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

(Incorporated in the Cayman Islands with limited liability)

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

(Stock Code: 1102)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

CHAIRMAN'S STATEMENT

I take pleasure in presenting the results for Enviro Energy International Holdings Limited ("**Company**" or "**EE**" and together with its subsidiaries and jointly-controlled entity, "**Group**") for the year ended 31 December 2011.

The global environment in which we work and invest offers a broad mix of challenges and opportunities. The near term recovery is cautioned by the concerns over sovereign debt in western part of Europe and the uncertain impact that has on financial markets.

2011 was a year where major economies of the world continued their climb out of the recession of the previous period and positive signs continued to abound in the Asia Pacific region and in particular in the People's Republic of China ("**China**" or "**PRC**") where growth continued to outpace the Organisation for Economic Cooperation and Development (OECD) countries. EE continued to focus on projects in China and overall results for the year were positive.

Our long term outlook for energy however remains robust.

EE has as its business objective to help meet the world's growing energy needs with a commitment to innovation, technology and sound investment strategy. We continue to balance risk and value creation by utilising a consistent business model underpinned by strategic principles that guide all our activities with the aim of growing long term shareholder value.

We consistently apply strategic principles to our investments and operations in the key segments of our business: conventional petroleum and unconventional natural gas. The five cornerstone strategic principles remain:

I. Disciplined investment;

II. Emphasis on shareholder value;

III. Portfolio optimisation;

IV. Resource and reserve growth; and

V. Research and development.

The growth of EE's discovered and gross coalbed methane ("**CBM**") resources reflects our objective to create value in the upstream, where shareholders traditionally have the greatest leverage and where we best understand the risk profile. Over the past year, our unconventional natural gas resource base grew to exceed 10 trillion cubic feet ("**Tcf**") following significant growth in the previous year. Our discovered CBM resource area in Xinjiang Uygur Autonomous Region ("**Xinjiang**") in western China is ready for the move ahead to an expanded development area and future development planning.

Modern economies would not function without energy and we foresee world energy demand continuing to expand, driven by population growth and increasing prosperity across various regions. New global investments in energy supply and infrastructure are required and we expect them to continue at a robust rate.

Global advances in energy development and the rapid increase in development of unconventional resources reflects the wisdom of EE's strategic principles and business model and the emphasis on unconventional natural gas. Certainly it demonstrates the exceptional value potential of our large-scale natural gas project located in western China where the known resource base and operating infrastructure continue to expand.

Capital markets are showing continuing interest in and support for the types of projects fostered by EE although certain developments especially in European sovereign debt affect financial markets and increase the concerns about unpredictable events and changes. I continue to foresee great investment opportunities over the next five years not only in upstream hydrocarbons but in other natural resource commodities as well. Demand for a range of commodities is growing in pace with economic growth across Asia Pacific.

I wish to reconfirm my confidence and reliance on the talented, dedicated team of EE professionals who continue to drive our success through their ingenuity and high standards. I also express my appreciation to our valued service and financial partners and business associates as well as you the shareholder for the encouraging support.

EE continues to look beyond today's circumstances to focus on the long term and opportunities that will ensure we meet the ambitious targets for value creation and profit for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

We are principally engaged in investment holding and development of the full range of energy-related projects involving conventional oil, unconventional natural gas, state-of-the-art oil and gas related environmental technologies and other high return natural resource projects.

Business review

Unconventional natural gas business

As at the date hereof, the Company held approximately 71.61% of the current issued common shares and preferred shares in the capital of TerraWest Energy Corp. ("**TWE**"), or approximately 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis, respectively. TWE and China National Petroleum Corporation ("**CNPC**") hold an interest of 47% and 53%, respectively, in a production sharing contract dated 30 December 2005 ("**PSC**"), which is located in Xinjiang. The PSC is now administered by PetroChina Coalbed Methane Company Ltd., an indirect subsidiary of CNPC.

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

During the year TWE continued and completed pilot well testing at locations where drilling was completed in 2010. The testing produced water and CBM and was concluded by April 2011. TWE initiated new 2011 work by completing a design for a specialised fracture stimulation (frac job) of well LHG10-02. This frac job was designed as a pressurised nitrogen ("**Ni**") injection of target zones in the well. Significant mineralogical evaluation of the well logs and previous core samples from nearby well LHG09-01 were combined with deep analysis of the gas bearing zones. Eighteen (18) Ni injection targets were identified in the very prospective well.

Significant work was undertaken to identify services, suppliers and evaluate costs for the frac job and all the data was combined into a frac job plan.

Additionally, the project team completed a design template for lateral pilot production wells potentially to be drilled in the thick Xishanyao (J2X) coal seams.

TWE holds the first fully-approved CBM PSC in Xinjiang which is considered to be among the most attractive CBM exploration areas in the world based on known coal resources and regional economic development plans of the central government of China. The 2011 program continued the first CBM pilot production testing under a production sharing contract in western China.

In October 2011, TWE announced a significant milestone in its development with the results of an independent engineering report ("**NSAI Report**") prepared by Netherland, Sewell & Associates, Inc. ("**NSAI**") updating estimates for the total Undiscovered Original Gas-in-Place ("**OGIP**") in the Liuhuanggou CBM PSC area situated in Xinjiang. The 2011 figures are in addition to the OGIP and discovered CBM (Contingent Resources) estimated by an independent third party in 2010 for another portion of the PSC ("**TWE's discovered CBM area**"). NSAI has completed an assessment of all natural gas resources within the Liuhuanggou PSC area additional to discovered CBM resources reported in a previously evaluated area. The updating NSAI Report covers the Xishanyao (J2X) and Badaowan (J1B) target coal seams outside TWE's discovered CBM area as well as other prospective zones in these formations within the Liuhuanggou PSC on a 100% (gross) basis and concludes with OGIP estimates for the Liuhuanggou PSC as follows:

- Grand total Best Estimate OGIP of 11.825 Tcf of natural gas; and
- Grand total OGIP Low Estimate of 7.179 Tcf; and a High Estimate of 19.185 Tcf.

The major portion of the estimated values is contained in shale intervals of varying thickness which surround and underlie coal seams within the target formations which cover a significant area of the PSC. This underscores the great potential and significant merit of the area as an exploration and development target.

The results of the 2011 resource evaluation provide a significant increase in TWE's independently evaluated resource potential at Liuhuanggou and represent a major milestone and a next step in unlocking substantial value as TWE moves forward to commercialise its natural gas position. Previously EE had indications that CBM resources as defined in the PSC greatly exceed the potential resources in coal seams alone. Such indications now prove to be true and the Jurassic formations within the Liuhuanggou PSC area are seen to be potentially prolific, based on the prospective resource estimates.

*The Kala-1 exploration well drilled by Xinjiang Oilfield Company of PetroChina ("**Xinjiang Oilfield**")*

TWE geologists sampled prospective Badaowan (J1B) formation rocks intersected in its deep exploration well drilled beyond 1,500 metres depth within the PSC area. Drilling of the well continued into 2011 and the sampling was completed as planned with all samples sent for analysis at labs in the PRC. TWE assigned one geologist and utilised Xinjiang Oilfield technicians at the location which is on the Kazhala anticline structure in the northwest of the PSC. TWE's geologists will also review mud logs and geophysical logs as part of the cooperation.

Samples of the target Badaowan (J1B) formation and overlying formations were analysed at selected laboratories after gas desorption testing. A number of interesting hydrocarbon shows were identified which reconfirm the potential of the Badaowan (J1B) formation as a CBM reservoir.

The Company was pleased to participate in the arrangement between the two parties as it reflected a high degree of co-operation and the joint interest in the scientific data on the energy resource base of the southern Junggar Basin as well as the economic potential of the region.

Advanced production technologies

The Deep Unmineable Coal Carbon Dioxide ("**CO_2**") Sequestration and Enhanced CBM Production Project ("**JV Project**") operated under the cooperative joint venture agreement dated 25 January 2008 ("**JV Agreement**") between the Company, China United Coalbed Methane Corporation Limited ("**CUCBM**") and Petromin Resources Ltd. ("**Petromin**") concluded the initial phase during 2011. The initial phase of the JV Project was a single-well pilot project that involved injecting CO_2 into target coal seams to test the CO_2 sequestration and storage capacity of the coal seams and then testing enhanced CBM ("**ECBM**") production. Pursuant to the JV Agreement, CUCBM, as operator, holds 60% participating interest in the JV Project, while the Company and Petromin each holds a 20% participating interest.

The JV Project is located in CUCBM's Shizhuang North block in the Qinshui Basin of Shanxi Province, the PRC. The Qinshui Basin is one of the more prolific CBM producing regions in the PRC and the coal seams in the basin are prospective for ECBM production.

During 2011, the parties completed reports on the results of initial phase operations during which CO_2 was successfully injected and ECBM produced. The reports have been submitted to the sponsoring government bodies in China and Canada and are being reviewed by all the parties. Initial planning considerations for a second phase were discussed during the year and the Company is providing specialised advisory services during the consultative stage. China National Offshore Oil Corporation (CNOOC) has taken a 50% ownership stake in CUCBM and the change in ownership is expected to positively influence the development strategy of CUCBM going forward. Going forward, the Group will assess the cost/benefit of maintaining or altering its stake in the JV Project.

A number of synergistic project opportunities that have potential to add value to the Group's investment portfolio were reviewed during the year. The Group remains alert to any new possibilities to utilise its specialised expertise in enhanced hydrocarbon recovery utilising CO_2 and maintains business development activities with potential users of the technology as well as suppliers of CO_2 which may have similar business objectives.

Conventional crude oil business

EE indirectly owns 50% of Qian An Oil Development Co., Ltd. ("**Qian An**"), an equity joint venture company established in China. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited ("**PetroChina**"), whose "H" shares and American depository shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the New York Stock Exchange, Inc., respectively. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

During the year ended 31 December 2011, the crude oil price in the PRC continued to maintain at a level ranging between approximately US$91 to US$115 per barrel. PetroChina, being the operator of the two oilfields of Qian An, namely Qian Shen 12 and Qian 209, continued to maintain annual production levels at slightly over 100,000 barrels, representing a daily production of approximately 277 barrels.

Business prospects

Unconventional natural gas business

Unconventional natural gas is that category of natural gas which requires advanced production technologies when compared to conventional methods including sophisticated well completions and fracture stimulation processes. The category includes CBM and shale gas in addition to other sources. The PRC is considered one of the world's largest and fastest growing consumer markets for natural gas and also holds the largest estimated unconventional natural gas resources in the world. Forecast demand for natural gas outstrips supply in the PRC by a wide margin and the development opportunities for CBM and other unconventional natural gas resources are highly sought after.

The central government of the PRC actively promotes the exploration and development of unconventional natural gas and conducted the first ever auction for shale gas exploration blocks during 2011. Further auctions are expected in 2012 with both domestic and foreign companies participating.

TWE holds the first CBM PSC in the Junggar Basin of Xinjiang and the PSC defines CBM as all gas contained in four named formations to a depth of 1,500 metres. This provides excellent scope for exploitation of gas in shale formations with the PSC if the shale is within the referenced geologic formations. Within the PRC, the Junggar Basin is considered to be among the most prospective regions for CBM and other unconventional natural gas and is connected to the national natural gas pipeline grid of the PRC via both the national 1st and 2nd West-East pipelines. Other corporations attracted to the Junggar Basin include BP Plc and Dart Energy Limited (formerly Arrow Energy Limited) which are conducting joint studies or PSC exploration in the basin.

The Company anticipates continuing natural gas demand growth in PRC and is forecasting a growth rate of 10% per annum. Gas prices are also expected to continue to grow from current wellhead price levels equivalent to US$4.50 to US$6.50/thousand cubic feet ("**mcf**"). The central government of the PRC also provides a price subsidy equivalent to over US$1.00/mcf to CBM sales price.

Many of the world's new liquefied natural gas ("**LNG**") projects aim to deliver natural gas to the PRC. With the massive new shale gas discoveries in North America, new Canadian and US LNG export projects are being promoted. In Australia, the CBM-based LNG export concept is essentially a China gas demand story. These new projects will have to compete with each other to sell their gas and promote the projects timely development. The Company remains confident that having a natural gas project within the PRC offers a significant strategic and competitive advantage to the Group.

China's 12th Five Year Plan ("**Plan**") was announced in July 2011. The Plan as expected, focuses strongly on natural gas and highlights incentives to explore for and develop unconventional natural gas including CBM and shale gas. The Plan also encourages investments in frontier areas such as Xinjiang with the objective of increasing and expanding energy and transportation infrastructure. The initiative will increase energy demand in Xinjiang, including demand for natural gas.

Global economy, crude oil price and outlook

The Company's outlook for the crude oil business is positive for demand and price level.

The world continues to recover from the 2008-2009 global recession although the recovery is uneven. In developed economies, the recovery has been slower than anticipated and slower in comparison with recoveries from past recessions. As a result, unemployment is still high in several countries including the United States, and market growth remains weak. National debt levels in a number of small economies of the European Union, namely Greece, Ireland and Portugal, drew attention throughout the year and concerns over sovereign debt default were high. Defaults were avoided but markets remain nervous about future prospects for recurrence and about fiscal sustainability and financial turbulence.

In contrast, growth remains high in many emerging economies including India and China, driven by strong capital inflows and high commodity prices and firm demand for manufactured goods.

The pace and timing of the global economic recovery means uncertainty for the energy outlook and prices. Oil prices rose in 2011 as a result of growing demand associated with signs of economic recovery and a lack of a sufficient supply response. Prices were driven even higher in 2011 as social and political unrest unfolded in several Middle Eastern and African economies.

Oil prices increased from about US$82 per barrel at the end of 2010 to more than US$112 per barrel in fourth quarter of 2011. The impacts of quickly rising prices and possible regional supply disruptions add substantial uncertainty to the outlook. In 2011, the price of light sweet crude oil in the United States averaged approximately US$100 per barrel. Prices are expected to continue increasing in the near term and the Company expects oil to remain above US$100 per barrel in 2012.

The Group continues to interpret the global and regional situation in petroleum as supporting its continued involvement in the upstream petroleum business in China and the Group continually assesses opportunities for increased shareholder value from current operations.

Other natural resource: opportunities & markets

As noted in the economic review, the Asian economies remain among the strongest in the world in terms of sustained growth. Such economic growth fuels strong and continuing demand for resource commodities across a broad spectrum. The Company takes special note of the opportunities to generate cash and create value in niche resource markets including some specialised industrial minerals, coal and oilfield service commodities. The energy boom in Asia and the worldwide increase in unconventional hydrocarbon development, including shale gas and shale oil have created great demand for some specialised products.

China's housing boom forms the basis for incredible new demand for a range of industrial mineral products.

Otherwise, the demand for coal and prices based on for growth in electricity generation maintain the attractiveness of high quality coal projects located near transportation infrastructure. The tsunami and nuclear plant disaster in Japan has led to increased coal and natural gas demand there as the nuclear option is reviewed by the government. The Company remains opportunistic and aggressive in reviewing potential new investments in natural resources throughout Southeast Asia.

Financial Review

Oil and gas segment

Unconventional natural gas business

During the year ended 31 December 2011, EE's unconventional natural gas businesses were still in exploration and evaluation phases.

During the year ended 31 December 2011, the capital expenditure incurred for EE's unconventional natural gas businesses amounted to approximately HK$21.0 million. TWE continued production testing on the pilot production wells drilled in 2010 and continued to plan for the drilling of more pilot production wells. As disclosed previously, once the results of the pilot production are available, TWE will start finalising off-take arrangements with local gas suppliers and/or owners of the national pipelines. TWE also expects to initiate the regulatory approval process of the overall development plan once preliminary transportation and sales arrangements are in place. TWE's plan is to follow the pilot CBM production with the development of a 30 wells CBM production project. The project would represent the initial stage of a larger commercial development.

Conventional crude oil business

During the year ended 31 December 2011, the crude oil price in China continued to maintain at a level ranging between approximately US$91 to US$115 per barrel. PetroChina, being the operator of the two oilfields of Qian An, namely Qian Shen 12 and Qian 209, produced an aggregate of approximately 101,000 barrels (2010: 114,000 barrels), representing a daily production of approximately 277 barrels (2010: 312 barrels). As EE indirectly owns 50% of Qian An, the Group recorded an overall share of profit of Qian An for the year ended 31 December 2011, after taking into account depreciation and tax considerations, amounted to approximately HK$1.2 million (2010: HK$1.0 million).

Information technology ("IT") and network infrastructure segment

During the year ended 31 December 2011, EE continued to focus its resources on energy-related business. The Group's revenue generated from IT related businesses for the year ended 31 December 2011 amounted to approximately HK$0.2 million (2010: HK$0.4 million).

Administrative and operating expenses

For the year ended 31 December 2011, administrative and operating expenses amounted to approximately HK$77.7 million (for the year ended 31 December 2010: HK$99.2 million), representing a decrease of approximately 21.7%. The decrease was mainly due to (i) the decrease in consultancy fees paid to consultants; and (ii) the decrease of provision for the amount due from Qian An.

During the year ended 31 December 2011, share-based payment expenses amounted to HK$4.4 million (2010: HK$5.8 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$26.3 million, of which HK$19.4 million (2010: HK$15.0 million) was recorded as investor relations expenses and HK$6.9 million (2010: HK$3.3 million) was recorded as technical consultancy expenses in the consolidated income statement. These non-employees mainly comprise (i) independent consultants who will assist in the marketing and promotion of EE in terms of investors' relations; and (ii) independent expert industry consultants who will provide advices in relation to the technical aspects of EE's energy-related businesses.

Other comprehensive income

During the year ended 31 December 2011, exchange differences mainly arising on translation of the Canadian operation amounted to approximately HK$20.6 million (2010: HK$42.9 million) because the Canadian dollar ("**C$**") decreased by approximately 2.1% against the Hong Kong dollar ("**HK$**"), when translating the carrying value of EE's Canadian subsidiary, namely TWE.

Loss attributable to equity holders of the Company

As a result of the above-mentioned factors, loss attributable to equity holders of the Company for the year ended 31 December 2011 amounted to approximately HK$76.7 million (for the year ended 31 December 2010: HK$97.1 million).

Liquidity And Financial Resources

For the year ended 31 December 2011, EE mainly financed its operations with funds raised from previous share placements, including the top-up placement in October 2010 which EE raised net proceeds of approximately HK$154.0 million. As at 31 December 2011, the Group had bank balances and cash of approximately HK$48.9 million (as at 31 December 2010: HK$155.8 million). The Group's current ratio stood at approximately 1.9 as at 31 December 2011 (as at 31 December 2010: 3.4).

On 9 May 2011, EE issued 230,000,000 non-listed warrants which entitle the warrant subscribers to subscribe for new shares of the Company at the warrant subscription price of HK$0.38 per new share for a period of twenty-four (24) months commencing from the date of issue of the warrants. Upon full exercise of the warrants, EE would be able to raise net proceeds of approximately HK$87.4 million. Details regarding the warrants have been disclosed in the Company's announcement dated 9 May 2011.

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

As at 31 December 2011, the Group had net assets of approximately HK$914.4 million (as at 31 December 2010: HK$981.6 million).

As at 31 December 2011, the Group continued to maintain a debt-free capital structure.

As at 31 December 2011, the Group had no payables incurred which were not in the ordinary course of business and accordingly its gearing ratio was nil (as at 31 December 2010: Nil).

Charge on Group Assets

As at 31 December 2011, the Group did not have any charge on its assets (as at 31 December 2010: Nil).

Foreign Exchange Exposure

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

Capital Commitments

As at 31 December 2011, the Group had capital commitments amounting to approximately HK$17.9 million (as at 31 December 2010: HK$9.2 million).

Contingent Liabilities

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

Significant Investments and Future Plans for Material Investments

On 7 July 2011, CCST Singapore Pte. Ltd. ("**CCST**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with an independent third party in respect of, among other things, the potential investment in a company which is engaged in, among others, resources business in Southeast Asia. Pursuant to the memorandum of understanding, CCST paid the independent third party a refundable deposit of US$2.5 million and the parties agreed to set up working groups, conduct due diligence work and other necessary work for the purpose of finalising the potential investment. On 30 December 2011, the parties further entered into a supplemental agreement to extend the closing date to 31 March 2012 or such other date as the parties shall mutually agree.

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

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

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

Employees' Information

As at 31 December 2011, the Group had 25 full-time employees (as at 31 December 2010: 21) working in Hong Kong, China and Canada. EE remunerates its employees based on their performance, experience and the prevailing industry practice.

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

CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010 as follows:

		Year ended 31 December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**164**	379
Cost of sales		**(123)**	(297)
Gross profit		**41**	82
Other loss, net		**(1,753)**	(3,177)
Administrative and operating expenses		**(77,711)**	(99,234)
Finance income		**456**	512
Share of profits less losses of a jointly-controlled entity		**1,205**	964
Loss before taxation	*5*	**(77,762)**	(100,853)
Income tax	*6*	**388**	4,618
Loss for the year		**(77,374)**	(96,235)
Attributable to:			
Equity holders of the Company		**(76,698)**	(97,144)
Non-controlling interests		**(676)**	909
		(77,374)	(96,235)
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)	*7*		
Basic and diluted		**(2.76)**	(3.86)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

		As at 31 December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Plant and equipment		**2,616**	2,235
Oil and gas properties		**1,103,650**	1,107,078
Interest in a jointly-controlled entity		**3,683**	3,299
Available-for-sale investment		**529**	1,013
Club memberships		**2,700**	2,700
Deposit		**19,500**	—
		1,132,678	1,116,325
Current assets			
Trade receivables	*8*	**—**	112
Deposits, prepayments and other receivables		**2,095**	2,394
Financial asset at fair value through profit or loss		**1,874**	3,130
Bank balances and cash		**48,906**	155,800
		52,875	161,436
Total assets		**1,185,553**	1,277,761
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**6,945**	6,944
Share premium and reserves		**676,901**	687,095
		683,846	694,039
Non-controlling interests		**230,592**	287,547
Total equity		**914,438**	981,586

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**243,359**	249,083
Current liabilities			
Trade and other payables	9	**27,756**	47,092
Total liabilities		**271,115**	296,175
Total equity and liabilities		**1,185,553**	1,277,761
Net current assets		**25,119**	114,344
Total assets less current liabilities		**1,157,797**	1,230,669

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 and financial asset at fair value through profit or loss. 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 judgment in the process of applying the Group's accounting policies.

2. APPLICATION OF NEW HKFRS

The Group has adopted HKAS 24 (revised), "Related party disclosures" on 1 January 2011.

The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

— the name of the government and the nature of their relationship; and

— the nature and amount of any individually-significant transactions; and

— the extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

The adoption of this amended standard did not have material impact on the Group's consolidated financial statements.

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) TWE — Exploration, development and production of CBM and natural gas in China

(ii) Qian An — Exploration, development and production of petroleum in China

(iii) Information technology related services in Hong Kong

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

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

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

(c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, the Group's share of profits less losses of a jointly-controlled entity, administrative and operating expenses, finance income and income tax. There is no transaction between segments.

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

	Information technology related services in Hong Kong	Oil and gas exploration in China		
		Qian An	TWE	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2011				
Segment revenue	**164**	**—**	**—**	**164**
Gross profit	**41**	**—**	**—**	**41**
Administrative and operating expenses	**(1,809)**	**—**	**(2,065)**	**(3,874)**
Share of profits less losses of a jointly-controlled entity	**—**	**1,205**	**—**	**1,205**
Income tax	**—**	**—**	**388**	**388**
Segment results	**(1,768)**	**1,205**	**(1,677)**	**(2,240)**
Unallocated:				
Other loss, net				**(1,753)**
Administrative and operating expenses				**(73,837)**
Finance income				**456**
Loss before taxation				**(77,374)**
Income tax				**—**
Loss for the year				**(77,374)**
As at 31 December 2011				
Segment assets	**1,065**	**3,683**	**1,104,385**	**1,109,133**
Unallocated assets				**76,420**
Total assets				**1,185,553**
Segment liabilities	**489**	**—**	**246,757**	**247,246**
Unallocated liabilities				**23,869**
Total liabilities				**271,115**

	Information technology related services in Hong Kong	Oil and gas exploration in China			
		Qian An	TWE	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2011					
Capital additions	**6**	**—**	**20,966**	**1,976**	**22,948**

	Information technology related services in Hong Kong	Oil and gas exploration in China		Consolidated
		Qian An	TWE	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2010				
Segment revenue	379	—	—	379
Gross profit	82	—	—	82
Administrative and operating expenses	(1,437)	—	(1,713)	(3,150)
Share of profits less losses of a jointly-controlled entity	—	964	—	964
Income tax	—	—	4,618	4,618
Segment results	(1,355)	964	2,905	2,514
Unallocated:				
Other loss, net				(3,177)
Administrative and operating expenses				(96,084)
Finance income				512
Loss before taxation				(96,235)
Income tax				—
Loss for the year				(96,235)
As at 31 December 2010				
Segment assets	2,934	3,299	1,118,643	1,124,876
Unallocated assets				152,885
Total assets				1,277,761
Segment liabilities	498	—	270,690	271,188
Unallocated liabilities				24,987
Total liabilities				296,175

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

The Group's revenue for both the year ended 31 December 2011 and 2010 is solely derived from its information technology related services segment in Hong Kong.

The Group's non-current assets other than available-for-sale investment, as at 31 December 2011 and 2010 are further analysed as follows:

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**24,802**	4,915
China	**1,107,347**	1,110,397
	1,132,149	1,115,312

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	
	2011	2010
	HK$'000	*HK$'000*
Sale of computer software	**40**	284
Network infrastructure maintenance and sale of computer hardware	**124**	95
	164	379

5. LOSS BEFORE TAXATION

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

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**36**	232
Cost of services provided	**87**	65
Depreciation of plant and equipment	**1,246**	1,576
Auditor's remuneration		
— Current year	**1,450**	1,580
— Under-provision in prior year	**165**	798
— Audit-related services	**—**	281
Operating lease payments	**3,391**	3,729
Legal and professional fees	**876**	2,124
Investor relations expenses		
— Cash payments	**1,557**	8,135
— Share-based payments	**19,449**	15,037
Technical consultancy expenses		
— Share-based payments	**6,856**	3,287
Staff costs, including Directors' emoluments		
— Salaries, allowances and other benefits	**25,280**	19,893
— Retirement benefit scheme contributions	**152**	152
— Share-based payments	**4,420**	5,768
— Discretionary and performance related incentive payments	**5,549**	6,586
Provision for impairment of amount due from a jointly-controlled entity	**915**	20,359
Exchange (gain)/loss, net	**(955)**	99

6. 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 2011 (2010: 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 2011 (2010: Nil).

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, has been reporting tax losses since its incorporation. The Group has recognised deferred tax asset in respect of the tax losses accumulated at TWE, to offset against the deferred tax liability arising from the same entity, under the Income Tax Act (Canada).

7. LOSS PER SHARE

(a) Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during year ended 31 December 2011 and 2010.

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

	Year ended 31 December	
	2011	2010
Loss attributable to equity holders of the Company for the purposes of basic loss per share (HK$'000)	**(76,698)**	(97,144)
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	**2,777,674**	2,516,206
Basic loss per share (in HK cents)	**(2.76)**	(3.86)

(b) The Group had share options and warrants outstanding as at 31 December 2010 and 31 December 2011. The share options and warrants did not have a dilutive effect on loss per share (2010: anti-dilutive).

8. TRADE RECEIVABLES

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**—**	112

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 60 days.

An 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	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**—**	70
Between 31–60 days	**—**	3
Over 60 days	**—**	39
	—	112

As at 31 December 2010, trade receivables of HK$42,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Between 31–60 days	**—**	3
Over 60 days	**—**	39
	—	42

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
HK dollar	**—**	96
US dollar	**—**	16
	—	112

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**—**	17
Other payables	**23,917**	40,741
Accrued liabilities	**3,839**	6,334
	27,756	47,092

At 31 December 2011, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**—**	12
Between 31–60 days	**—**	5
	—	17

DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2011 (2010: Nil).

ANNUAL GENERAL MEETING

The 2012 annual general meeting of the Company will be held on Thursday, 17 May 2012 ("**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 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout for the year ended 31 December 2011.

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.

COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the year ended 31 December 2011, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, co-chairman, president and chief executive officer of Petromin. As at 31 December 2011, Mr. Chan Wing Him Kenny directly and indirectly held 24,867 stock options entitling him to subscribe for 24,867 common shares (representing approximately 0.04% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 2,230,193 common shares (representing approximately 3.83% of the issued common share capital) and 23,000 stock options entitling him to subscribe for 23,000 common shares (representing approximately 0.04% of the issued common share capital) in Petromin.

Petromin is engaged in the business of acquisition and development of oil and gas properties. As of 31 December 2011, Petromin had oil and gas properties in the province of Alberta, Canada. Taking into account (i) the operation of Petromin's business in Canada which is geographically different from the Company's current project operation in China; (ii) the Company and Petromin have different target customers; and (iii) Mr. Chan Wing Him Kenny and Colpo 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 2011.

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 2011.

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 2011 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.

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

Hong Kong, 29 March 2012

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

Executive Directors	Independent non-executive Directors
Mr. Chan Wing Him Kenny	Mr. David Tsoi
Dr. Arthur Ross Gorrell	Mr. Lo Chi Kit
	Mr. Tam Hang Chuen