		
Fair value loss on available-for-sale investment	**(62)**	(973)
Translation reserve released upon disposal of subsidiaries	**–**	(509)
Exchange differences arising from translation of foreign operations	**4,082**	(46,114)
Other comprehensive income/(loss) for the period, net of tax	**4,020**	(47,596)
Total comprehensive (loss)/income for the period	**(16,076)**	5,250
Attributable to:		
Equity holders of the Company	**(16,531)**	18,911
Non-controlling interests	**455**	(13,661)
Total comprehensive (loss)/income for the period	**(16,076)**	5,250
Total comprehensive (loss)/income attributable to equity holders of the Company arises from:		
Continuing operations	**(16,531)**	18,962
Discontinued operations	**–**	(51)
	(16,531)	18,911

Consolidated Balance Sheet

	Note	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**1,846**	2,078
Exploration and evaluation assets	10	**1,209,727**	1,205,190
Available-for-sale investment		**315**	377
Club memberships		**2,700**	2,700
Deposits		**1,061**	881
		1,215,649	1,211,226
Current assets			
Inventories		**1,487**	–
Trade receivables	11	**118**	196
Deposits, prepayments and other receivables		**5,121**	4,576
Financial asset at fair value through profit or loss		**902**	900
Bank balances and cash		**10,020**	37,493
		17,648	43,165
Total assets		**1,233,297**	1,254,391

Consolidated Balance Sheet

	Note	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	**8,734**	8,734
Share premium and reserves		**661,446**	677,439
		670,180	686,173
Non-controlling interests		**310,599**	310,144
Total equity		**980,779**	996,317
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	13	**227,333**	228,428
Current liabilities			
Trade and other payables	14	**25,185**	29,646
Total liabilities		**252,518**	258,074
Total equity and liabilities		**1,233,297**	1,254,391
Net current (liabilities)/assets		**(7,537)**	13,519
Total assets less current liabilities		**1,208,112**	1,224,745

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$'000	Share options reserve HK$'000	Translation 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 2013 (Audited)	8,461	912,648	19,980	134,981	76,591	12,090	(462,692)	702,059	354,589	1,056,648
Comprehensive income/(loss)										
Profit/(loss) for the period	–	–	–	–	–	–	54,211	54,211	(1,365)	52,846
Other comprehensive loss										
Fair value loss on available-for-sale investment	–	–	–	–	–	(973)	–	(973)	–	(973)
Translation reserve released upon disposal of subsidiaries	–	–	–	–	(509)	–	–	(509)	–	(509)
Exchange differences arising from translation of foreign operations	–	–	–	–	(33,818)	–	–	(33,818)	(12,296)	(46,114)
Total other comprehensive loss	–	–	–	–	(34,327)	(973)	–	(35,300)	(12,296)	(47,596)
Total comprehensive income/(loss) for the period	–	–	–	–	(34,327)	(973)	54,211	18,911	(13,661)	5,250
Transactions with Shareholders										
Recognition of equity settled share-based payment	–	–	–	5,779	–	–	–	5,779	–	5,779
Exercise of share options	79	5,371	–	(2,662)	–	–	–	2,788	–	2,788
Lapse of share options	–	–	–	(55,354)	–	–	55,354	–	–	–
Lapse of warrants	–	–	–	–	–	(23)	23	–	–	–
Issuance of new shares	194	11,431	–	–	–	–	–	11,625	–	11,625
Total transactions with shareholders	273	16,802	–	(52,237)	–	(23)	55,377	20,192	–	20,192
As at 30 June 2013 (Unaudited)	8,734	929,450	19,980	82,744	42,264	11,094	(353,104)	741,162	340,928	1,082,090
As at 1 January 2014 (Audited)	8,734	929,450	19,980	84,445	19,001	11,112	(386,549)	686,173	310,144	996,317
Comprehensive income/(loss)										
Loss for the period	–	–	–	–	–	–	(18,576)	(18,576)	(1,520)	(20,096)
Other comprehensive income/(loss)										
Fair value loss on available-for-sale investment	–	–	–	–	–	(62)	–	(62)	–	(62)
Exchange differences arising from translation of foreign operations	–	–	–	–	2,107	–	–	2,107	1,975	4,082
Total other comprehensive income/(loss)	–	–	–	–	2,107	(62)	–	2,045	1,975	4,020
Total comprehensive income/(loss) for the period	–	–	–	–	2,107	(62)	(18,576)	(16,531)	455	(16,076)
Transactions with Shareholders										
Recognition of equity settled share-based payment	–	–	–	538	–	–	–	538	–	538
Lapse of warrants	–	–	–	–	–	(125)	125	–	–	–
Total transactions with shareholders	–	–	–	538	–	(125)	125	538	–	538
As at 30 June 2014 (Unaudited)	8,734	929,450	19,980	84,983	21,108	10,925	(405,000)	670,180	310,599	980,779

Consolidated Statement of Cash Flows

	For the six months ended 30 June 2014 HK$'000 (Unaudited)	2013 (Restated) HK$'000 (Unaudited)
Operating activities		
(Loss)/profit before taxation	(21,652)	52,447
Adjustments for:		
Finance income	(207)	(221)
Depreciation of property, plant and equipment	276	443
Gain on disposal of property, plant and equipment	–	(47)
Share-based payments	538	5,779
Gain on disposal of subsidiaries	–	(81,934)
Fair value changes on financial asset at fair value through profit or loss	(2)	174
Operating cash flow before movements in working capital	(21,047)	(23,359)
Decrease/(increase) in trade receivables	78	(271)
Increase in deposits, prepayments and other receivables	(519)	(2,308)
Increase in inventories	(1,487)	(654)
Decrease in trade and other payables	(4,461)	(13,409)
Net cash used in operating activities	(27,436)	(40,001)
Investing activities		
Addition to oil and gas properties	–	(400)
Addition to mining properties	–	(600)
Purchase of property, plant and equipment	(23)	(363)
Proceeds from disposal of property, plant and equipment	–	450
Proceeds from disposal of subsidiaries, net of professional expenses incurred on disposals and bank balances and cash returned	–	61,216
Bank interest received	1	1
Net cash (used in)/generated from investing activities	(22)	60,304

Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2014	2013
		(Restated)
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	**–**	11,625
Proceeds from exercise of share options	**–**	2,788
Net cash generating from financing activities	**–**	14,413
Net (decrease)/increase in bank balances and cash	**(27,458)**	34,716
Bank balances and cash at the beginning of the period	**37,493**	27,535
Exchange differences on bank balances and cash	**(15)**	498
Bank balances and cash at the end of the period	**10,020**	62,749

Notes:

1. Principal Accounting Policies and Basis of Preparation

The Company has a financial year end date of 31 December. This consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". This consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

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

In the reporting period, the Group has adopted a number of new and revised HKFRS, issued by the Hong Kong Institute of Certified Public Accountants that are effective for the accounting period beginning on 1 January 2014. The adoption of these new and revised HKFRS has no material impact on the Group's financial statements.

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

2. Segment Information

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

(i) Exploration, development and production of CBM and natural gas in China

(ii) Marble rock mining and distribution in Indonesia

(iii) Information technology related services in Hong Kong

(iv) Exploration, development and production of petroleum in China

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

(a) Segment assets include all tangible and intangible assets and current assets with the exception of available-for-sale investment, club memberships, financial asset at fair value through profit or loss and other unallocated corporate assets.

(b) Segment liabilities include all liabilities except for unallocated corporate liabilities.

(c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, the other gains/(losses),net, selling and distribution expenses, administrative and operating expenses, gain on disposal of subsidiaries, finance income and income tax.

2. Segment Information *(Continued)*

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

	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK$'000	Marble rock Mining and distribution in Indonesia HK$'000	Consolidated HK$'000
For the six months ended 30 June 2014				
Segment revenue	31	–	540	571
Gross profit	22	–	151	173
Selling and distribution expenses	–	–	(62)	(62)
Administrative and operating expenses	(1,086)	(804)	(3,174)	(5,064)
Income tax	–	1,556	–	1,556
Segment results	(1,064)	752	(3,085)	(3,397)
Unallocated:				
Other gains, net				98
Administrative and operating expenses				(17,004)
Finance income				207
Loss before taxation				(20,096)
Income tax				–
Loss for the period				(20,096)
As at 30 June 2014				
Segment assets	1,904	1,064,230	151,720	1,217,854
Unallocated assets				15,443
Total assets				1,233,297
Segment liabilities	829	237,405	1,041	239,275
Unallocated liabilities				13,243
Total liabilities				252,518

2. Segment Information *(Continued)*

	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK$'000	Marble rock mining and distribution in Indonesia HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the six months ended 30 June 2014					
Capital expenditures	–	–	–	23	23

	Continuing operations				Discontinued operations	
	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK$'000	Marble rock Mining and distribution in Indonesia (Restated) HK$'000	Sub-total (Restated) HK$'000	Oil exploration in China HK$'000	Consolidated (Restated) HK$'000
For the six months ended 30 June 2013						
Segment revenue	33	–	260	293	–	293
Gross profit	23	–	96	119	–	119
Selling and distribution expenses	–	–	(590)	(590)	–	(590)
Administrative and operating expenses	(1,201)	(1,163)	(2,996)	(5,360)	(21)	(5,381)
Finance income	–	1	–	1	–	1
Income tax	–	399	–	399	–	399
Segment results	(1,178)	(763)	(3,490)	(5,431)	(21)	(5,452)
Unallocated:						
Other losses, net						(133)
Administrative and operating expenses						(23,723)
Gain on disposal of subsidiaries						81,934
Finance income						220
Profit before taxation						52,846
Income tax						–
Profit for the period						52,846
As at 30 June 2013						
Segment assets	677	1,077,674	185,180	1,263,531	–	1,263,531
Unallocated assets						72,789
Total assets						1,336,320
Segment liabilities	292	241,816	623	242,731	–	242,731
Unallocated liabilities						11,499
Total liabilities						254,230

2. Segment Information *(Continued)*

	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK$'000	Marble rock mining and distribution in Indonesia HK$'000	Oil exploration in China HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the six months ended 30 June 2013						
Capital expenditures	–	400	631	–	332	1,363

The Group's revenue for the six months ended 30 June 2014 is mainly derived from the marble rock mining and distribution segment in Indonesia (2013: same).

The Group's non-current assets other than available-for-sale investment, as at 30 June 2014 and 31 December 2013 are further analysed as follows:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Hong Kong (place of domicile)	**4,002**	4,198
China	**1,063,874**	1,061,735
Indonesia	**147,458**	144,916
	1,215,334	1,210,849

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	
	2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Continuing operations:		
Sale of marble products	**540**	260
Network infrastructure maintenance and sale of computer hardware	**31**	33
	571	293

4. (Loss)/Profit before Taxation

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

	Continuing operations		Discontinued operations		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2014	2013 (Restated)	**2014**	2013 (Restated)	**2014**	2013 (Restated)
	HK$'000 (Unaudited)	HK$'000 (Unaudited)	**HK$'000 (Unaudited)**	HK$'000 (Unaudited)	**HK$'000 (Unaudited)**	HK$'000 (Unaudited)
Cost of inventories sold	**389**	164	**-**	–	**389**	164
Depreciation of property, plant and equipment	**276**	442	**-**	1	**276**	443
Fair value (gain)/loss on financial asset at fair value through profit or loss	**(2)**	174	**-**	–	**(2)**	174
Auditor's remuneration	**898**	895	**-**	–	**898**	895
Operating lease payments	**1,482**	1,997	**-**	–	**1,482**	1,997
Legal and professional fees	**729**	2,465	**-**	–	**729**	2,465
Investor relations expenses						
— Cash payments	**615**	258	**-**	–	**615**	258
— Share-based payments	**63**	2,299	**-**	–	**63**	2,299
Technical consultancy expenses						
— Share-based payments	**-**	1,360	**-**	–	**-**	1,360
Staff costs, including directors' emoluments						
— Salaries, allowances and other benefits	**13,298**	12,368	**-**	216	**13,298**	12,584
— Retirement benefit scheme contributions	**90**	93	**-**	3	**90**	96
— Share-based payments	**475**	2,120	**-**	–	**475**	2,120
— Discretionary and performance related incentive payments	**-**	–	**-**	11	**-**	11
Gain on disposal of property, plant and equipment	**-**	(47)	**-**	–	**-**	(47)
Exchange loss/(gain), net	**114**	(117)	**-**	3	**114**	(114)

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 2014 (2013: Nil).

Enterprise Income Tax has not been provided for the subsidiaries in China as they did not generate any assessable profits during the six months ended 30 June 2014 (2013: Nil).

Corporate Income Tax has not been provided for the subsidiaries in Indonesia as they did not generate any assessable profits during the six months ended 30 June 2014 (2013: 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 2014, the Group has recognised deferred tax asset of approximately HK$1,556,000 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 2014 (2013: Nil).

7. (Loss)/Earnings per Share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2014 and 2013.

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

	For the six months ended 30 June	
	2014 **(Unaudited)**	2013 (Unaudited)
(Loss)/profit attributable to equity holders of the Company for the purpose of basic (loss)/earnings per share (HK$'000)		
— Continuing operations	**(18,576)**	54,232
— Discontinued operations	**–**	(21)
	(18,576)	54,211
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share ('000)	**3,493,546**	3,419,600
Effect of dilution — weighted average number of ordinary shares: warrants	**–**	3,458
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share ('000)	**3,493,546**	3,423,058

The Group had share options outstanding as at 30 June 2014. The share options did not have a dilutive effect on loss per share for the six months ended 30 June 2014 (2013: anti-dilutive).

8. Share-based Payments Transaction

During the six months ended 30 June 2014, the aggregate share-based payment expense of HK$475,000 (2013: HK$2,120,000) in relation to stock options granted to employees of the Group was charged to the consolidated income statement. The share-based payment expense in relation to stock options granted to non-employees amounted to HK$63,000 was recorded as investor relations expenses (2013: HK$3,659,000, of which HK$2,299,000 was recorded as investor relations expenses and HK$1,360,000 was recorded as technical consultancy expenses) in the consolidated income statement.

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

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

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

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

9. Property, Plant and Equipment

	Land	Leasehold Improve-ments	Plant and machinery	Computer equipment and software	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost								
At 1 January 2014 (Audited)	735	1,107	208	1,098	517	514	4,669	8,848
Exchange differences	12	–	3	1	–	5	2	23
Additions	–	–	–	9	13	1	–	23
At 30 June 2014 (Unaudited)	747	1,107	211	1,108	530	520	4,671	8,894
Accumulated depreciation								
At 1 January 2014 (Audited)	–	1,096	32	1,023	507	303	3,809	6,770
Exchange differences	–	–	–	1	–	1	–	2
Depreciation for the period	–	7	13	22	2	36	196	276
At 30 June 2014 (Unaudited)	–	1,103	45	1,046	509	340	4,005	7,048
Carrying values								
At 30 June 2014 (Unaudited)	**747**	**4**	**166**	**62**	**21**	**180**	**666**	**1,846**
At 31 December 2013 (Audited)	735	11	176	75	10	211	860	2,078

10. Exploration and Evaluation Assets

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Oil and gas properties (Note i)	**1,063,871**	1,061,728
Mining properties (Note ii)	**145,856**	143,462
	1,209,727	1,205,190

Notes:

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

	Six months ended 30 June 2014 HK$'000 (Unaudited)	Year ended 31 December 2013 HK$'000 (Audited)
At cost		
At beginning of the period/year	**1,061,728**	1,134,704
Additions	**-**	3,907
Exchange differences	**2,143**	(76,883)
At end of the period/year	**1,063,871**	1,061,728

At the balance sheet date, oil and gas properties represented exploration expenditures, including licence acquisition costs, incurred for the Group's coalbed methane ("**CBM**") project.

As disclosed above, TWE has declared a dispute with CNPC relating to the CBM PSC. As at 30 June 2014, the value of oil and gas properties attributed to the PSC amounted to approximately HK$1,063,871,000 on the Group's balance sheet. The Directors have taken into account the merits of the Dispute, and consider that while the PSC has been terminated, no impairment losses are required for PSC as the estimated recoverable amount of the oil and gas properties from the Damages far exceeds its carrying value as at 30 June 2014. As a result of the Dispute, EE did not incur any capital expenditure and there is no operating cash flow for the six months ended 30 June 2014.

10. Exploration and Evaluation Assets *(Continued)*

Notes: *(Continued)*

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

	Six months ended 30 June 2014 HK$'000 (Unaudited)	Year ended 31 December 2013 HK$'000 (Audited)
At cost		
At beginning of the period/year	**143,462**	181,553
Additions	**–**	344
Exchange differences	**2,394**	(38,435)
At end of the period/year	**145,856**	143,462

11. Trade Receivables

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Trade receivables	**118**	196

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 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Within 30 days	**8**	87
31–60 days	**1**	–
Over 60 days	**109**	109
	118	196

12. Share Capital

	Number of ordinary shares		Nominal value	
	Six months ended 30 June 2014 '000 (Unaudited)	Year ended 31 December 2013 '000 (Audited)	**Six months ended 30 June 2014 HK$'000 (Unaudited)**	Year ended 31 December 2013 HK$'000 (Audited)
Authorised				
As at beginning and end of period/year				
Ordinary shares of HK$0.0025 each	**20,000,000**	20,000,000	**50,000**	50,000
Issued and fully paid				
At the beginning of period/year				
Ordinary share of HK$0.0025 each	**3,493,546**	3,384,359	**8,734**	8,461
Issuance of new shares upon exercise of share options on 11 January 2013	**–**	15,847	**–**	40
Issuance of new shares upon exercise of share options on 14 February 2013	**–**	15,840	**–**	39
Issuance of new shares	**–**	77,500	**–**	194
As at end of period/year				
Ordinary share of HK$0.0025 each	**3,493,546**	3,493,546	**8,734**	8,734

13. Deferred Income Tax

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

Deferred tax liabilities

	Oil and gas properties	
	Six months ended 30 June 2014 HK$'000 (Unaudited)	Year ended 31 December 2013 HK$'000 (Audited)
At beginning of the period/year	**236,282**	253,423
Exchange differences	**477**	(17,141)
At end of the period/year	**236,759**	236,282

Deferred tax assets

	Tax losses	
	Six months ended 30 June 2014 HK$'000 (Unaudited)	Year ended 31 December 2013 HK$'000 (Audited)
At beginning of the period/year	**7,854**	5,690
Exchange differences	**16**	(384)
Credited to consolidated income statement (Note 5)	**1,556**	2,548
At end of the period/year	**9,426**	7,854

13. Deferred Income Tax *(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:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Deferred tax liabilities	**236,759**	236,282
Deferred tax assets	**(9,426)**	(7,854)
	227,333	228,428

14. Trade and Other Payables

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Trade payables	**1**	76
Other payables	**6,029**	4,872
Consideration payable (Note)	**7,800**	7,800
Accrued liabilities	**11,355**	16,898
	25,185	29,646

Note: Consideration payable represented the amount payable in relation to the acquisition of Hugo Link Global Investments Limited.

As at 30 June 2014, the ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Within 30 days	**1**	76

15. Gain on Disposal of Subsidiaries

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

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

The Group and the purchaser have entered into the disposal agreement pursuant to which the Company has agreed to sell and the purchaser has agreed to acquire 100% of Allied Resources Limited for a cash consideration of RMB51.5 million (equivalent to approximately HK$62.8 million) which includes the cash balance of Allied Resources Limited as at 28 February 2013 that the new purchaser has agreed to pay to the Company. The cash balance as at 28 February 2013 was HK$1,563,000. Therefore the proceeds from disposal of subsidiaries, net of professional expenses incurred on disposal and the cash balance as at 28 February 2013 was HK$61,216,000.

16. Related Party Transactions

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

	For the six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Operating lease payments to a related company (Note)	**50**	100

Key management compensation, including share-based payments and accrued bonuses, amounted to approximately HK$10,926,000 for the six months ended 30 June 2014 (2013: HK$11,626,000).

Note: Rental expenses were paid to a related company controlled by the Chairman and CEO of the Company, determined based on prevailing market rent.

17. Operating Leases Commitment

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Within one year	**2,268**	2,376
After one year but within five years	**2,486**	2,467
	4,754	4,843

18. Capital Commitment

	As at 30 June 2014 HK$'000 (Unaudited)	As at 31 December 2013 HK$'000 (Audited)
Contracted but not provided in respect of oil and gas exploration activities	–	3,719

As a result of the Termination disclosed in "Business Review" above, the Group considered no commitment is required for oil and gas exploration activities as at 30 June 2014.

19. Subsequent Event

As disclosed in "Business Review" above, on 3 July 2014, TWE has taken advice from its Counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC. Immediately on 4 July 2014, Counsel formally served a notice of arbitration on PetroChina and CNPC relating to the Dispute.

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

As at 30 June 2014, 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	24,681,200	26,000,000 (Note 2)	50,681,200	
			1,213,361,200	26,000,000	1,239,361,200	35.48%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	5,000,000 (Note 2)	7,625,000	0.22%
David Tsoi	Beneficial owner	Personal interest	—	1,500,000 (Note 2)	1,500,000	0.04%
Lo Chi Kit	Beneficial owner	Personal interest	—	1,100,000 (Note 2)	1,100,000	0.03%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	600,000 (Note 2)	1,600,000	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.

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 (hereinafter defined).

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

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director, as at 30 June 2014, the following parties (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Interests or short positions in ordinary shares of the Company

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

Notes:

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

2. The entire issued share capital of Cool Legend is solely and beneficially owned by Mr. Thio Sing Tjay Charles, a director of Hugo Link Global Investments Limited, a subsidiary of the Company, who is therefore deemed to be interested in 452,400,000 shares held by Cool Legend.

Save as disclosed above, as at 30 June 2014, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share Option Schemes

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

(1) Share option scheme adopted by the Company on 25 January 2003 ("2003 Share Option Scheme")

On 25 January 2003, the 2003 Share Option Scheme was approved pursuant to written resolutions of the Company. Details of movement of the options granted under the 2003 Share Option Scheme for the six months ended 30 June 2014 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 2014	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 30 June 2014
Executive Directors								
Chan Wing Him Kenny	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000(1)	–	–	–	500,000(1)
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000(1)	–	–	–	2,000,000(1)
	09/07/2010	09/07/2012 to 08/07/2020	0.56	8,500,000(2)	–	–	–	8,500,000(2)
Arthur Ross Gorrell	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000(1)	–	–	–	500,000(1)
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000(1)	–	–	–	2,000,000(1)
	09/07/2010	09/07/2012 to 08/07/2020	0.56	500,000(2)	–	–	–	500,000(2)

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK$)	As at 1 January 2014	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 30 June 2014
Independent non-executive Directors								
David Tsoi	15/06/2009	15/06/2011 to 15/06/2019	0.73	750,000[1]	–	–	–	750,000[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	250,000[2]	–	–	–	250,000[2]
Lo Chi Kit	15/06/2009	15/06/2011 to 15/06/2019	0.73	600,000[1]	–	–	–	600,000[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	100,000[2]	–	–	–	100,000[2]
Tam Hang Chuen	15/06/2009	15/06/2011 to 15/06/2019	0.73	100,000[1]	–	–	–	100,000[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	100,000[2]	–	–	–	100,000[2]
				15,900,000	–	–	–	15,900,000
Other employees								
In aggregate	19/06/2008	19/06/2010 to 19/06/2018	0.2316	8,350,000[1]	–	–	–	8,350,000[1]
	15/06/2009	15/06/2011 to 15/06/2019	0.73	4,030,000[1]	–	–	–	4,030,000[1]
	04/02/2010	04/02/2012 to 04/02/2020	0.514	7,180,000[1]	–	–	–	7,180,000[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	7,670,000[2]	–	–	–	7,670,000[2]
				27,230,000	–	–	–	27,230,000
Others								
In aggregate	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000[1]	–	–	–	500,000[1]
	15/06/2009	15/06/2011 to 15/06/2019	0.73	20,000,000[1]	–	–	–	20,000,000[1]
	06/10/2009	06/10/2011 to 06/10/2019	0.75	350,000[1]	–	–	–	350,000[1]
	04/02/2010	04/02/2012 to 04/02/2020	0.514	50,250,000[1]	–	–	–	50,250,000[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	61,850,000[2]	–	–	–	61,850,000[2]
				132,950,000	–	–	–	132,950,000
			Total:	176,080,000	–	–	–	176,080,000[3]
			Weighted average exercise price per share (HK$)	0.56	–	–	–	0.56

Notes:

(1) 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.

(2) 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.

(3) As at 30 June 2014, the Company had 176,080,000 (31 December 2013: 176,080,000) share options outstanding under the 2003 Share Option Scheme, which represented approximately 5.04% (31 December 2013: approximately 5.04%) of the Company's shares in issue on that date.

(2) Share option scheme adopted by the Company on 12 May 2011 ("2011 Share Option Scheme")

The Company adopted the 2011 Share Option Scheme which was approved by shareholders in the Company's annual general meeting held on 12 May 2011. Details of movement of the options granted under the 2011 Share Option Scheme for the six months ended 30 June 2014 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 2014	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 30 June 2014
Executive Directors								
Chan Wing Him Kenny	31/12/2012	31/12/2013 to 30/12/2022	0.163	15,000,000[1 & 2]	–	–	–	15,000,000[1 & 2]
Arthur Ross Gorrell	31/12/2012	31/12/2013 to 30/12/2022	0.163	2,000,000[1 & 2]	–	–	–	2,000,000[1 & 2]
Independent non-executive Directors								
David Tsoi	23/06/2011	23/06/2012 to 22/06/2021	0.435	150,000[2]	–	–	–	150,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	350,000[1 & 2]	–	–	–	350,000[1 & 2]
Lo Chi Kit	23/06/2011	23/06/2012 to 22/06/2021	0.435	100,000[2]	–	–	–	100,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	300,000[1 & 2]	–	–	–	300,000[1 & 2]
Tam Hang Chuen	23/06/2011	23/06/2012 to 22/06/2021	0.435	100,000[2]	–	–	–	100,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	300,000[1 & 2]	–	–	–	300,000[1 & 2]
				18,300,000	–	–	–	18,300,000
Other employees								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.435	4,200,000[2]	–	–	–	4,200,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	14,750,000[2]	–	–	–	14,750,000[2]
				18,950,000	–	–	–	18,950,000

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK$)	As at 1 January 2014	Granted during the period	Lapsed/ cancelled during the period	Exercised during the period	As at 30 June 2014
Others								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.435	45,350,000[2]	–	–	–	45,350,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	4,250,000[2]	–	–	–	4,250,000[2]
				49,600,000	–	–	–	49,600,000
			Total:	86,850,000[3]	–	–	–	86,850,000[3]
			Weighted average exercise price per share (HK$)	0.319	–	–	–	0.319

Notes:

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

(2) 50% of the share options are exercisable in a period commencing one (1) year from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.

(3) As at 30 June 2014, the Company had 86,850,000 (31 December 2013: 86,850,000) share options outstanding under the 2011 Share Option Scheme, which represented approximately 2.49% (31 December 2013: 2.49%) of the Company's shares in issue on that date.

(3) Share option scheme of TWE

On 8 April 2009, TWE adopted a share option scheme ("**TWE Scheme**") which was approved by shareholders in the Company's annual general meeting held on 20 April 2009. As at 30 June 2014, no share options were granted under the TWE Scheme.

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 2014.

Competing Business and Conflicts of Interest

During the six months ended 30 June 2014, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, chairman, president and chief executive officer of Petromin. As at 30 June 2014, Mr. Chan Wing Him Kenny held 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.11% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 5.72% of the issued common share capital) and 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.11% 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 2014, 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.

The INEDs had reviewed the compliance with the provisions of the Deed by the Controlling Shareholders and confirmed that there was no matter to be disclosed under the requirements of the Deed for the six months ended 30 June 2014, save and except the following that:

1. the Company has received a Notification of New Business Opportunity dated 5 December 2013 from Mr. Chan Wing Him Kenny to the Company ("**Notification**") that he had been offered a new business opportunity to engage in a Restricted Business (as defined in the Deed) by way of acquisition of certain interests in an Indonesian company ("**New Business Opportunity**");

2. pursuant to the requirement under Clause 2.7(a) of the Deed, the INEDs held a meeting on 6 December 2013 to consider and discuss the New Business Opportunity offered to Mr. Chan and the information provided in relation thereto set out therein. The meeting was attended by all the INEDs. Notwithstanding the provision of Clause 2.7(a) of the Deed, Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell, the executive directors of the Company ("**EDs**"), had been invited by the INEDs to attend the meeting. However, pursuant to the said Clause 2.7(a), they, as EDs, had not been counted towards the quorum or allowed to vote on the meeting; and

3. the INEDs had discussed in details the Deed, the Notification and information relating to the New Business Opportunity. The INEDs had also taken into consideration the then financial and business status of the Company and its subsidiaries, and in particular: (i) the major unconventional gas project in Xinjiang, China was still in evaluation phase and yet to generate any revenue for the Company, and was still expected to incur substantial capital in the upcoming period once it resolves the issues with its Chinese partner; (ii) although the Company had moved into the marble business, this business segment had yet to demonstrate a strong sustainable cash flow; and (iii) the then cash on hand at the Company would mainly be used as working capital for the next 12 to 18 months. In addition, the New Business Opportunity would be focused on the upstream resources businesses which again had yet to demonstrate sustainable cash flow and requires certain capital expenditure. Therefore, the INEDs had unanimously resolved to reject the New Business Opportunity. The INEDs issued a Reply to Notification dated 13 December 2013 in respect of the Company's decision and the requirement under Clause 2.10 of the Deed that the Company would disclose, among others, such decision and other decisions reviewed by the INEDs relating to the compliance and enforcement of the non-competition undertakings under the Deed in the annual report 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 23 August 2013, the Board adopted a code of conduct regarding directors' securities transactions ("**2013 Model Code**") based on the revised 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 2013 Model Code throughout the six months ended 30 June 2014.

Code on Corporate Governance Practices

In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2014:

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

- The independent non-executive Directors ("**INEDs**") form the majority of the Board;

- The audit committee of the Company ("**Audit Committee**") composed exclusively of INEDs; and

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

Under Code Provisions A.5.1 of the CG Code, the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

As the Board as a whole is responsible for reviewing the Board composition, selection and approval of candidates for appointment as directors to the Board, the Company did not set up a nomination committee in accordance with Code Provisions A.5.1 to A.5.3 under the CG Code for the six months ended 30 June 2014.

During the six months ended 30 June 2014, the role of the proposed nomination committee was performed by the Board. The Board is of the view that this has not prejudiced the Company in appointment of directors for the following reasons:

- The INEDs form the majority of the Board; and

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

Board Diversity Policy

In compliance with Code Provision A.5.6 of the CG Code effective 1 September 2013, the Board adopted a policy concerning diversity of board members ("**Policy**"), a summary of which is set out below:

(a) Purpose: The Policy aims to set out the approach to achieve diversity on the Board;

(b) Vision: The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance;

(c) Policy Statement: With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;

(d) Measurable Objectives: Selection of candidates will be based on a range of diversity perspectives, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board;

(e) Monitoring and Reporting: The Board will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of the Policy; and

(f) Review of the Policy: The Board will review the Policy, as appropriate, to ensure its effectiveness. The Board will discuss any revisions that may be required.

The above objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Board will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

Any newly appointed director to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. The Board will review its composition regularly to ensure that it has the aforesaid diversity to enhance the business of the Company.

The Policy has been published on the Company's website for public information.

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 2014 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, 18 August 2014

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