Enviro Energy International Holdings Limited
環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 1102)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

CHAIRMAN'S STATEMENT

I am pleased to present the results of Enviro Energy International Holdings Limited ("**Company**" and together with its subsidiaries, "**Group**") for the year ended 31 December 2014.

2014 has been challenging for corporations of all sizes in the global economy as each year has presented new unforeseen obstacles and events. US economy picked up and has gained momentum while China has slowed down, Japan faltered and Europe continued its slide. Yet the Group maintains its progress towards its ultimate goals guided by a strong belief in its business model and entrepreneurial spirit.

President Xi's anti-graft and austerity campaign is taking its toll across the whole of China, but I believe this is central to the emergence of a civilised China. As I have said in the past our work in China has not been in vain. There is enormous value amassed in the China unconventional natural gas property held through our non wholly-owned subsidiary which discovered material resource values which were reported and ratified by third parties. I have every confidence that the shareholder value created in that project will be protected by the rule of law and appreciate the shareholders who have supported the recent distribution in specie.

We remain optimistic about Indonesia and its latest elected president who is set to fulfill his promises on cutting fuel subsidies, reducing bureaucracy, curbing corruption, attracting investment and building infrastructure. As I had foreseen in the past, we have acted opportunistically to develop strategic partnerships that will greatly benefit the Group and lead to subsequent investments and further value-creation down the road. We need to build and sustain momentum in this part of the world.

Despite the drop in oil prices, the medium to long term outlook for natural resources remains very positive. Based on our studies, the Group is especially excited about the prospects for industrial minerals as a whole, but there are particular minerals that are most attractive. These include marble where the Group has made some early moves as well as oilfield minerals which have uniquely attractive economic potential.

We continue to balance risk and value creation by utilizing a consistent disciplined approach to investing, underpinned by strategic principles. Ultimately the Group will have a balanced and highly competitive portfolio of commodities and operations with more geographic diversity, enhanced reserve and production performance tied to nearer term cash flow generation.

Every year I am reminded that shareholders are an ongoing source of encouragement for the entire Group and that valued business and financial partners are necessary elements in every successful corporation. On top of that, people and talents plus the loyalty and dedication of the professional staff are what make us all successful and for which I am most grateful.

MANAGEMENT DISCUSSION AND ANALYSIS

We are principally engaged in investment holding and development of a full range of natural resource-related projects involving hydrocarbons and other natural resources.

Business Review

Marble business — operations

The Group continues to advance its business plan for industrial minerals. The Company through a non-wholly owned subsidiary has a co-operation agreement with an Indonesian marble company whereby the Group has been appointed as the general distributor in Indonesia and exclusive distributor overseas for some marble products. The Group also has an exclusive right to use cutting and processing facilities as well as a warehouse, which are all located in the Jakarta area. The co-operation represents an excellent opportunity for the Group to move into a more integrated business model to secure a sustainable supply of quality marble products.

The Company through another subsidiary has a distribution arrangement with a company from the Sultanate of Oman that opened the Mideast marble market to the Company by appointing that company as a distributor of the Group's Indonesian marble products in Oman and the surrounding region. At the same time, the Group will broaden and expand its Asian market by becoming sole distributor of the Oman marble products in Indonesia and general distributor elsewhere.

During the year ended 31 December 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 market 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 the concession owner do not necessitate qualification of marble resource/reserves according to international reporting standards. If and when the Group requires the qualification of the marble resources/reserves according to a reportable standard, such qualification will be completed and shared with shareholders of the Company.

Marble business — resources & reserves

As at 31 December 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 ("**GM Quarry**"). BHE also held warrants in GM which upon exercise will bring its shareholding in GM to 60%.

The mining permit for the GM Quarry is due to expire on 22 January 2017 and is renewable for two 10-year periods. The management of BHE is in the process of liaising with the local Indonesian partners of PT. Grasada Multinational, who are responsible for the licensing issues, on extending the permit after its expiry.

As disclosed in the Company's announcement dated 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.

Mineral resources and ore reserves defined for the GM quarry have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004 and 2012. The JORC resource and reserve estimated as of 30 November 2013 were as follows:

JORC Resource	**Marble resource (m^3)**
Measured	5,820,100
Indicated	3,880,035
Total	9,700,135

JORC Reserve	Marble reserve (m^3)	Mineable reserve (m^3)
Proved	4,481,000	1,568,000
Probable	2,987,000	1,045,000
Total	7,468,000	2,613,000

Chapter 18 of the Listing Rules require disclosure of the key basis and assumptions adopted for the Competent Person's Report. The above figures are based on, among others, deposit geology, drilling results, downslope survey and sampling information performed at the GM Quarry. The total marble resource is estimated by parallel section and block model methods based on five diamond drill cores completed in December 2012, and five downslope profile geological surveys carried out by PT. Namsuma Luban Abadi in July 2013. Surface and drill core samples were collected for lithological analysis, joint analysis, and petrographic analysis. Geochemical tests, mechanical tests and radioactivity tests were performed by China National Stone Quality Supervision and Testing Centre (Guangdong). Testing items include mineralogical composition (SiO_2, $Al2O_3$, Fe_2O_3, MgO, CaO, Na_2O, K_2O, P_2O_5, and SO_3), bulk density, water absorption, compressive strength (dry and wet), flexural strength (dry and wet), abrasion resistance, internal exposure index and external exposure index. The marble reserve is then estimated based on four discounting factors, i.e. the karst, quality, joint opening, and weathering factors. The marble reserve as reported represents the volume of marble that is at economic value. The minable marble reserve is further estimated by considering the block recovery rate, which is the percentage of marble that can be extracted in the form of raw blocks.

As at 31 December 2014, there were no material changes to the above resource figures.

Unconventional natural gas business — resources

As at 31 December 2014, the Company, through its wholly-owned subsidiaries, held approximately 71.61% of the 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 ("**CNPC**") holds the remaining 53% of the PSC.

As previously disclosed in the announcements of the Company dated 28 April 2014 and 7 July 2014, TWE has declared a dispute ("**Dispute**") with CNPC in relation to the PSC. TWE has subsequently advised its shareholders that it has taken advice from its retained special international arbitration counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC ("**Termination**"), which is a purported termination and is not effective until it has been ruled by the arbitration tribunal following the hearing. 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 operationally viable.

On 4 July 2014, TWE's counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina Company Limited and CNPC. By this notice of arbitration, TWE seeks an award of damages ("**Damages**") as compensation for the losses caused by CNPC's prior breaches of the PSC, together with declaratory relief, costs and interest. The amount of 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 which are set out below.

As previously reported in 2010, an independent third party evaluation according to reporting standard National Instrument 51–101 Standards of Disclosure for Oil and Gas Activities (NI 51–101) provided gross (100%) estimates of CBM Discovered Gas Initially in Place contained in the target coal seams within a defined area ranging from the following:

	(low)	**(best)**	**(high)**
CBM Discovered Gas Initially in Place	70 billion cubic feet ("**Bcf**")	147.43 Bcf	514.07 Bcf

A further independent third party evaluation in 2011 according to the Petroleum Resources Management System (PRMS) of the Society of Petroleum Engineers (SPE) estimated a (gross) grand total Best Estimate Original Gas in Place (OGIP) ranging from the following:

	(low)	**(best)**	**(high)**
OGIP	7.179 trillion cubic feet ("**Tcf**")	11.825 Tcf	19.185 Tcf

This updating evaluation covered the target coal seams outside the previously evaluated area and all other prospective formations for the entire PSC area.

As at 31 December 2014, there were no material changes to the resource figures mentioned above.

Prior to the Termination, the PSC had been administered by PetroChina Coalbed Methane Company Limited, 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.

As at the date hereof, TWE has completed the appointment of an international arbitrator to be one of three arbitrators on the arbitration tribunal. CNPC has, before the extended deadline, similarly appointed an arbitrator. The third arbitrator, as chairman, has also been appointed and the details of the arbitration, including place and timetable, shall be finalised.

As disclosed in the announcements of the Company on 24 November 2014 and 5 December 2014, the Company considered putting to the shareholders of the Company ("**Shareholders**") for consideration a proposed distribution in specie in relation to its equity interests in TWE. The transaction was approved on 28 January 2015 and was completed on 18 February 2015. Details of the transaction are set out in the circular of the Company dated 12 January 2015.

Business Prospects

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 Company continues to aggressively review potential investments in this segment throughout Southeast Asia with emphasis on the outstanding resource base of Indonesia. The region is already providing outstanding opportunities for growth, and the Company is actively on the lookout for additional prospective targets with advanced regulatory status.

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.

The Company is reviewing projects with the potential to leverage investment in the upstream end of the business and which can generate near term cash flow but is also considering further processing especially where a manufactured product such as ceramic proppant offers high value per tonne.

Financial Review

Oil and gas segment

Prior to the Termination, the project was still in exploration and evaluation phases and did not generate any revenue. As of 31 December 2014, the value of the oil and gas properties attributed to the PSC amounted to approximately HK$977.0 million on the Group's financial statements. TWE is now seeking an award of Damages, and when assessing the recoverable amount of the oil and gas properties, the board ("**Board**") of directors ("**Directors**") of the Company has taken into account the merits of the Dispute and the basis for the Damages as mentioned above. Shareholders should note that the Termination is a purported termination and is not effective until it has been ruled by the arbitration tribunal following the hearing, and pursuant to the PSC the right to arbitrate disputes survives the purported termination of the PSC. As a result, having considered the abovementioned merits and basis of the claim and assessing the likelihood of a successful outcome from the arbitration process, the Directors have concluded that oil and gas properties would not be derecognised as at 31 December 2014, and that no impairment losses are required as the accrued damages that are recoverable by TWE for the counterparties' breaches of contract occurring prior to the Termination is likely to far exceed its carrying value as at 31 December 2014, despite the purported termination of the PSC. Shareholders should note that the Company's reporting accountants were unable to perform the procedures they considered necessary, including obtaining written opinion from the arbitration counsel in relation to the likelihood of success of the claim, to assess the recoverable amount of the oil and gas properties, and there were no alternative procedures that they could perform to assess the recoverable amount of the oil and gas properties and whether any impairment charge should be made, and accordingly have disclaimed their opinion on the consolidated financial statements.

As a result of the above, the Group did not incur any capital expenditure for its unconventional natural gas businesses for the year ended 31 December 2014 (2013: HK$3.9 million).

Given the plan to distribute the business in relation to the project announced on 24 November 2014 and subsequently completed on 18 February 2015, the related oil and gases properties and other assets/liabilities were reclassified to "Assets/liabilities of disposal group classified as held for distribution" on the balance sheet.

Marble segment

During the year ended 31 December 2014, sales in the marble business amounted to approximately HK$991,000 (2013: HK$1,058,000). The capital expenditure incurred in relation to the marble business during the year ended 31 December 2014 amounted to approximately HK$1,128,000 (2013: HK$534,000) and there was no operating cash flows (2013: Nil).

Information technology ("IT") and network infrastructure segment

During the year ended 31 December 2014, the Group's revenue generated from IT related businesses amounted to approximately HK$52,000 (2013: HK$96,000).

Administrative and operating expenses

For the year ended 31 December 2014, administrative and operating expenses amounted to approximately HK$52.6 million (for the year ended 31 December 2013: HK$65.9 million), representing a decrease of approximately 20%. The decrease was mainly due to the decrease of share-based payment expenses and measures implemented to reduce the operating cash outflows including remuneration of senior management.

During the year ended 31 December 2014, share-based payment expenses amounted to HK$1.0 million (2013: HK$3.6 million) in relation to share options granted to employees of the Group was charged to the consolidated income statement. The share-based payment expenses in relation to share options granted to non-employees amounted to HK$128,000 (2013: HK$3.9 million), of which HK$128,000 (2013: HK$2.5 million) was recorded as investor relations expenses and no share-based payment expense (2013: HK$1.4 million) was recorded as technical consultancy expenses in the consolidated income statement. These non-employees mainly comprise (i) independent consultants who will assist in the marketing and promotion of the Company in terms of investors' relations; and (ii) independent expert industry consultants who will provide advices in relation to the technical aspects of the Group's energy-related businesses.

Other comprehensive income

During the year ended 31 December 2014, exchange differences mainly arising on translation of the Canadian and Indonesian operations amounted to approximately HK$67.5 million (2013: HK$98.1 million) because the Canadian dollar ("**C$**") and Indonesian Rupiah ("**IDR**") depreciated by approximately 8.0% and 1.7% against the Hong Kong dollar ("**HK$**") respectively, when translating the carrying value of the Company'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 year ended 31 December 2014 amounted to approximately HK$84.4 million (2013: profit of HK$20.7 million).

Liquidity and Financial Resources

For the year ended 31 December 2014, the Group mainly financed its operations with funds raised from previous share placements and open offer, and proceeds from the disposal of Allied Resources Limited in March 2013. As at 31 December 2014, the Group had bank balances and cash of approximately HK$29.2 million (as at 31 December 2013: HK$37.5 million). In November 2014, the Company completed an open offer of 1,746,773,000 offer shares at HK$0.02 per offer share, raising net proceeds of approximately HK$33.6 million. The Group's current ratio stood at approximately 4.2 as at 31 December 2014 (as at 31 December 2013: 1.5).

During the year ended 31 December 2014, the Group reported net operating cash outflow of HK$42.6 million. As the Group has no banking facilities or other committed financing arrangement available and taking into account the bank balances and cash as at 31 December 2014, there is uncertainty on the Group's ability to continue as a going concern. In order to improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to reduce the operating cash outflows and to raise additional financing for the Group. Apart from exercising its effort in cost control, the Group is also exploring other external financing options to obtain further financing to meet its financial obligations.

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

As at 31 December 2014, the Group had net assets of approximately HK$915.3 million (as at 31 December 2013: HK$996.3 million).

As at 31 December 2014, the Group continued to maintain a debt-free capital structure.

As at 31 December 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 31 December 2014, the Group did not have any charge on its assets (as at 31 December 2013: Nil).

Foreign Exchange Exposure

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

Capital Commitments

As at 31 December 2014, the Group did not have any capital commitments (as at 31 December 2013: HK$3.7 million).

Contingent Liabilities

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

Significant Investments and Future Plans for Material Investments

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.

Save as disclosed above, during the year ended 31 December 2014, 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

There were no other material acquisitions and/or disposals which would have been required to be disclosed under the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

Employees' Information

As at 31 December 2014, the Group had 20 full-time employees (as at 31 December 2013: 56) working in Hong Kong, China, Indonesia and Canada. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Other benefits, such as medical and retirement benefits and training programs, are also provided.

CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013 as follows:

	Note	Year ended 31 December **2014** *HK$'000*	2013 *HK$'000*
Continuing operations:			
Revenue	*4*	**1,043**	1,154
Cost of sales		**(640)**	(266)
Gross profit		**403**	888
Other gains/(losses), net	*5*	**1,737**	(2,496)
Fair value loss in issuance of unlisted warrants	*5*	**(38,931)**	–
Selling and distribution expenses		**(447)**	(613)
Administrative and operating expenses		**(51,556)**	(64,131)
Gain on disposal of subsidiaries		**–**	81,934
Finance income		**19**	438
(Loss)/profit before taxation	*6*	**(88,775)**	16,020
Income tax	*7*	**–**	–
(Loss)/profit for the year from continuing operations		**(88,775)**	16,020
Discontinued operation:			
Profit for the year from discontinued operation	*13*	**1,592**	1,227
(Loss)/profit for the year		**(87,183)**	17,247
Attributable to:			
Equity holders of the Company			
Continuing operations		**(88,272)**	20,220
Discontinued operation		**3,841**	503
		(84,431)	20,723
Non-controlling interests			
Continuing operations		**(503)**	(4,199)
Discontinued operation		**(2,249)**	723
		(87,183)	17,247

	Note	Year ended 31 December 2014 HK Cents	2013 HK Cents
(Loss)/earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	*9*		
Basic and diluted — from continuing operations		**(2.38)**	0.58
Basic and diluted — from discontinued operation		**0.10**	0.02
Basic and diluted — from (loss)/profit for the year		**(2.28)**	0.60
Dividends	*8*	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(87,183)**	17,247
Other comprehensive loss		
Items are or may be reclassified to profit or loss:		
Fair value loss on available-for-sale investment	**–**	(955)
Translation reserve released upon disposal of subsidiaries	**–**	(509)
Exchange differences arising from translation of foreign operations	**(67,484)**	(98,050)
Other comprehensive loss for the year, net of tax	**(67,484)**	(99,514)
Total comprehensive loss for the year	**(154,667)**	(82,267)
Attributable to:		
Equity holders of the Company	**(133,143)**	(37,822)
Non-controlling interests	**(21,524)**	(44,445)
Total comprehensive loss for the year	**(154,667)**	(82,267)
Total comprehensive (loss)/income attributable to equity holders of the Company arises from:		
Continuing operations	**(96,301)**	167
Discontinued operation	**(36,842)**	(37,989)
	(133,143)	(37,822)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,278**	2,078
Exploration and evaluation assets	*10*	**141,070**	1,205,190
Available-for-sale investment		**347**	377
Club memberships		**2,700**	2,700
Deposits		**467**	881
		145,862	1,211,226
Current assets			
Inventories		**1,228**	–
Trade receivables	*11*	**108**	196
Deposits, prepayments and other receivables		**2,271**	4,576
Financial asset at fair value through profit or loss		**630**	900
Bank balances and cash		**29,033**	37,493
		33,270	43,165
Assets of disposal group classified as held for distribution	*13*	**977,157**	–
		1,010,427	43,165
Total assets		**1,156,289**	1,254,391

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**13,101**	8,734
Share premium and reserves		**613,541**	677,439
		626,642	686,173
Non-controlling interests		**288,620**	310,144
Total equity		**915,262**	996,317
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**–**	228,428
Current liabilities			
Trade and other payables	*12*	**23,455**	29,646
Liabilities of disposal group classified as held for distribution	*13*	**217,572**	–
		241,027	29,646
Total liabilities		**241,027**	258,074
Total equity and liabilities		**1,156,289**	1,254,391
Net current assets		**769,400**	13,519
Total assets less current liabilities		**915,262**	1,224,745

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of Enviro Energy International Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment, financial asset at fair value through profit or loss and assets/liabilities of disposal group classified as held for distribution. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

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

2. APPLICATION OF NEW AND REVISED HKFRS

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2014 but not currently relevant to the Group

HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities
HKAS 36 (Amendment)	Impairment of assets — on recoverable amount disclosures
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — Novation of derivatives
HK(IFRIC)-21	Levies

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

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

HKAS 19 (Amendment)	Defined benefit plans: Employee contributions[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture[2]
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations[2]
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation[2]
HKAS16 and HKAS 41 (Amendment)	Agriculture: bearer plants[2]
HKAS 27 (Amendment)	Equity method in separate financial statements[2]
HKFRS 15	Revenue from contracts with customers[3]
HKFRS 9	Financial instruments[4]
Annual Improvement Project	Annual improvements 2010–2012 cycle[1]
	Annual improvements 2011–2013 cycle[1]
	Annual improvements 2012–2014 cycle[2]

Note

(1) Effective for annual periods beginning on or after 1 July 2014

(2) Effective for annual periods beginning on or after 1 January 2016

(3) Effective for annual periods beginning on or after 1 January 2017

(4) Effective for annual periods beginning on or after 1 January 2018

Management is in the process of making an assessment of the impact of these new standards, interpretations and amendments to the standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. 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) Marble rock mining and distribution in Indonesia

(ii) Information technology related services in Hong Kong

(iii) Exploration, development and production of CBM and natural gas in China (Discontinued Operation) (Note 13)

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, together with other gains/(losses), net, selling and distribution expenses, administrative and operating expenses, gain on disposal of subsidiaries, finance income and income tax.

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

	Continuing operations			Discontinued operation	
	Information technology related services in Hong Kong *HK$'000*	Marble rock mining and distribution in Indonesia *HK$'000*	Subtotal *HK$'000*	Gas exploration in China *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2014					
Segment revenue	**52**	**991**	**1,043**	**–**	**1,043**
Gross profit	**41**	**362**	**403**	**–**	**403**
Other losses, net	**–**	**(249)**	**(249)**	**–**	**(249)**
Selling and distribution expenses	**–**	**(447)**	**(447)**	**–**	**(447)**
Administrative and operating expenses	**(2,128)**	**(4,203)**	**(6,331)**	**(1,018)**	**(7,349)**
Income tax	**–**	**–**	**–**	**2,610**	**2,610**
Segment results	**(2,087)**	**(4,537)**	**(6,624)**	**1,592**	**(5,032)**
Unallocated:					
Other gains, net					**1,986**
Fair value loss in issuance of unlisted warrants					**(38,931)**
Administrative and operating expenses					**(45,225)**
Finance income					**19**
Loss before taxation					**(87,183)**
Income tax					**–**
Loss for the year					**(87,183)**
As at 31 December 2014					
Segment assets	**6,177**	**144,612**	**150,789**	**977,157**	**1,127,946**
Unallocated assets					**28,343**
Total assets					**1,156,289**
Segment liabilities	**1,449**	**828**	**2,277**	**217,572**	**219,849**
Unallocated liabilities					**21,178**
Total liabilities					**241,027**

	Continuing operations		Discontinued operation		
	Information technology related services in Hong Kong *HK$'000*	Marble rock mining and distribution in Indonesia *HK$'000*	Gas exploration in China *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2014					
Capital expenditures	**–**	**1,128**	**–**	**30**	**1,158**

	Continuing operations			Discontinued operation	
	Information technology related services in Hong Kong *HK$'000*	Marble rock mining and distribution in Indonesia *HK $'000*	Subtotal *HK$'000*	Gas exploration in China *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2013					
Segment revenue	96	1,058	1,154	–	1,154
Gross profit	51	837	888	–	888
Other gain, net	–	–	–	488	488
Selling and distribution expenses	–	(613)	(613)	–	(613)
Administrative and operating expenses	(2,542)	(7,234)	(9,776)	(1,811)	(11,587)
Finance income	–	–	–	2	2
Income tax	–	–	–	2,548	2,548
Segment results	(2,491)	(7,010)	(9,501)	1,227	(8,274)
Unallocated:					
Other losses, net					(2,496)
Administrative and operating expenses					(54,355)
Gain on disposal of subsidiaries					81,934
Finance income					438
Profit before taxation					17,247
Income tax					–
Profit for the year					17,247
As at 31 December 2013					
Segment assets	7,712	147,417	155,129	1,063,227	1,218,356
Unallocated assets					36,035
Total assets					1,254,391
Segment liabilities	541	805	1,346	238,498	239,844
Unallocated liabilities					18,230
Total liabilities					258,074

	Continuing operations		Discontinued operation		
	Information technology related services in Hong Kong *HK$'000*	Marble rock mining and distribution in Indonesia *HK$'000*	Gas exploration in China *HK $'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2013					
Capital expenditures	5	534	3,907	342	4,788

The Group's revenue for the year ended 31 December 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 31 December 2014 and 2013 are further analysed as follows:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**3,388**	4,198
China	**–**	1,061,735
Indonesia	**142,127**	144,916
	145,515	1,210,849

4. 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:

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Sale of marble products	**991**	1,058
Network infrastructure maintenance and sale of computer hardware	**52**	96
	1,043	1,154

5. OTHER GAINS/(LOSSES), NET AND FAIR VALUE LOSS IN ISSUANCE OF UNLISTED WARRANTS

(a) Other gains/(losses), net

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Fair value loss on financial asset at fair value through profit or loss	**(270)**	(2,421)
Impairment loss on available-for-sale investment	**(30)**	(152)
(Loss)/gain on disposal of property, plant and equipment	**(117)**	47
Gain on write back of other payables	**1,964**	–
Others	**190**	30
	1,737	(2,496)

(b) Fair value loss in issuance of unlisted warrants

On 13 October 2014, the shareholders of the Company has approved issuance of 1,048,064,800 unlisted warrants in conjunction with the open offer for the issuance of 1,746,773,000 new shares of the Company at HK$0.02 per share (on the basis of three warrants for every five new shares of the Company issued). The warrants will entitle the holders thereof to subscribe in cash for new shares of the Company at a subscription price of HK$0.21 per new share up to an aggregate amount of HK$220.1 million. The new shares may fall to be allotted and issued upon the exercise of the subscription rights attached to the warrants for a period of 2 years commencing from the date of issue of the warrants. The above commitment to issue warrants constituted a derivative on the day when the open offer was approved (13 October 2014). On 17 November 2014, upon the issuance of the shares pursuant to the open offer, the abovementioned warrants were issued, which resulted in a fair value loss of HK$38,931,000 recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014. As at 31 December 2014, the warrants are recognised as equity instrument.

The Group has applied the binomial option pricing model to measure the fair value of the warrants.

6. (LOSS)/PROFIT BEFORE TAXATION

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

	Continuing operations		Discontinued operation		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold	**629**	221	**–**	–	**629**	221
Depreciation of property, plant and equipment	**596**	749	**6**	4	**602**	753
Auditor's remuneration						
— Current year	**1,367**	1,733	**29**	42	**1,396**	1,775
— Over-provision in prior year	**–**	(140)	**–**	–	**–**	(140)
Operating lease payments	**2,448**	3,564	**314**	580	**2,762**	4,144
Legal and professional fees	**1,957**	3,778	**–**	184	**1,957**	3,962
Investor relations expenses						
— Cash payments	**1,075**	836	**–**	–	**1,075**	836
— Share-based payments	**128**	2,521	**–**	–	**128**	2,521
Technical consultancy expenses						
— Share-based payments	**–**	1,421	**–**	–	**–**	1,421
Staff costs, including Directors' emoluments						
— Salaries, allowances and other benefits	**23,586**	28,032	**121**	216	**23,707**	28,248
— Retirement benefit scheme contributions	**180**	173	**–**	3	**180**	176
— Share-based payments	**954**	3,581	**–**	–	**954**	3,581
— Discretionary and performance related incentive payments	**7,716**	7,824	**–**	11	**7,716**	7,835
Exchange loss/(gain), net	**164**	(39)	**61**	3	**225**	(36)
Provision for trade receivables	**108**	–	**–**	–	**108**	–
Provision for other receivables	**1,762**	–	**–**	–	**1,762**	–

7. 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 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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2014 (2013: Nil).

8. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2014 (2013: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) 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 year ended 31 December 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:

	Year ended 31 December	
	2014	2013
(Loss)/profit attributable to equity holders of the Company for the purposes of basic (loss)/earnings per share (HK$'000)		
— Continuing operations	**(88,272)**	20,220
— Discontinued operation	**3,841**	503
	(84,431)	20,723
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share ('000)	**3,704,116**	3,463,650
Basic (loss)/earnings per share (in HK cents)		
— Continuing operations	**(2.38)**	0.58
— Discontinued operation	**0.10**	0.02
	(2.28)	0.60

(b) The Group had share options and warrants outstanding as at 31 December 2014 and 31 December 2013. The share options and warrants did not have a dilutive effect on loss per share for the year ended 31 December 2014 (2013: The share options and warrants did not have a dilutive effect on earnings per share).

10. EXPLORATION AND EVALUATION ASSETS — GROUP

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Oil and gas properties *(Note i)*	**–**	1,061,728
Mining properties *(Note ii)*	**141,070**	143,462
	141,070	1,205,190

Notes:

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

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
At cost		
At beginning of the year	**1,061,728**	1,134,704
Additions	**–**	3,907
Exchange differences	**(50,613)**	(76,883)
Transferred to assets of disposal group classified as held for distribution	**(1,011,115)**	–
At end of the year	**–**	1,061,728

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

TWE and China United Coalbed Methane Corporation Limited ("**CUCBM**") entered into a coalbed methane production sharing contract ("**PSC**") on 30 December 2005 and the PSC came into force on 1 March 2006 after receiving approval of the Ministry of Commerce of the PRC ("**MOC**").

On 23 June 2011, TWE, CUCBM and China National Petroleum Corporation ("**CNPC**") entered into a modification agreement, pursuant to which, among others, CUCBM assigned all its interest, rights and obligations under the PSC to CNPC. According to the modification agreement, apart from retaining part of its own management and regulatory functions, CNPC further assigned all of its rights and obligations to its publicly-listed subsidiary company, PetroChina Company Limited, and guaranteed the performance of all the assigned rights and obligations and such assignment shall not interfere with the performance of the CBM operations.

TWE became aware of a discrepancy between the stated area of its exploration rights under the terms and conditions of the PSC and the area referenced in the related CBM exploration permit issued by the PRC Ministry of Land and Resources to CNPC and naming TWE as the foreign contractor. The discrepancy was noted informally and TWE subsequently repeatedly requested formal clarification from CNPC which has the obligation for the renewal of permits required to support the CBM operations of the PSC.

As previously disclosed in the announcements of the Company dated 28 April 2014 and 7 July 2014, TWE has declared a dispute ("**Dispute**") with CNPC in relation to the PSC. TWE has subsequently advised its shareholders that it has taken advice from its retained special international arbitration counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC. 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 any on-going collaboration is no longer feasible.

On 4 July 2014, TWE's counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina Company Limited and CNPC. 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 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 reserve 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 which have been set forth in the Company's annual report for the year ended 31 December 2013.

TWE has completed the appointment of an international arbitrator to be one of three arbitrators on the arbitration tribunal. CNPC has, before the extended deadline, similarly appointed an arbitrator. A third arbitrator, as chairman, has also been appointed and the details of the arbitration, including place and timetable, shall be determined in due course.

On 24 November 2014, the Group has issued a circular in relation to a proposed distribution in specie, where equity interest of certain group companies including TWE, will be distributed to the shareholders of the Company, so that these interests will be held by shareholders of the Company separately from the Company in future. Accordingly, the oil and gas properties was reclassified to "Assets of disposal group classified as held for distribution" in accordance with HKFRS 5 since 24 November 2014. The distribution was completed on 18 February 2015.

It should be noted that the termination is not effective until it has been ruled by the arbitration tribunal following the hearing. Pursuant to the PSC the right to arbitrate disputes shall survive the termination of the PSC, as a result, having considered the aforementioned merits, the Directors concluded that the oil and gas properties, now included under "Assets of disposal group classified as held for distribution", should not be derecognised as at 31 December 2014. In addition, according to the legal advice obtained from the arbitration counsel, considering the merits and basis of the claim and assessing the likelihood of a successful outcome from the arbitration process which includes an expected amount of damages to be awarded to the Group, the Directors are of the opinion that there was no impairment on the oil and gas properties included in "Assets of disposal group classified as held for distribution" as at 31 December 2014.

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

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
At cost		
At beginning of the year	**143,462**	181,553
Additions	**–**	344
Exchange differences	**(2,392)**	(38,435)
At end of the year	**141,070**	143,462

11. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**216**	196
Less: Provision for impairment	**(108)**	–
	108	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.

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**–**	87
31–60 days	**86**	–
Over 60 days	**22**	109
	108	196

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade payables	**–**	76
Other payables	**1,851**	4,872
Consideration payable	**7,800**	7,800
Accrued liabilities	**13,804**	16,898
	23,455	29,646

The ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**–**	76

13. ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR DISTRIBUTION AND DISCONTINUED OPERATION — GROUP

On 24 November 2014, the Board of Directors of the Company announced a proposed distribution in specie to distribute all of its equity interests of Aces Diamond International Ltd. ("**Aces Diamond**") and Chavis International Ltd. ("**Chavis**"), subsidiaries of the Company who collectively holds 71.61% equity interest in TerraWest Energy Corporation ("**TWE**"), to its shareholder upon the approval by the shareholders and the completion of a restructuring plan. On the same date, all assets and liabilities of the aforementioned subsidiaries to be distributed were reclassified to "Assets/Liabilities of disposal group classified as held for distribution". The distribution in specie was approved by the shareholders on 28 January 2015. Therefore its results are presented as a discontinued operation and its assets and liabilities are classified as "Assets/ liabilities of disposal group classified as held for distribution" in the consolidated financial statements.

(a) Assets and liabilities of disposal group classified as held for distribution

	As at 31 December 2014 *HK$'000*	As at 31 December 2013 *HK$'000*
ASSETS		
Oil and gas properties	**977,023**	–
Deposits, prepayments and other receivables	**1**	–
Bank balances and cash	**133**	–
Total	**977,157**	–
LIABILITIES		
Other payables	**9,978**	–
Deferred tax liabilities	**207,594**	–
Total	**217,572**	–

(b) Analysis of the results of discontinued operation

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*
Finance income	**–**	2
Other gain	**–**	488
Administrative and operating expenses	**(1,018)**	(1,811)
Loss before tax from discontinued operation	**(1,018)**	(1,321)
Income tax credit	**2,610**	2,548
Profit for the year from discontinued operation	**1,592**	1,227

Comparatives figures have been re-presented.

14. EVENT AFTER BALANCE SHEET DATE

On 24 November 2014, the Company announced the specie to distribute 100% equity interest of Aces Diamond and Chavis, being the two wholly-owned subsidiaries of the Company which together holds 71.61% equity interest in TWE, to its shareholders as dividends. The transaction was approved on 28 January 2015 and was completed on 18 February 2015.

The related operations of TWE is classified as discontinued operation and reflected in the statement of comprehensive income with the comparative figures re-presented, and the relevant assets and liabilities of the group including TWE to be distributed are classified as "assets/liabilities of disposal group held for distribution", in accordance with HKFRS 5.

ANNUAL GENERAL MEETING

The 2014 annual general meeting of the Company is expected to be held on Friday, 29 May 2015 ("**AGM**") and the notice of AGM will be published and dispatched in the manner as required by the articles of association of the Company.

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 year ended 31 December 2014.

COMPLIANCE WITH CODE PROVISIONS

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 Rules Governing the Listing of Securities on the Stock Exchange throughout for year ended 31 December 2014.

Under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Wing Him Kenny, an executive Director, has served both roles as the chairman of the Board and the CEO of the Company. 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. The role of the proposed nomination committee has been performed by the Board. The Board is of the view that this has not prejudiced the Company in appointment of directors for the following reasons:

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

COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the year ended 31 December 2014, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director of Petromin Resources Limited ("**Petromin**") whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, chairman, president and the chief executive officer of Petromin. As at 31 December 2014, Mr. Chan Wing Him Kenny held 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.1% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 5.6% of the issued common share capital) and 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.1% 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 31 December 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 Mercantile Inc., 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 year ended 31 December 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.

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 financial and business status of the Company and its subsidiaries, and in particular: (i) the status of the unconventional gas project in Xinjiang, China; (ii) although the Company has moved into the marble business, this business segment has yet to demonstrate a strong sustainable cash flow; and (iii) the cash on hand at the Company will mainly be used as working capital for the next 12 to 18 months. In addition, the New Business Opportunity will be focused on the upstream resources businesses which again has 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 have 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.

The Directors received from each Controlling Shareholders an annual confirmation on their compliance with the terms of the Deed, and hence the Directors confirm that the parties to the Deed were in compliance with the terms of the Deed, during the year ended 31 December 2014.

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.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen, with Mr. 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 consolidated results for the year ended 31 December 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2014:

Basis for Disclaimer of Opinion

As set out in Note 18 to the consolidated financial statements, on 24 November 2014, the Board of Directors of the Company announced a proposed distribution in specie to distribute all of its equity interests of Aces Diamond International Ltd. and Chavis International Ltd., subsidiaries of the Company who collectively holds 71.61% equity interest in TerraWest Energy Corporation ("**TWE**"), to its shareholders. Assets and liabilities of the aforementioned subsidiaries to be distributed, amounted to approximately HK$977,157,000 and HK$217,572,000 as at 31 December 2014, respectively, were reclassified to "Assets and liabilities of disposal group classified as held for distribution"; and a profit of approximately HK$1,592,000 from such discontinued operation was recognised for the year then ended. The distribution in specie was approved by the shareholders of the Company on 28 January 2015 and completed on 18 February 2015.

As detailed in Note 18 to the consolidated financial statements, the carrying value of oil and gas properties, included in the aforesaid "Assets of disposal group classified as held for distribution", was approximately HK$977,023,000 as at 31 December 2014, representing over 80% of the Group's total assets. Such asset mainly comprised exploration expenditures capitalised in relation to a coalbed methane production sharing contract (the "**PSC**") that TWE and China National Petroleum Corporation ("**CNPC**") have entered into. TWE has declared a dispute against CNPC over the latter's breach of the PSC, and after serving a notice of purported termination on 3 July 2014, TWE has subsequently served a formal notice of arbitration to CNPC in which TWE sought an award of damages as compensation for the losses caused by CNPC's breaches of the PSC, together with declaratory relief, costs and interest.

Having obtained advice from the arbitration counsel, considering the merits and basis for the claim and assessing the likelihood of a successful outcome from the arbitration process which includes an expected amount of damages, the directors are of the opinion that there was no impairment on the oil and gas properties included in "Assets of disposal group classified as held for distribution", which amounted to approximately HK$977,023,000 as at 31 December 2014.

As of the date of this report, the arbitration is still at its preliminary stage where the outcome is subject to significant uncertainty. We were unable to obtain sufficient appropriate audit evidence we considered necessary, including a written opinion from the arbitration counsel in relation to the likelihood of success of the claim, to assess the recoverable amount of the aforesaid oil and gas properties included in "Assets of disposal group classified as held for distribution". There were no alternative audit procedures that we could perform to assess the recoverable amount of the oil and gas properties included in "Assets of disposal group classified as held for distribution" and whether any impairment charge should be made for the year then ended. Had we been able to perform alternative audit procedures and obtain the appropriate audit evidence, an impairment adjustment to the carrying value of the aforesaid oil and gas properties included in "Assets of disposal group classified as held for distribution" and the "Profit for the year from discontinued operation" might have been found necessary, which could significantly reduce the Group's net assets as at 31 December 2014, significantly increase the Group's loss for the year then ended, and affect the related note disclosures in the consolidated financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respect, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 27 February 2015

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

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

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