Annual Report 2013

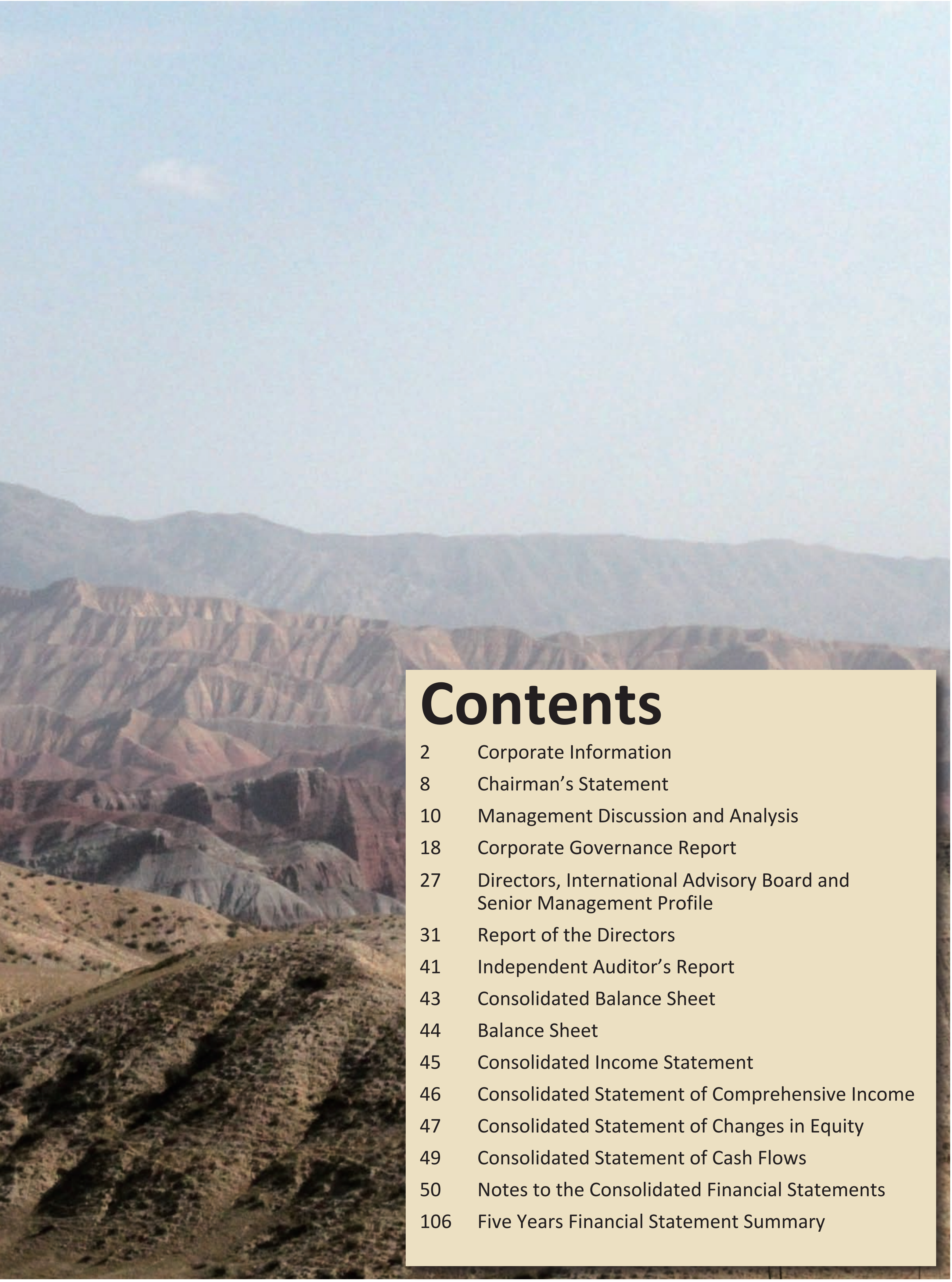
Enviro Energy International Holdings Limited
環能國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1102)

What We Do

EE is in the upstream hydrocarbons and natural resources businesses which mean we explore for, develop and produce hydrocarbons and other natural resources — the major and essential source of energy and development for the world today.

Our current and future projects will take advantage of the outstanding value creation potential of upstream hydrocarbons and other natural resources across a broad spectrum of commodities.

Natural Gas	this low carbon energy source is widely used in North America and Europe and utilisation is expanding rapidly in Asia. China represents a huge and growing market for natural gas from all sources and domestic supplies are highly prized. New production techniques have expanded the natural gas supply possibilities to include coalbed methane and shale gas.
Petroleum	oil retains its vital role as the key energy source for transportation fuels and other products. The relative scarcity of new, large, high-quality petroleum projects means oil prices will remain high for the foreseeable future.
Coal	the main source of energy to produce electricity in Asia and an essential component of the steel industry, the major markets for coal in Asia include the largest economies: Hong Kong, Taiwan, Japan, Korea and China.
Other Commodities	the enormous growth in demand for natural resource commodities driven by high economic growth in China and elsewhere in Asia-Pacific has created extraordinary opportunities for value creation. The opportunities exist across the spectrum of resources especially in industrial minerals and minerals utilised in hydrocarbon production technologies.



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Executive Directors

Mr. Chan Wing Him Kenny
(Chairman and Chief Executive Officer)
Dr. Arthur Ross Gorrell

Independent Non-Executive Directors

Mr. David Tsoi
Mr. Lo Chi Kit
Mr. Tam Hang Chuen

Company Secretary

Ms. Mok Kam Sheung

Compliance Officer

Mr. Chan Wing Him Kenny

Authorised Representatives

Mr. Chan Wing Him Kenny
Ms. Mok Kam Sheung

Audit Committee Members

Mr. David Tsoi *(Chairman)*
Mr. Lo Chi Kit
Mr. Tam Hang Chuen

Remuneration Committee Members

Mr. Lo Chi Kit *(Chairman)*
Mr. Chan Wing Him Kenny
Mr. Tam Hang Chuen

Registered Office

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Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Core D, Cyberport 3
100 Cyberport Road
Hong Kong

Corporate Information

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Investor Relations

Mr. Ming Wong *(Investor Relations Director)*
email: ming.wong@enviro-energy.com.hk

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Company Website

www.enviro-energy.com.hk

Stock Code

1102.HK

Multi-Pronged Upstream Resource Strategy

· Hydrocarbons – natural gas, petroleum, coal
· Specialised industrial minerals
· High-value precious and base metals

Enviro Energy is a rapidly growing up-stream resource company currently focusing on unconventional natural gas development. The company is listed on the Hong Kong Stock Exchange with access to global financial markets and is strategically positioned to build shareholder value through superior resource asset investments in the Asia Pacific region. The world-class management and advisory team aim to generate shareholder value by continuing expansion of the asset portfolio.

Strong Base - Expanding Horizons

Enviro Energy has established a significant base of resources at upstream hydrocarbon projects in China. The resource base at the Company's unconventional natural gas project continued to grow year-over-year and development is now on the horizon. As Enviro Energy considers next steps toward commercialisation at its base project, the leadership team has been evaluating significant new opportunities in other commodities in order to maintain the relentless pursuit of profitable growth.

Specialize

d Industrial Minerals - Proppant

Proppant is a necessary & essential component of shale oil & gas production.

Proppant is a solid material, typically treated silica sand or manufactures ceramic materials, used in the hydraulic fracture process and designed to keep a hydraulic fracture open, when recovering unconventional hydrocarbons (shale oil and shale gas).

- Proppant global market is expected to grow from US$4.3 billion in 2012 to around US$10 billion by 2017
- Increased exploration and horizontal drilling to recover shale gas in North America and worldwide will drive proppant demand

Chairman's Statement

Dear Shareholders,

I take pleasure in presenting the results for Enviro Energy International Holdings Limited ("**Company**" or "**EE**" and together with its subsidiaries, "**Group**") for the year ended 31 December 2013.

Recent years have been challenging for corporations of all sizes in the global economy as each year has presented new unforeseen obstacles and events. Yet the Group maintains its progress towards its ultimate goals guided by a strong belief in its business model and entrepreneurial spirit.

Growth…innovation…value creation through natural resources… this is my theme. The world is going through information, energy and environmental revolutions each of which create resource-based needs related to the Group's specialised skills.

Chairman's Statement

Last year I advised shareholders the Group would go forward to invest in future growth by expanding the horizon and the slate of target natural resources by focusing on a greater variety of major projects.

During 2013, the Group demonstrated its resiliency by expanding its horizons in Asia and consolidating where necessary elsewhere. As always we are highly attentive and responsive to market signals.

In Indonesia in particular we have acted opportunistically, as I had foreseen in the past, 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 new businesses.

The short and 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 some particular minerals that are most attractive.

These include marble where the Group has made some early moves based on the combination of resource opportunities and regional and local market demand, as well as oilfield minerals which have uniquely attractive economic potential.

In the oilfield minerals segment the Group plans to make a serious consideration of manufactured proppant which are essential materials in the global unconventional hydrocarbons business. The industrial minerals and the processing offer outstanding opportunities for investment by the Group where we can develop competitive advantages based on our local strengths in the region.

We continue to balance risk and value creation by utilising 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.

As in the past I wish to emphasize that our work in China has not been in vain. There is enormous value amassed in the China unconventional natural gas property held through a 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.

Every year I am reminded that you the 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.

However excellence in business performance is driven by people and the talents plus the loyalty and dedication of the professional staff in Hong Kong, Beijing, Jakarta and Vancouver are what make us all successful and for which I am most grateful.

CHAN Wing Him Kenny
Chairman and Chief Executive Officer
Hong Kong, 27 March 2014

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 Company through one of its wholly-owned subsidiaries, continues to advance its business plan for industrial minerals through marble mine (quarry) operations in Indonesia at the quarry concession located at Barabatu, Labakkang District, Pangkep Regency, South Sulawesi Province, Indonesia.

The entire local area of the marble quarry is known for high quality marble quarries and the quarry is supported by substantial, estimated although uncategorised marble resources at the concession. These resources are currently estimated to exceed seven (7) million cubic metres. Production levels reached approximately 1,000 cubic metres per month during the most recent quarter. Pre-production blasting has been completed and the Group is now focusing on utilising the existing marble in inventory for marketing purposes. Sales for the marble products have been initiated to buyers in Indonesia and for export to China. The Group steadily increased production output as well as actively marketed the marble products globally via various channels.

The Company through another non-wholly-owned subsidiary has subsequent to year-end entered into a co-operation agreement with another 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 will also have an exclusive right to use cutting and processing facilities as well as a warehouse, which are all located in the Jakarta area. This quarry is currently producing high quality marble in South Sulawesi, Indonesia, producing 300 to 500 cubic metres per month, with capacity to reach 1,000 cubic metres per month in a relatively short period of time. The Group has already generated orders for products from this quarry in excess of 5,000 square metres for a project in Indonesia, representing contract value in excess of US$200,000. 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.

In addition, during the reporting period the Company through another subsidiary, entered into a distribution agreement 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.

According to the latest regulations released in January 2014, marble products (including blocks, slabs and tiles) are permitted to be exported out of Indonesia. A draft regulation has been presented to the ministry of trade in Indonesia for approval. During this interim period, there has been temporary restriction on the export of marble products. It is the Directors' understanding that certain quarry operators have obtained the required export licences and have recommenced exporting marble products out of Indonesia. Nevertheless, since the Group has generated positive response from the domestic market in Indonesia, the Directors consider the temporary ban would not materially affect the Group's marble business and Directors believe the focus of the Group's resources on the domestic market would mitigate any adverse effect.

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.

Management Discussion and Analysis

Marble business — resources & reserves

As previously reported, the Company also expanded its industrial minerals business by acquiring further marble assets in Indonesia. As at the date hereof, 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%.

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 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 Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") requires disclosure of the key basis and assumptions adopted for the CPR. The above figures are based on, among others, deposit geology, drilling results, downslope survey and sampling information performed at the GM Quarry, details of which are set out below:

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 Quality Supervision and Testing Center for Stone Products (Guangdong). Testing items include mineralogical composition, 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.

Management Discussion and Analysis

Unconventional natural gas business — resources

As at 31 December 2013, 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**") each hold an interest of 47% and 53%, respectively, in the Liuhuanggou coalbed methane ("**CBM**") production sharing contract dated 30 December 2005 ("**PSC**"), which is located in Xinjiang, the People's Republic of China ("**PRC**" or "**China**"). CNPC was novated into the PSC in 2011 by a Modification Agreement wherein apart from retaining part of its own management and regulatory functions, CNPC assigned all of its rights and obligations, and guaranteed the performance of such assigned rights and obligations, to PetroChina Company Limited, the publicly-listed subsidiary of CNPC, and such assignment shall not interfere with the performance of the CBM operations. The PSC is 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 all gas stored in four named geological formations of Jurassic age to a depth of 1,500 metres.

As previously reported TWE has expended several million United States dollars ("US$") in completing several coring exploration drillholes for sampling and analysis purposes as well as several pilot production wells for exploration and gas testing purposes. All technical work completed to date and previously reported has been conducted by expert professional contractors. Also as previously reported, third party experts have evaluated TWE's exploration and drilling data and provided verification of discovered CBM resources according to international reporting standards and CBM resources/reserves according to Chinese standards. Additionally third party experts have provided verification of very substantial additional hydrocarbon resources in-place over significant areas of the PSC according to international reporting standards.

These results formed the basis for TWE's formal application for extension of the PSC exploration period according to the terms and conditions of the PSC as well as TWE's plans for the future CBM operations on the project, looking forward across the entire 30-year life of the PSC and the 20-year production period contemplated by the PSC, the original signatories of the contract and the approving ministries of the government of China.

The Company strongly believes that TWE through its planned and coordinated efforts had amassed a material asset of great value in China the value of which is protected by the terms and conditions of the PSC and ultimately by the rule of law. Indeed some of TWE's efforts yielded results of originality that were totally unexpected at the outset of the project.

As previously reported, TWE sought written clarification from CNPC regarding the CBM fairway lands within the PSC and until such clarification was received, TWE indicated it would delay CBM operations for 2013. Further updates on the matter from TWE indicate prior to year-end TWE provided to CNPC formal notice of dispute, notice of arbitration and notice of selection of arbitration procedure according to the terms and conditions of the PSC.

Management Discussion and Analysis

Summary of resources

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 2013, there were no material changes to the resource figures mentioned above.

Chapter 18 of the Listing Rules requires disclosure of the key basis and assumptions adopted for resource and reserve numbers. The above two reports were based on the following:

The CBM Discovered Gas Initially in Place (GIIP) figures were prepared in compliance with the requirements of National Instrument NI 51-101 and the required procedures of the Canadian Oil and Gas Evaluation (COGE) Handbook, Volume 3. In addition, Geological Survey of Canada (GSC) Paper 88-21, which addresses the reporting of reserves and resources for coal deposits at various levels of tectonic deformation was utilised as required by the reporting standard to classify the tectonic state of the coal geology of the evaluated area.

According to the referenced requirements, coal volume for each resource category and for each depth increment from 300 metres to 1,500 metres was estimated for each of three main Xishanyao Formation coal seams and the Badaowan Formation coal. Coal seam thicknesses, coal density and ash content were estimated from drilling and core samples. Gas content values from coal core samples were utilised to estimate gas content for each depth increment and were applied to the coal resource values to calculate standard volumetric values of CBM Discovered GIIP.

Hydrocarbons categorised as OGIP in the Petroleum Resources Management System (PRMS) as approved by the Society of Petroleum Engineers (SPE) (2007) were estimated for coalbed methane (CBM), shale gas and tight (sandstone) gas. The CBM was estimated using reservoir area, thickness, coal density, ash content and moisture content for the main Xishanyao coal seams and the Badaowan Formation coal together with gas content data based on coal core samples. Badaowan Formation shale gas and tight gas characteristics including thickness, gas saturation, water saturation, porosity and rock density were determined from actual well logs and then used to calculate standard volumetric values of contained free gas. Adsorbed gas in shale and tight sandstone was estimated from core sample and an average value was applied. Total shale gas and tight OGIP includes both the calculated free gas and adsorbed gas. Total OGIP includes the CBM, shale gas and tight gas combined.

Management Discussion and Analysis

Conventional crude oil business

As disclosed in the announcement of the Company on 11 March 2013, EE completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited, for a cash consideration of RMB51.5 million (equivalent to approximately HK$62.8 million). Please refer to that announcement for further details.

Business Prospects

Unconventional natural gas business

Expansion of unconventional hydrocarbon production, both oil and natural gas continued through 2013 in North America and elsewhere. The focus of this energy revolution is production from fine-grained rocks previously known to contain hydrocarbons but until early in the 21st century were non-productive.

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

Among the countries hoping to benefit from an unconventional hydrocarbon revolution is China which has several sedimentary basins thought to contain favourable geology for exploration and development.

Over the past few years China has encouraged domestic firms to explore for shale gas in selected areas within the country and the central Government has encouraged greater activity to produce more natural gas. The encouragement policies target both CBM and shale gas. As unconventional exploration and development activity expands in China the various service requirements are also seen to be more readily available which is positive to the future of the industry.

Foreign entities have not been invited to participate in the shale land auctions in China and the difficulty for foreign entities to gain access to unconventional gas exploration rights in China highlights practical problems in China's policies. This also highlights the inherent value in the PSC held by the Company through its non-wholly-owned subsidiary, TWE. No new sino-foreign CBM production sharing contracts have been awarded in China for years, either.

In various assessments of future unconventional hydrocarbon activity the Junggar basin is highlighted as a target region. At present TWE is the only company active in the southern Junggar and as previously reported its PSC has potential in both CBM and shale gas.

Other investment opportunities — industrial minerals & oilfield minerals

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

The 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.

Management Discussion and Analysis

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 manufactured product such as ceramic proppant offers high value per tonne.

The Company is closely watching developments associated with changes in mineral export regulations in Indonesia.

Financial Review

Oil and gas segment

Unconventional natural gas business

During the year ended 31 December 2013, EE's unconventional natural gas businesses were still in exploration and evaluation phases.

As disclosed above, TWE has been seeking written clarification from CNPC regarding the CBM fairway lands within the PSC and therefore has delayed the start of CBM operations for 2013. As a result, the capital expenditure incurred for EE's unconventional natural gas businesses amounted to approximately HK$3.9 million for the year. TWE continued to plan for fracture stimulation of existing wells and the drilling of more pilot production wells, the total cost of which exceed the contract annual minimum expenditure level under the PSC (i.e. US$1.3 million), but which remains pending until the above clarification as well as following prescribed PSC budgeting procedures.

Conventional crude oil business

As disclosed in the announcement of the Company on 11 March 2013, EE completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited, for a cash consideration of RMB51.5 million (equivalent to approximately HK$62.8 million). The gain accrued to the Company on the disposal is approximately HK$81.9 million, which is equal to the difference between the carrying value of the disposal group as at date of the agreement, the consideration and cumulative exchange differences.

Marble segment

During the year ended 31 December 2013, EE initiated sales in the marbles business to buyers in China amounting to approximately HK$1,058,000 (2012: Nil). The capital expenditure incurred for EE's marble business amounted to approximately HK$534,000 (2012: HK$851,000).

Information technology ("IT") and network infrastructure segment

During the year ended 31 December 2013, 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 2013 amounted to approximately HK$0.1 million (2012: HK$0.1 million).

Administrative and operating expenses

For the year ended 31 December 2013, administrative and operating expenses amounted to approximately HK$65.9 million (for the year ended 31 December 2012: HK$74.0 million), representing a decrease of approximately 10.9%. The decrease was mainly due to the decrease of share-based payment expenses.

During the year ended 31 December 2013, share-based payment expenses amounted to HK$3.6 million (2012: HK$3.3 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$3.9 million (2012: HK$14.6 million), of which HK$2.5 million (2012: HK$9.7 million) was recorded as investor relations expenses and HK$1.4 million (2012: HK$4.9 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.

Management Discussion and Analysis

Other comprehensive income

During the year ended 31 December 2013, exchange differences mainly arising on translation of the Canadian and Indonesian operations amounted to approximately HK$98.1 million (2012: HK$19.0 million) because the Canadian dollar ("**C$**") and Indonesian Rupiah ("**IDR**") depreciated by approximately 6.8% and 26.8% against the Hong Kong dollar ("**HK$**") respectively, when translating the carrying value of EE's Canadian and Indonesian subsidiaries.

Profit attributable to equity holders of the Company

As a result of the above-mentioned factors, profit attributable to equity holders of the Company for the year ended 31 December 2013 amounted to approximately HK$20.7 million (for the year ended 31 December 2012: loss of HK$73.4 million).

Liquidity and Financial Resources

For the year ended 31 December 2013, EE mainly financed its operations with funds raised from previous share placements and proceeds from the disposal of Allied Resources Limited in March 2013. As at 31 December 2013, the Group had bank balances and cash of approximately HK$37.5 million (as at 31 December 2012: HK$27.5 million). The Group's current ratio stood at approximately 1.5 as at 31 December 2013 (as at 31 December 2012: 0.6).

During the year ended 31 December 2013, the Group reported net operating cash outflow of HK$66 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 2013, 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. Additionally, certain members of the senior management team have committed to adjust and/or defer the receipt of their remuneration until the Group has sufficient cash flows to fulfil its obligations as and when required.

On 10 May 2013, Cedrus Investments Limited, an existing shareholder of the Company, subscribed for an additional 77,500,000 new shares of the Company at HK$0.150 per new share, raising net proceeds of approximately HK$11.6 million. As the CBM operations were delayed, the primary uses of fund were on general working capital requirement of approximately HK$6.3 million and investment in marble business of approximately HK$5.3 million.

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

As at 31 December 2013, the Group had net assets of approximately HK$996.3 million (as at 31 December 2012: HK$1,056.6 million).

As at 31 December 2013, the Group continued to maintain a debt-free capital structure.

As at 31 December 2013, 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 2012: Nil).

Charge on Group Assets

As at 31 December 2013, the Group did not have any charge on its assets (as at 31 December 2012: Nil).

Management Discussion and Analysis

Foreign Exchange Exposure

EE mainly earned revenue and incurred costs in HK$, Renminbi, C$, IDR and US$. The Directors and senior management will continue to monitor closely the 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 2013, the Group had capital commitments amounting to approximately HK$3.7 million (as at 31 December 2012: HK$4.2 million).

Contingent Liabilities

As at 31 December 2013, the Group had no contingent liabilities (as at 31 December 2012: Nil).

Significant Investments and Future Plans for Material Investments

During the year ended 31 December 2013, 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

As disclosed in the announcement of the Company on 11 March 2013, Allied Resources Limited, being a wholly-owned subsidiary of the Company, and the purchaser, have on 11 March 2013 entered into the deed of cancellation pursuant to which the parties have agreed to terminate and release all their respective rights and obligations under and pursuant to the agreement dated 18 October 2012 in relation to the sale and purchase of 100% of Jilin Hengli Industries Liability Co., Ltd, an indirect wholly-owned subsidiary of the Company with effect from the signing of the deed of cancellation. Also on 11 March 2013, the Company and the new purchaser have entered into the disposal agreement pursuant to which the Company has agreed to sell and the new purchaser has agreed to acquire 100% of Allied Resources Limited for a cash consideration of RMB51.5 million. The transaction was completed on 11 March 2013. Please refer to that announcement for further details.

Save for the disposal as disclosed above, there were no other material acquisitions and/or disposals which would have been required to be disclosed under the Listing Rules.

Employees' Information

As at 31 December 2013, the Group had 56 full-time employees (as at 31 December 2012: 29) working in Hong Kong, China, Indonesia 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.

Corporate Governance Report

The Company is committed to attaining and maintaining a high standard of corporate governance, the principles of which are to uphold integrity, transparency and accountability in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations. It believes that good corporate governance is fundamental to the success of the Company and to the enhancement of shareholders' value. Throughout the year ended 31 December 2013, the Company has complied with the code provisions ("**Code Provisions**") of the Corporate Governance Code set out in Appendix 14 to the Listing Rules ("**CG Code**"), except for certain deviations specified with considered reasons as explained below. The Board will review the current practices at least annually, and make appropriate changes if considered necessary.

Securities transactions of Directors and employees

On 17 December 2010, the Company adopted a code of conduct regarding securities transactions of directors and employees ("**2010 Code**") based on the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Appendix 10**"). On 23 August 2013, the 2010 Code was revoked and a new code of conduct regarding securities transactions of directors and employees based on the revised Appendix 10 was adopted as the model code of the Company ("**2013 Model Code**") in replacement of the 2010 Code. Having made specific enquiry with all Directors, the Directors have complied with the respective 2010 Code and the 2013 Model Code for the relevant periods in which they are in force throughout the year ended 31 December 2013.

Board of directors

As at the date of this report, the Board comprised five Directors, including two executive Directors, namely Mr. Chan Wing Him Kenny, the Chairman and Chief Executive Officer ("**CEO**") of the Company, and Dr. Arthur Ross Gorrell, and three independent non-executive Directors ("**INEDs**"), namely Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen. Biographical details of the Directors are set out in the Directors, International Advisory Board and Senior Management Profile section on pages 27 to 30 of this report.

The Board meets regularly and at least twice a year. The Board held four meetings during the year ended 31 December 2013. The attendance of individual Directors at Board and Board committee meetings during 2013 is set out in the following table:

	Meetings attended/eligible to attend (Note 1)		
Name of Directors	Board	Audit Committee	Remuneration Committee (Note 2)
Executive Directors			
Chan Wing Him Kenny	4/4	–	2/2
Arthur Ross Gorrell	4/4	–	–
Independent Non-executive Directors			
David Tsoi	4/4	2/2	–
Lo Chi Kit	4/4	2/2	2/2
Tam Hang Chuen	4/4	2/2	2/2

Notes:

1. Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's articles of association ("**Articles of Association**").

2. The Remuneration Committee (hereinafter defined) held two meetings during the year ended 31 December 2013. A meeting of the Remuneration Committee was held on 15 March 2013 for reviewing and approving the year-end bonus for 2012 for certain Directors.

Corporate Governance Report

During the year ended 31 December 2013, the Directors also participated in the approval of routine and operational matters of the Company by way of written resolutions circulated to them together with supporting documents and briefings from the Chief Financial Officer or the Company Secretary of the Company ("**Company Secretary**"). The Directors receive at least 14 days' prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. The agenda together with board papers are sent to the Directors at least three days prior to a regular meeting.

The Board, led by the Chairman and CEO, is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders' value. The Board approves and monitors the Group's business strategies and policies. The Board is also responsible to the shareholders for overseeing the Group's overall business, strategic decisions and directions, annual budget, and other major corporate matters. Besides, the Board delegated the management team with the authority and responsibility for the daily operations and administration of the Group.

In compliance with Code Provision C.1.2 of the CG Code, during the year ended 31 December 2013, the management of the Company had provided all members of the Board with monthly updates of the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties under relevant requirements of the Listing Rules.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed. The Board is briefed on all legislative, regulatory and corporate governance developments and the Board has regard to them when making decisions. The Company Secretary, together with the Board, are also directly responsible for the Group's compliance with the continuing obligations of listed issuers under the Listing Rules, the Codes on Takeovers and Mergers and Share Repurchases, the Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("**Companies Ordinance**"), the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**") and other applicable laws, rules and regulations.

Throughout the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. In addition, more than one-third of the composition of the Board consisted of INEDs, so there is strong element of independence in the Board to exercise independent judgment. The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with terms of the guidelines. To the knowledge of the Directors, the Board members have no financial, business, family or other relationships with each other.

The Company has put in place appropriate insurance cover in respect of Directors' liability.

Chairman and chief executive

The Board is led by the Chairman and CEO, Mr. Chan Wing Him Kenny, who is responsible for corporate planning, business development strategy and overall direction of the Group. Mr. Chan is also responsible for management of the Board and the day-to-day management of the Group's business. Mr. Chan is assisted by Senior Vice Presidents of the Company in strategic planning and business development in relation to all new resource projects, including hydrocarbons, industrial minerals and other commodities and related activities. Mr. Chan is also assisted by the Chief Financial Officer in financial management, internal control, financial reporting, financing and investor relations and the General Counsel in legal and regulatory compliance.

Corporate Governance Report

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

- the INEDs form the majority of the Board;

- the audit committee of the Company 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.

Appointment and re-election of directors

All Directors, including the INEDs are appointed for a specific term of three years for executive Directors and two years for INEDs. All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Articles of Association and the CG Code.

Nomination of directors

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

As the Board as a whole is responsible for reviewing the Board composition, selection and approval of candidates for appointment as directors to the Board, the Company did not set up a nomination committee in accordance with Code Provisions A.5.1 to A.5.3 under the CG Code for the year ended 31 December 2013.

During the year ended 31 December 2013, the role of the proposed nomination committee was performed by the Board. The Board is of the view that this has not prejudiced the Company in appointment of directors for the following reasons:

- The INEDs form the majority of the Board; and

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

Board diversity policy

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

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

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

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

Corporate Governance Report

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

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

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

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

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

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

Directors' training and professional development

All Directors must keep abreast of their collective responsibilities. Any new appointed director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. During the year ended 31 December 2013, the Company had arranged and provided funding for Directors to attend professional development courses and seminars to develop and refresh their knowledge and skills to ensure that the Directors' contribution to the Board remains informed and relevant. The topics of such training include, among others, environmental, social and governance reporting and listing compliance update, 2012 in review and what to expect in 2013, South East Asian industrial minerals, investment and business environment in Indonesia, mining finance and capital market, London capital markets, improvement on Hong Kong's corporate insolvency and winding-up regime, dealing with the new regime for directors' remuneration, indemnities and corporate governance and regulatory update. The Company has kept a training record for each Director. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Corporate Governance Report

During the year ended 31 December 2013, the Directors had complied with Code Provision A.6.5 of the CG Code by participating in the following trainings:

Name of Directors	Types of training
Executive Directors	
Chan Wing Him Kenny	A/B/C
Arthur Ross Gorrell	A/C
Independent Non-executive Directors	
David Tsoi	A/C
Lo Chi Kit	A/C
Tam Hang Chuen	A/C

A: attending seminars and/or conferences and/or forums.
B: giving talks at seminars and/or conferences and/or forums.
C: reading newspaper, journals and updates relating to director's duties and responsibilities, the economy and businesses of the Group.

Company Secretary's training

In compliance with Rule 3.29 of the Listing Rules, the Company Secretary had undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2013.

Independent auditors' remuneration

During the year ended 31 December 2013, the independent auditors provided the following audit and permissible non-audit services to the Company:

	2013 HK$'000	2012 HK$'000
Audit for current year	1,775	1,750

Board committees

The Board has established several committees. The authority and duties of the audit committee of the Company ("**Audit Committee**") and remuneration committee of the Company ("**Remuneration Committee**") are set out in written terms of reference which are of no less exacting terms than those set out in the CG Code for the year ended 31 December 2013 and are posted on the websites of the Stock Exchange and the Company, respectively. All committees are provided with sufficient resources to discharge their duties.

Management committee

The management committee of the Board ("**Management Committee**"), which comprises two executive Directors, namely Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell, operates as a general management committee with overall delegated authority from the Board. The Management Committee manages the daily operation of the Company and reports through the Chairman to the Board. The Management Committee meets regularly to review operational matters across the Group and to set overall objectives and policies.

Corporate Governance Report

International advisory board

The Company established an international advisory board ("**International Advisory Board**") on 1 September 2009. Its purpose and functions are to provide expert advice to the Board and senior management of the Company in specific areas including, among others, the following:

- sustainable energy development and related technologies;
- new business development;
- specialised expertise in science, economics and engineering;
- diplomacy and international affairs;
- international law; and
- global finance.

The International Advisory Board contributes to the enhancement of the Company's growth and the creation of shareholders' value through the provision of expert advice in specific areas.

The International Advisory Board currently comprises one member, namely Dr. William D. Gunter who meets regularly with the Board and the senior management of the Company to discuss and advise on the above areas. The Company continues to identify candidates to be appointed as additional members to the International Advisory Board and will publish an announcement in respect of any new appointment in due course.

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 Audit Committee meets at least twice a year in reviewing the interim and annual reports of the Company before submission to the Board for approval. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with the accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The Audit Committee meets regularly with management and external auditors and reviews their reports. During the year ended 31 December 2013, the Audit Committee met twice in reviewing the interim and annual reports of the Company before submission to the Board for approval. The record of attendance of each member at the committee meetings is set out on page 18 of this report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meetings.

Corporate Governance Report

Remuneration committee

The Remuneration Committee comprises one executive Director, namely Mr. Chan Wing Him Kenny and two INEDs, namely Mr. Lo Chi Kit and Mr. Tam Hang Chuen, with Mr. Lo as the chairman. The Remuneration Committee should consult with the Chairman on its remuneration proposals for other executive Directors, and have access to independent professional advice if necessary. The principal responsibilities of the Remuneration Committee include, among others, the recommendation to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, the review and approval of management's remuneration proposals with reference to the Board's corporate goals and objectives, and the determination, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. The Remuneration Committee's authority and duties are set out in written terms of reference which are publicly available on the websites of the Stock Exchange and the Company, respectively.

Two meetings of the Remuneration Committee had been held during the year ended 31 December 2013. A meeting of the Remuneration Committee was held on 15 March 2013 for reviewing and approving the year-end bonus for 2012 for certain Directors and another meeting was held on 13 December 2013 for reviewing and approving the year-end bonus for 2013 for certain Directors and the remuneration package for certain Director. The year-end bonus granted was determined in accordance with the performance of the Group and the grantees. During the process, no individual Director was involved in decisions relating to his own year-end bonus or remuneration. The record of attendance of each member at the committee meeting is set out on page 18 of this report.

Corporate governance functions

The Company's corporate governance duties are carried out by the Board pursuant to the following terms of reference adopted by of the Board:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year ended 31 December 2013, the Board performed the following corporate governance duties:

- review of the current changes to corporate governance requirements of the Stock Exchange;
- review and monitor of the training and continuous professional development of, and the recommendation of appropriate training courses, to the Directors and senior management;
- review and monitor of the implications of the amendments to the new Companies Ordinance, Chapter 622 of the Laws of Hong Kong (which has taken effect on 3 March 2014) on the Company's policies and practices on compliance with legal and regulatory requirements;
- adoption of the 2013 Model Code in replacement of the 2010 Code as referred to in the section headed "Securities transactions of Directors and employees" above;
- adoption of the Policy as referred to in the section headed "Board diversity policy" above; and
- review of the effectiveness of the internal controls and risk management systems of the Company.

Corporate Governance Report

Accountability and audit

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group and ensures that the consolidated financial statements have adopted the accounting principles generally accepted in Hong Kong and complied with the requirements of the Hong Kong Financial Reporting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance and the Listing Rules.

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report section of this report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Internal controls

The Board has overall responsibilities for maintaining an adequate and effective internal control system and for reviewing its effectiveness to safeguard the Group's assets against unauthorised use or disposition, and to protect the interests of shareholders. The Board through the Audit Committee had conducted an annual review on the system of internal control and risk management in respect of the year ended 31 December 2013. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group. The results of the review for the year ended 31 December 2013 have been reported to the Audit Committee and the Board. According to the results, the Audit Committee and the Board confirm that the systems and procedures of the Group's internal control are in good order and are able to identify, control and report on significant risks involved in achieving the Group's strategic objectives. Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. No material deficiencies have been identified so far and there were no significant areas of concern which may affect the shareholders.

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the Code Provisions in respect of internal control under the CG Code for the year ended 31 December 2013.

Shareholders' rights

The Board recognises the importance of good communication with shareholders. Information in relation to the Group which includes interim and annual reports, announcements and circulars, is disseminated to shareholders in a timely manner through the websites of the Stock Exchange and the Company, respectively.

The Company also acknowledges that general meetings are valuable forums for the Board to communicate directly with the shareholders and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

There are no provisions allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law (2011 Revision) or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards proposing a person for election as a director, please refer to the Procedures for Shareholders to Propose a Person for Election as Director of the Company available on the websites of the Stock Exchange and the Company, respectively.

Notice of general meetings and related circular are circulated to shareholders prior to the general meetings. Details of each resolution proposed and voting procedures (including procedures for demanding a poll) and other relevant information are clearly set out in the circular. During the year ended 31 December 2013, an annual general meeting was held on 16 May 2013. All resolutions put to shareholders at this meeting were passed. The results of the voting by poll were published on the websites of the Stock Exchange and the Company, respectively.

Shareholders may put forward their enquiries about the Company to the Board or the Company Secretary at the Company's head office in Hong Kong or by email or through the Investor Relations Director of the Company.

The Shareholders' Communication Policy adopted by the Company is publicly available on the websites of the Stock Exchange and the Company, respectively.

Investor relations

The Company strives to maintain a close relationship with investors and potential investors. The management meets regularly with analysts and participates in investor conferences and gives appropriate presentations during the conferences. By taking these steps, the Company was able to attract high net worth individuals as well as institutional investors as shareholders.

The Company has established a sponsored Level 1 American Depositary Receipt facility with the Bank of New York Mellon, which has become effective on 27 January 2014.

As a channel to further enhance communications, the Company disseminates corporate information, including announcements, corporate notices, and other financial and non-financial information through the Company's website in a timely manner.

Constitutional documents

There had been no change in the Company's constitutional documents during the year ended 31 December 2013. A copy of the Company's latest constitutional documents is publicly available on the websites of the Stock Exchange and the Company, respectively.

Directors, International Advisory Board and Senior Management Profile

Executive directors

Mr. CHAN Wing Him Kenny, aged 63, is an executive Director, and the Chairman and CEO of the Company since 29 November 2006 and the chairman and a member of the Management Committee. Mr. Chan has been re-designated as a member of the Remuneration Committee since 29 March 2012.

As the CEO, Mr. Chan is responsible for the Company's overall strategy and execution of business plans. Mr. Chan has over 33 years of experience in the international natural resources industry through his participation in the business and financial communities in the minerals and energy sectors in North America and Asia. He is in the vanguard of North American natural resource sector financiers who have pioneered new technologies in mining and metal recovery through his promotion and funding of a host of private and public companies. One of North America's best-known financiers associated with resource development and technology ventures, Mr. Chan has extended his interest and influence internationally through his work in establishing and financing companies around the world including central Asia, the Middle East and Asia-Pacific, including China. Mr. Chan has been a dynamic force for over 30 years in the minerals and energy industries through his activities and has raised hundreds of millions of dollars on international capital markets since the mid-1980's.

As the founder of the Company with North American financing and natural resources experience and track records, Mr. Chan is able to capitalise on world markets to pursue his vision of assembling a portfolio of natural resources-based interests at critical points of development prior to market takeoff. With an extensive knowledge of industry needs and market demands, Mr. Chan has directed the organisation of a management team capable of creating and growing value in the target sectors.

Mr. Chan is a director of Petromin, a connected person of the Company and which shares are listed on the Toronto Stock Exchange Venture Board ("**TSX**"). Mr. Chan is a member of The Hong Kong Institute of Directors and Association of International Petroleum Negotiators, respectively.

Dr. Arthur Ross GORRELL, aged 69, was appointed as a non-executive Director on 1 December 2007 and has been re-designated as an executive Director since June 2008. Dr. Gorrell is a member of the Management Committee. He is responsible for business expansion and development of the Group.

Dr. Gorrell has over 43 years of experience in the management and business development for resources and energy related industries and has served as director, officer and controlling principal of many successful mining and oil and gas ventures listed on the TSX. Dr. Gorrell is highly respected by his peers and is a reputed oil man well recognised in Canada for his extensive knowledge in the oil and gas industry. He has worked with and developed numerous contacts in various financial and resource-related fields.

Dr. Gorrell has joined Petromin since 1990 as one of the founders. He is currently a director, chairman, president and the chief executive officer of Petromin.

Independent non-executive directors

Mr. David TSOI, aged 66, has joined the Company as an independent non-executive Director since 8 July 2008. Mr. Tsoi is also the chairman and a member of the Audit Committee. In addition, he is the managing director of Alliott, Tsoi CPA Limited and an independent non-executive director of MelcoLot Limited (which shares are listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange) and CSR Corporation Limited (which shares are listed on the Main Board of the Stock Exchange). Mr. Tsoi obtained a master's degree in business administration from the University of East Asia, Macau (currently known as University of Macau) in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is also a member of the Institute of Chartered Accountants of England and Wales, CPA Australia, the Society of Chinese Accountants and Auditors and the Certified General Accountants Association of Canada, respectively.

Directors, International Advisory Board and Senior Management Profile

Mr. LO Chi Kit, aged 53, has joined the Company as an independent non-executive Director since 20 December 2006. Mr. Lo is also a member of the Audit Committee. He has been re-designated as the chairman and a member of the Remuneration Committee since 29 March 2012. He is a businessman who has extensive experience in senior management and business operations, in particular, in the waste chemical treatment and the import and export of fruits and vegetables business. He has extensive connection throughout the Pacific Rim and Asian region.

Mr. TAM Hang Chuen, aged 58, has joined the Company as an independent non-executive Director since 20 December 2006. Mr. Tam is also a member of the Audit Committee and Remuneration Committee, respectively. He is a businessman with more than 26 years of experience in senior management and business operations, in particular, in the printing industry. Mr. Tam has broad connection with commercial groups in Asian region.

International advisory board

Dr. William D. GUNTER, aged 71, was appointed as a member of the International Advisory Board in September 2009. Dr. Gunter is responsible for providing expert advice to the Board in the areas of sustainable energy development and related technologies related to enhanced oil and unconventional gas production and CO_2 storage, new business development in Asia related to carbon capture, use and sequestration ("**CCUS**"), and specialised expertise in science, economics and engineering as related to CCUS. Dr. Gunter is an internationally eminent scientist and an acknowledged leader in the field of CCUS. He has a wealth of experience in the CCUS industry, an important and rapidly growing business for the Company. His expertise is in geochemical processes (stressing use of field data, experiments and modelling) as they impact on the environment, and on the oil and gas industry. Dr. Gunter brings a unique combination of skills, experience and independent thinking that is invaluable as the Company further develops its global capabilities.

Over the past 20 years, Dr. Gunter has been leading combined industry-government funded projects for geological storage of CO_2 and hydrogen sulfide (H_2S) in aquifers, oil reservoirs and coal beds. Additionally, Dr. Gunter has contributed to more than 80 publications on CCUS and green house gas ("**GHG**") emissions. He served as member of Canada's Technology Issues Table on GHG emissions and co-chaired the Canadian Capture and Geological Storage Roadmapping consultations which led to the production of two key reports which contained the elements of a plan for commercialisation of CCUS in Canada and formed part of the basis for the Canadian Roadmap for CCUS. Dr. Gunter was a lead author on the Intergovernmental Panel on Climate Change ("**IPCC**") special report on CCUS, released in December 2005 and he subsequently received recognition from the IPCC for contributing to the award of the Nobel Peace Prize for 2007 to the IPCC.

During 2007, he was a member of the Technology Working Group of the Canadian Federal-Provincial ecoENERGY Task Force and in 2008 served as a member of the Government of Alberta Working Group on Capture & Geological Storage of GHG Emissions as well as the Alberta Energy Strategy Advisory Committee. Dr. Gunter is currently registered as a professional geologist with APEGA (an association which registers, sets practice standards and determines disciplinary actions for Professional Engineers and Geoscientists in Alberta), Society of Petroleum Engineers (a professional organisation which provides a worldwide forum of oil and natural gas exploration and production professionals for the exchange of technical knowledge) and the International Association of GeoChemistry (an organisation which promotes the application of chemistry to geology through sponsoring scientific conferences and educational activities, establishing internal specialty-area working groups, and disseminating new geochemical knowledge through scientific publishing).

Directors, International Advisory Board and Senior Management Profile

Dr. Gunter has received awards from:

(i) the Carbon Sequestration Leadership Forum in recognition of his CO2-ECBM Micro-Pilot field tests in Canada and China;

(ii) the Alberta Emerald Foundation for research and innovation in CCUS;

(iii) the Seniors Association of Greater Edmonton for science and technology; and

(iv) the International Energy Agency GHG Research and Development Programme in recognition of his lifetime work on GHG mitigation in the oil and gas industry.

In 2008 he was identified as one of Alberta's 50 Most Influential People by Alberta Venture Magazine.

Dr. Gunter holds a Bachelor of Science degree and a Master of Science degree in Geology from the University of New Brunswick and a Doctor of Philosophy degree in Geochemistry from Johns Hopkins University, respectively. He previously taught at the University of Wyoming; was a Research Fellow at Eidgenössische Technische Hochschule, Switzerland and a Distinguished Scientist at the Alberta Research Council, Canada, and served terms as Adjunct Professor at both the University of Alberta and the University of Calgary and is active as an international consultant on CCUS projects across Canada and the United States as well as other continents around the world, including Europe, Asia and Australia.

Senior management

Mr. Donald O. DOWNING, aged 66, joined the Group as Vice President on 13 May 2008 and has been re-designated as Senior Vice President since 1 April 2010. Mr. Downing is responsible for strategic planning, new business development and due diligence of new resource projects of the Group including hydrocarbons, industrial minerals and other commodities. Mr. Downing has 42 years of experience in geology, executive management, international commodity marketing and consulting for the global energy and resource industries.

A geologist, he was previously head of the Coal Division of Esso Resources Canada Ltd., and president and chief executive officer of Byron Creek Collieries, a unit of Esso Resources Canada Ltd. He also served as president of The Coal Association of Canada for six years beginning 1993 and was subsequently vice president and director of Norwest Corporation, a global energy/mining consulting company, where he led the firm's management consulting practice for over seven years. With expert colleagues, Mr. Downing founded successful unconventional natural gas exploration companies in Canada, NRL Energy Ltd. and Outrider Energy Ltd. and was a founding managing director and president of TWE, where he remains a director.

He holds a Master of Science degree from the Graziadio School of Business & Management at Pepperdine University, a Master of Science degree in Mineral Economics from McGill University, a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Geology from University of New Brunswick. He has been named life member of the Coal Association of Canada and life member and fellow of the Canadian Institute of Mining and Metallurgy (FCIM).

Mr. WONG Sum Lok Sam, aged 64, was appointed as Senior Vice President of CCST Singapore Pte. Ltd., a wholly-owned subsidiary of the Company, on 10 September 2011. Mr. Wong is mainly responsible for leading the evaluation of unconventional energy resource development and production technologies as well as advancing a broader project scope of investment in both conventional and unconventional resources within the Group. Mr. Wong has over 32 years experience in process development, and research and development in conventional and unconventional resource development. Over the past 17 years, Mr. Wong has had a strong focus on carbon capture and storage technologies in various projects in Canada and globally. He also has extensive energy project experience in China.

Directors, International Advisory Board and Senior Management Profile

Previously Mr. Wong was Project Manager with the Carbon and Energy Management unit of Alberta Innovates Technology Futures and its predecessor organisation, Alberta Research Council.

Mr. Wong received his Bachelor of Science and Master of Science degrees in mechanical engineering from the University of Alberta, Canada. He is a professional engineer with the Association of Professional Engineers and Geoscientists of Alberta, Canada (APEGA) and member of the International Association of Energy Economics and the Society of Petroleum Engineers (SPE), respectively.

Mr. CHAN Wan Tsun Adrian Alan, aged 35, was appointed as Chief Financial Officer of the Group in November 2009. Mr. Chan is mainly responsible for the overall financial management, internal control function and accounting function of the Group. He has also been assisting in corporate finance and investors' relation matters of the Group. He has over 12 years of experience in corporate finance. Prior to joining the Group, he was associate director of UOB Asia (Hong Kong) Limited, mainly responsible for the execution of financial advisory, initial public offering, merger and acquisitions, privatisation and other equity capital market transactions in the Greater China Region and Southeast Asia. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited, the corporate finance department of Vickers Ballas Capital Limited, and as auditor for a top-tier international accounting firm.

Mr. Chan holds a Bachelor of Commerce degree in Accounting and Finance from the University of New South Wales, Australia. He is a member of CPA Australia, the Hong Kong Institute of Certified Public Accountants and Association of International Petroleum Negotiators, respectively.

In addition, Mr. Chan has been appointed as an independent non-executive director of Baoxin Auto Group Limited (which shares are listed on the Main Board of the Stock Exchange) since November 2011.

Ms. MOK Kam Sheung, aged 54, has joined the Company since 18 August 2008, and is the Group's General Counsel and the Company Secretary of the Company. Ms. Mok is mainly responsible for the legal and regulatory compliance matters as well as the company secretarial and corporate affairs of the Group. Ms. Mok has over 17 years of experience, specialising in corporate finance, secondary market fund raisings, and public company compliance and related transactions. Prior to joining the Group, she was a senior associate at a world-renowned international legal services organisation.

Ms. Mok is a member of the Law society of Hong Kong, the Law Society of England and Wales, China Notary Association, the Association of China-Appointed Attesting Officers and Association of International Petroleum Negotiators, respectively. She graduated from the College of Law, Chester, England and holds a bachelor's degree from the University of Plymouth, England. Ms. Mok was admitted as a solicitor to the High Court of Hong Kong and in England and Wales in 1997 and 1998, respectively. Ms. Mok was appointed as a China-Appointed Attesting Officer by the Ministry of Justice of the People's Republic of China in 2012.

Report of the Directors

The Directors have pleasure in presenting to shareholders their report and the audited consolidated financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements.

Results and appropriations

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013.

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement section of this report.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 17 to the consolidated financial statements.

Share capital

Details of movements in the share capital of the Company during the year ended 31 December 2013 are set out in note 31 to the consolidated financial statements.

Reserves

As at 31 December 2013, the Company had no reserves available for distribution, except that under the provisions of the Companies Law of the Cayman Islands, the Company's share premium and capital reserve less accumulated losses, of approximately HK$183.4 million in aggregate as at 31 December 2013, may be distributed provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Details of movements in the reserves of the Group during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity section of this report.

Major customers and suppliers

During the year ended 31 December 2013, sales to the Group's five largest customers accounted for approximately 100% of the Group's total sales and sales to the largest customer included therein accounted for approximately 63.6%.

During the year ended 31 December 2013, purchases from the Group's five largest suppliers accounted for approximately 99.9% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 68.5%.

Save as disclosed above, during the year ended 31 December 2013, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any beneficial interest in the Group's five largest customers or suppliers.

Report of the Directors

Directors

The Directors during the year ended 31 December 2013 and up to the date of this report were:

Executive Directors:
Chan Wing Him Kenny
Arthur Ross Gorrell

Independent Non-executive Directors:
David Tsoi
Lo Chi Kit
Tam Hang Chuen

In accordance with article 108 of the Articles of Association, Mr. Chan Wing Him Kenny and Mr. David Tsoi will retire from their offices at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of the INEDs as independent.

Directors, international advisory board and senior management profile

Biographical details of the Directors, International Advisory Board and senior management of the Group are set out on pages 27 to 30 of this report.

Directors' service contracts

Each of Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell entered into a service contract with the Company on 1 March 2013 and 27 June 2011 for an initial fixed term of three years commencing from 30 November 2012 and 2 June 2011, respectively, which shall continue thereafter, subject to termination by either party with not less than three months' notice served in writing to the other.

Each of Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen had entered into a 2-year service contract with the Company and they are subject to retirement by rotation and re-election pursuant to the Articles of Association.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 38 to the consolidated financial statements, no Director had a significant beneficial interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year ended 31 December 2013.

Report of the Directors

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 December 2013, the interests and short positions of each Director and chief executive of the Company, if any, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions of Directors in ordinary shares and underlying shares of the Company

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Chan Wing Him Kenny	Interest of a controlled corporation	Corporate interest	1,188,680,000 (Note 1)	—	1,188,680,000	
	Beneficial owner	Personal interest	24,681,200	26,000,000 (Note 2)	50,681,200	
			1,213,361,200	26,000,000	1,239,361,200	35.48%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	5,000,000 (Note 2)	7,625,000	0.22%
David Tsoi	Beneficial owner	Personal interest	—	1,500,000 (Note 2)	1,500,000	0.04%
Lo Chi Kit	Beneficial owner	Personal interest	—	1,100,000 (Note 2)	1,100,000	0.03%
Tam Hang Chuen	Beneficial owner	Personal interest	1,000,000	600,000 (Note 2)	1,600,000	0.05%

Notes:

1. These shares are held by Colpo Mercantile Inc. ("**Colpo**"). The entire issued share capital of Colpo is beneficially owned by Mr. Chan Wing Him Kenny, the Chairman and CEO of the Company and an executive Director, who is therefore deemed to be interested in 1,188,680,000 shares held by Colpo.

2. Total number of shares to be allotted and issued upon exercise in full of share options granted under the 2003 Share Option Scheme and the 2011 Share Option Scheme (hereinafter defined).

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

Report of the Directors

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial shareholders and other persons interests and short positions in shares and underlying shares

So far as is known to any Director, as at 31 December 2013, the following parties (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Interests or short positions in ordinary shares or underlying shares of the Company

Substantial shareholders

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

Notes:

1. The entire issued share capital of Colpo is solely and beneficially owned by Mr. Chan Wing Him Kenny, the Chairman and CEO of the Company and an executive Director, who is therefore deemed to be interested in 1,188,680,000 shares held by Colpo. Mr. Chan Wing Him Kenny’s indirect interests in 1,188,680,000 shares held through Colpo have also been set out in the above section headed “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures”.

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

Save as disclosed above, as at 31 December 2013, no person (other than the Directors whose interests are set out in the section headed “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

Group's emolument policy

The Group adopted the following philosophies in determining its emolument policy:

- The Group adopts a performance driven policy so that each individual is motivated to perform to the best he can;
- Individual competence, contribution and responsibility are taken into account when considering the remuneration level for each employee;
- The Company offers mandatory provident fund, medical insurance and leave benefits to provide basic coverage to staff for retirement, sickness, rest and relaxation reasons, respectively;
- Share option grants are made from time to time to better link the corporate performance as reflected in the share price performance and the contributions made by the staff in the intermediate to longer time frame; and
- The economic factors and the affordability of the Group are taken into account in coming up with the overall remuneration budget for the Group.

The Group has also adopted a discretionary bonus scheme. Factors, such as overall financial performance, the affordability of the Company and individual performance, have been taken into account before determining the entitlement of each qualified employee.

Directors' fees are subject to shareholders' approval at general meetings and monitored by the Remuneration Committee on a continuous basis. Other emoluments are determined by the Remuneration Committee with reference to Directors' duties and responsibilities. Details of Directors' remuneration are set out in note 12 to the consolidated financial statements.

Report of the Directors

Share option schemes

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

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

On 25 January 2003, the 2003 Share Option Scheme was approved pursuant to written resolutions of the Company. Details of movement of the options granted under the 2003 Share Option Scheme for the year ended 31 December 2013 were as follows:

Movement in the 2003 Share Option Scheme

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK$)	As at 1 January 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	As at 31 December 2013
Executive Directors								
Chan Wing Him Kenny	29/12/2006	29/12/2006 to 24/01/2013	0.0635[(1)]	15,847,200[(1)]	–	–	(15,847,200)	–
	22/06/2007	22/06/2007 to 24/01/2013	1.365[(2)]	2,000,000[(2)]	–	(2,000,000)[(2)]	–	–
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000[(3)]	–	–	–	500,000[(3)]
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000[(3)]	–	–	–	2,000,000[(3)]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	8,500,000[(4)]	–	–	–	8,500,000[(4)]
Arthur Ross Gorrell	22/06/2007	22/06/2007 to 24/01/2013	1.365[(2)]	1,500,000[(2)]	–	(1,500,000)[(2)]	–	–
	29/10/2007	29/10/2007 to 24/01/2013	2.44	700,000	–	(700,000)	–	–
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000[(3)]	–	–	–	500,000[(3)]
	15/06/2009	15/06/2011 to 15/06/2019	0.73	2,000,000[(3)]	–	–	–	2,000,000[(3)]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	500,000[(4)]	–	–	–	500,000[(4)]
Independent non-executive Directors								
David Tsoi	15/06/2009	15/06/2011 to 15/06/2019	0.73	750,000[(3)]	–	–	–	750,000[(3)]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	250,000[(4)]	–	–	–	250,000[(4)]
Lo Chi Kit	15/06/2009	15/06/2011 to 15/06/2019	0.73	600,000[(3)]	–	–	–	600,000[(3)]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	100,000[(4)]	–	–	–	100,000[(4)]
Tam Hang Chuen	15/06/2009	15/06/2011 to 15/06/2019	0.73	100,000[(3)]	–	–	–	100,000[(3)]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	100,000[(4)]	–	–	–	100,000[(4)]
				35,947,200	–	(4,200,000)	(15,847,200)	15,900,000

Report of the Directors

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK$)	As at 1 January 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	As at 31 December 2013
Other employees								
In aggregate	19/06/2008	19/06/2010 to 19/06/2018	0.2316	8,350,000[3]	–	–	–	8,350,000[3]
	15/06/2009	15/06/2011 to 15/06/2019	0.73	4,030,000[3]	–	–	–	4,030,000[3]
	06/10/2009	06/10/2011 to 06/10/2019	0.75	60,000[3]	–	(60,000)[3]	–	–
	04/02/2010	04/02/2012 to 04/02/2020	0.514	7,230,000[3]	–	(50,000)[3]	–	7,180,000[3]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	7,700,000[4]	–	(30,000)[4]	–	7,670,000[4]
				27,370,000	–	(140,000)[3]	–	27,230,000
Others								
In aggregate	20/03/2007	20/03/2007 to 24/01/2013	0.1125[1]	15,840,000[1]	–	–	(15,840,000)[1]	–
	26/04/2007	26/04/2007 to 24/01/2013	0.579[2]	1,000,000[2]	–	(1,000,000)[2]	–	–
	22/06/2007	22/06/2007 to 24/01/2013	1.365[2]	13,000,000[2]	–	(13,000,000)[2]	–	–
	29/10/2007	29/10/2007 to 24/01/2013	2.44	23,500,000	–	(23,500,000)	–	–
	19/06/2008	19/06/2010 to 19/06/2018	0.2316	500,000[3]	–	–	–	500,000[3]
	15/06/2009	15/06/2011 to 15/06/2019	0.73	20,000,000[3]	–	–	–	20,000,000[3]
	06/10/2009	06/10/2011 to 06/10/2019	0.75	350,000[3]	–	–	–	350,000[3]
	04/02/2010	04/02/2012 to 04/02/2020	0.514	50,250,000[3]	–	–	–	50,250,000[3]
	09/07/2010	09/07/2012 to 08/07/2020	0.56	61,850,000[4]	–	–	–	61,850,000[4]
				186,290,000	–	(37,500,000)	(15,840,000)	132,950,000
			Total:	249,607,200	–	(41,840,000)	(31,687,200)	176,080,000[5]
Weighted average exercise price per share (HK$)				0.73	–	1.97	0.09	0.56

Notes:

(1) The exercise price and number of share options were adjusted upon the first and second subdivisions of shares of the Company which came to effect on 18 April 2007 and 29 August 2007, respectively.

(2) The exercise price and number of share options were adjusted upon the second subdivision of shares of the Company which came to effect on 29 August 2007.

(3) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the tenth anniversary from the date of grant.

(4) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the day falling one day preceding the tenth anniversary from the date of grant.

(5) As at 31 December 2013, the Company had 176,080,000 (31 December 2012: 249,607,200) share options outstanding under the 2003 Share Option Scheme, which represented approximately 5.04% (31 December 2012: approximately 7.38%) of the Company's shares in issue on that date.

Report of the Directors

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

The Company adopted the 2011 Share Option Scheme which was approved by shareholders in the Company's annual general meeting held on 12 May 2011. Details of movement of the options granted under the 2011 Share Option Scheme for the year ended 31 December 2013 were as follows:

Movement in the 2011 Share Option Scheme

Name or category of participants	Date of grant	Exercise period	Exercise price per share (HK$)	As at 1 January 2013	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	As at 31 December 2013
Executive Directors								
Chan Wing Him Kenny	31/12/2012	31/12/2013 to 30/12/2022	0.163	15,000,000[1 & 2]	–	–	–	15,000,000[1 & 2]
Arthur Ross Gorrell	31/12/2012	31/12/2013 to 30/12/2022	0.163	2,000,000[1 & 2]	–	–	–	2,000,000[1 & 2]
Independent Directors								
David Tsoi	23/06/2011	23/06/2012 to 22/06/2021	0.435	150,000[2]	–	–	–	150,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	350,000[1 & 2]	–	–	–	350,000[1 & 2]
Lo Chi Kit	23/06/2011	23/06/2012 to 22/06/2021	0.435	100,000[2]	–	–	–	100,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	300,000[1 & 2]	–	–	–	300,000[1 & 2]
Tam Hang Chuen	23/06/2011	23/06/2012 to 22/06/2021	0.435	100,000[2]	–	–	–	100,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	300,000[1 & 2]	–	–	–	300,000[1 & 2]
				18,300,000	–	–	–	18,300,000
Other employees								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.435	4,200,000[2]	–	–	–	4,200,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	14,750,000[2]	–	–	–	14,750,000[2]
				18,950,000	–	–	–	18,950,000
Others								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.435	45,350,000[2]	–	–	–	45,350,000[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.163	4,250,000[2]	–	–	–	4,250,000[2]
				49,600,000	–	–	–	49,600,000
			Total:	86,850,000	–	–	–	86,850,000[3]
Weighted average exercise price per share (HK$)				0.319	–	–	–	0.319

Notes:

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

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

(3) As at 31 December 2013, the Company had 86,850,000 (31 December 2012: 86,850,000) share options outstanding under the 2011 Share Option Scheme, which represented approximately 2.49% (31 December 2012: 2.57%) of the Company's shares in issue on that date.

Report of the Directors

(3) Share option scheme of TWE

On 8 April 2009, TWE adopted a share option scheme ("**TWE Scheme**") which was approved by shareholders in the Company's annual general meeting held on 20 April 2009. As at 31 December 2013, no share options were granted under the TWE Scheme.

Prior to the adoption of the TWE Scheme, pursuant to the articles of TWE, a total of 12,850,000 incentive stock options were granted by TWE to certain of its directors and consultants to subscribe for common shares of TWE on 27 August 2008. These options were all lapsed on 27 August 2011.

Competing business and conflicts of interest

During the year ended 31 December 2013, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, president and the chief executive officer of Petromin. Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell resigned as co-chairmen of Petromin effective 26 August 2013. Dr. Arthur Ross Gorrell has been redesignated as the chairman of Petromin effective 27 August 2013. As at 31 December 2013, Mr. Chan Wing Him Kenny held 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.11% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 5.72% of the issued common share capital) in Petromin and 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.11% of the issued common share capital).

Petromin is engaged in the business of acquisition and development of oil and gas properties. As of 31 December 2013, Petromin had oil and gas properties in the province of Alberta, Canada. Taking into account (i) the operation of Petromin's business in Canada which is geographically different from the Company's current project operation in China; (ii) the Company and Petromin have different target customers; and (iii) Mr. Chan Wing Him Kenny and Colpo, being the Company's controlling shareholders ("**Controlling Shareholders**"), had entered into a deed of non-competition undertakings dated 7 December 2010 in favour of the Company ("**Deed**"), the Board considers that the business of Petromin does not and will not have any direct competition with the Group's business. The term of the Deed commenced from 17 December 2010 and shall end on the occurrence of the earliest of (i) the day on which the shares of the Company ceased to be listed on the Main Board of the Stock Exchange or any stock exchange (except the delisting from 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 2013, save and except the following that:

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

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

Report of the Directors

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 current financial and business status of the Company and its subsidiaries, and in particular: (i) the major unconventional gas project in Xinjiang, China is still in evaluation phase and has yet to generate any revenue for the Company, and is still expected to incur substantial capital in the upcoming period once it resolves the issues with its Chinese partner; (ii) although the Company has moved into the marble business this year, 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, including the Company, were in compliance with the terms of the Deed, during the year ended 31 December 2013.

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.

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 2013.

Public float

As at the date of this report, based on the information available to the Company and within the knowledge of the Directors, at least 25% of the issued share capital of the Company was held by the public.

Auditors

PricewaterhouseCoopers will retire and a resolution for its re-appointment as an independent auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

CHAN Wing Him Kenny
Chairman

Hong Kong, 27 March 2014

Independent Auditor's Report

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Enviro Energy International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 43 to 105, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2014

Consolidated Balance Sheet

	Note	As at 31 December 2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	2,078	3,005
Exploration and evaluation assets	18	1,205,190	1,316,257
Available-for-sale investment	23	377	1,484
Club memberships		2,700	2,700
Deposits	25	881	574
		1,211,226	1,324,020
Current assets			
Trade receivables	24	196	2
Deposits, prepayments and other receivables	25	4,576	2,938
Financial asset at fair value through profit or loss	26	900	3,321
Bank balances and cash	27	37,493	25,884
		43,165	32,145
Assets of disposal group classified as held-for-sale	30	–	1,711
		43,165	33,856
Total assets		1,254,391	1,357,876
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	31	8,734	8,461
Share premium and reserves		677,439	693,598
		686,173	702,059
Non-controlling interests		310,144	354,589
Total equity		996,317	1,056,648
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	29	228,428	247,733
Current liabilities			
Trade and other payables	28	29,646	33,190
Liabilities of disposal group classified as held-for-sale	30	–	20,305
		29,646	53,495
Total liabilities		258,074	301,228
Total equity and liabilities		1,254,391	1,357,876
Net current assets/(liabilities)		13,519	(19,639)
Total assets less current liabilities		1,224,745	1,304,381

Chan Wing Him Kenny
Director

Arthur Ross Gorrell
Director

The notes on pages 50 to 105 are an integral part of these financial statements.

Balance Sheet

	Note	As at 31 December 2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	370	625
Investments in subsidiaries	19	–	–
Available-for-sale investment	23	377	1,484
Deposit	25	337	319
		1,084	2,428
Current assets			
Amounts due from subsidiaries	20	259,284	245,150
Deposits, prepayments and other receivables	25	888	934
Bank balances and cash	27	26,284	14,919
		286,456	261,003
Total assets		287,540	263,431
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	31	8,734	8,461
Share premium and reserves	32	267,992	243,667
Total equity		276,726	252,128
LIABILITIES			
Current liabilities			
Other payables		10,481	11,303
Amount due to a subsidiary	20	333	–
Total liabilities		10,814	11,303
Total equity and liabilities		287,540	263,431
Net current assets		275,642	249,700
Total assets less current liabilities		276,726	252,128

Chan Wing Him Kenny
Director

Arthur Ross Gorrell
Director

The notes on pages 50 to 105 are an integral part of these financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2013 HK$'000	2012 HK$'000
Continuing operations:			
Revenue	8	**1,154**	69
Cost of sales		**(266)**	(35)
Gross profit		**888**	34
Other (losses)/gains, net	9	**(2,008)**	1,597
Selling and distribution expenses		**(613)**	–
Administrative and operating expenses		**(65,921)**	(74,189)
Gain on disposal of subsidiaries	36	**81,934**	–
Finance income	11	**440**	442
Profit/(loss) before taxation	10	**14,720**	(72,116)
Income tax	13	**2,548**	683
Profit/(loss) for the year from continuing operations		**17,268**	(71,433)
Discontinued operations:			
Loss for the year from discontinued operations	30	**(21)**	(2,930)
Profit/(loss) for the year		**17,247**	(74,363)
Attributable to:			
Equity holders of the Company			
Continuing operations		**20,744**	(70,488)
Discontinued operations		**(21)**	(2,930)
		20,723	(73,418)
Non-controlling interests			
Continuing operations		**(3,476)**	(945)
		17,247	(74,363)
		HK Cents	HK Cents
Earnings/(loss) per share attributable to equity holders of the Company (expressed in HK cents per share)	16		
Basic and diluted — from continuing operations		**0.60**	(2.26)
Basic and diluted — from discontinued operations		**0.00**	(0.09)
Basic and diluted — from profit/(loss) for the year		**0.60**	(2.35)
Dividends	14	**–**	–

The notes on pages 50 to 105 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Profit/(loss) for the year	17,247	(74,363)
Other comprehensive (loss)/income		
Items that are or may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on available-for-sale investment	(955)	955
Translation reserve released upon disposal of subsidiaries	(509)	–
Exchange differences arising from translation of foreign operations	(98,050)	18,963
Other comprehensive (loss)/income for the year, net of tax	(99,514)	19,918
Total comprehensive loss for the year	(82,267)	(54,445)
Attributable to:		
Equity holders of the Company	(37,822)	(58,297)
Non-controlling interests	(44,445)	3,852
Total comprehensive loss for the year	(82,267)	(54,445)
Total comprehensive loss attributable to equity holders of the Company arises from:		
Continuing operations	(37,771)	(55,359)
Discontinued operations	(51)	(2,938)
	(37,822)	(58,297)

The notes on pages 50 to 105 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2012	6,945	807,881	19,980	117,097	62,425	58,792	(389,274)	683,846	230,592	914,438
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(73,418)	(73,418)	(945)	(74,363)
Other comprehensive income										
Fair value gain on available-for-sale investment	–	–	–	–	–	955	–	955	–	955
Exchange differences arising from translation of foreign operations	–	–	–	–	14,166	–	–	14,166	4,797	18,963
Total other comprehensive income	–	–	–	–	14,166	955	–	15,121	4,797	19,918
Total comprehensive income/(loss) for the year	–	–	–	–	14,166	955	(73,418)	(58,297)	3,852	(54,445)
Transactions with shareholders										
Recognition of equity-settled share-based payments	–	–	–	17,884	–	–	–	17,884	–	17,884
Issuance of new shares for acquisition of warrants and subsidiaries (Note 31(ii))	1,131	82,563	–	–	–	(47,782)	–	35,912	120,145	156,057
Issuance of new shares (Note 31 (iii))	385	22,204	–	–	–	–	–	22,589	–	22,589
Issuance of warrants (Note 32 (i))	–	–	–	–	–	125	–	125	–	125
Total transactions with shareholders	1,516	104,767	–	17,884	–	(47,657)	–	76,510	120,145	196,655
As at 31 December 2012	8,461	912,648	19,980	134,981	76,591	12,090	(462,692)	702,059	354,589	1,056,648

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2013	8,461	912,648	19,980	134,981	76,591	12,090	(462,692)	702,059	354,589	1,056,648
Comprehensive income/(loss)										
Profit/(loss) for the year	–	–	–	–	–	–	20,723	20,723	(3,476)	17,247
Other comprehensive loss										
Fair value loss on available-for-sale investment	–	–	–	–	–	(955)	–	(955)	–	(955)
Translation reserve released upon disposal of subsidiaries	–	–	–	–	(509)	–	–	(509)	–	(509)
Exchange differences arising from translation of foreign operations	–	–	–	–	(57,081)	–	–	(57,081)	(40,969)	(98,050)
Total other comprehensive loss	–	–	–	–	(57,590)	(955)	–	(58,545)	(40,969)	(99,514)
Total comprehensive (loss)/income for the year	–	–	–	–	(57,590)	(955)	20,723	(37,822)	(44,445)	(82,267)
Transactions with shareholders										
Recognition of equity-settled share-based payments	–	–	–	7,523	–	–	–	7,523	–	7,523
Exercise of share options (Note 31 (i))	79	5,371	–	(2,662)	–	–	–	2,788	–	2,788
Lapse/forfeiture of share options	–	–	–	(55,397)	–	–	55,397	–	–	–
Lapse of warrants (Note 32 (ii))	–	–	–	–	–	(23)	23	–	–	–
Issuance of new shares (Note 31 (iii))	194	11,431	–	–	–	–	–	11,625	–	11,625
Total transactions with shareholders	273	16,802	–	(50,536)	–	(23)	55,420	21,936	–	21,936
As at 31 December 2013	8,734	929,450	19,980	84,445	19,001	11,112	(386,549)	686,173	310,144	996,317

The notes on pages 50 to 105 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 HK$'000	2012 HK$'000
Operating activities			
Profit/(loss) before taxation		14,699	(75,046)
Adjustments for:			
Finance income	11	(440)	(443)
Depreciation of property, plant and equipment	17	753	1,231
Gain on disposal of property, plant and equipment	9	(47)	–
Provision for amount due from a joint venture	22	–	549
Share of profits less losses of a joint venture	30(c)	–	3,148
Share-based payments	10	7,523	17,884
Gain on disposal of subsidiaries	36	(81,934)	–
Fair value changes on financial asset at fair value through profit or loss	26	2,421	(1,447)
Impairment loss of available-for-sale investment	23	152	–
Operating cash flow before movements in working capital		(56,873)	(54,124)
Increase in trade receivables		(194)	(2)
(Increase)/decrease in deposits, prepayments and other receivables		(1,457)	246
(Decrease)/increase in trade and other payables		(6,987)	9,694
Net cash used in operating activities		(65,511)	(44,186)
Investing activities			
Addition to oil and gas properties		(552)	(396)
Addition to mining properties		(344)	(795)
Purchase of property, plant and equipment	17	(537)	(208)
Proceeds from disposal of property, plant and equipment		450	–
Proceeds from disposal of subsidiaries, net of professional expenses incurred on disposal and bank balances and cash returned	36	61,216	–
Bank interest received	11	3	11
Consideration paid for acquisition of subsidiaries, net of bank balances and cash acquired		—	907
Net cash generated from/(used in) investing activities		60,236	(481)
Financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	31	11,625	22,589
Proceeds from exercise of share options		2,788	–
Proceeds from issuance of warrants	32	–	125
Net cash generated from financing activities		14,413	22,714
Net increase/(decrease) in bank balances and cash		9,138	(21,953)
Bank balances and cash at beginning of year		27,535	48,906
Exchange difference on bank balances and cash		820	582
Bank balances and cash at end of year including disposal group		37,493	27,535
Bank balances and cash of disposal group classified as held-for-sale	30(a)	–	1,651
Bank balances and cash other than disposal group at end of year	27	37,493	25,884
Bank balances and cash at end of year including disposal group		37,493	27,535

The notes on pages 50 to 105 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in this report.

The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 19. The Company and its subsidiaries are collectively referred to as the "Group".

As at 31 December 2013, the Directors consider Colpo Mercantile Inc. ("**Colpo**"), a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Group.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2014.

2 Basis of preparation of financial statements

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-sale. 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 December 2013, the Group's oil and gas properties amounted to HK$1,061,728,000. The exploration period of the underlying coalbed methane production sharing contract ("**PSC**") has expired in February 2011. As at the date of approval of the consolidated financial statements, the Group is still in the process of formally extending the exploration period of the PSC. On the basis that the Directors believe that the exploration period will be extended, and an impairment review performed as a result of the recent disputes with the counterparty over the PSC, the consolidated financial statements do not include any adjustment on the carrying amount of the oil and gas properties of the Group as at 31 December 2013 that may result if the exploration period of the PSC is not extended (Notes 4(b) and 18).

During the year ended 31 December 2013, the Group reported a net operating cash outflow of HK$65,511,000 while the Group has bank balances and cash of HK$37,493,000 as at 31 December 2013. As the Group has no banking facilities or other committed financing arrangement available, the above conditions indicate the existence of uncertainties which may cast doubt on the Group's ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

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. Additionally, certain members of the senior management team have committed to adjust and/or defer the receipt of their remuneration until the Group has sufficient cash flows to fulfil its obligations as and when required.

Notes to the Consolidated Financial Statements

2 Basis of preparation of financial statements *(Continued)*

The Company's Directors believe that the Group will be able to secure additional financing and will be successful in implementing the above-mentioned measures. The Directors, after reviewing the Group's cash flow projections prepared by management and taking into account the reasonably possible changes in the operational performance and securing further financing, believe that the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to continue to prepare the consolidated financial statements on a going concern basis.

3 Summary of significant accounting policies

(a) Consolidation

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(a) Consolidation *(Continued)*

(iii) Disposals of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer (the "**CEO**") who makes strategic decisions.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

—	Land	Indefinite useful life
—	Leasehold improvements	3 years or over the lease term, whichever is shorter
—	Plant and machinery	5-8 years
—	Computer equipment and software	2-3 years
—	Furniture and fixtures	5 years
—	Office equipment	5 years
—	Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(e) Exploration and evaluation assets

The Group's exploration and evaluation assets comprised of oil and gas properties and mining properties. All costs of acquisition of exploration for and evaluation of oil and gas and mining reserves are capitalised and accumulated on a field-by-field basis. Such costs include licence and land acquisitions, geological and geophysical activity and exploratory drilling. The Group does not have any costs of unproved properties capitalised in exploration and evaluation assets.

No amortisation is charged on the exploration and evaluation assets during the exploration and evaluation phase.

Exploration and evaluation properties are reviewed for impairment when there are indicators that impairment exists. Impairment of oil and gas properties and mining properties is assessed at each field within the oil exploration operating segment and marble mining operating segment levels, respectively.

(f) Club memberships

Club memberships with indefinite useful life are stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club memberships have suffered an impairment loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) Impairment of non-financial assets other than exploration and evaluation assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(h) Non-current assets held-for-sale and discontinued operations

Non-current assets are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Assets, even if held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(i) Financial assets

The Group's financial assets are mainly loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(iv) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other (losses)/gains, net" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "Other (losses)/gains, net".

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(j) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(l) Bank balances and cash

Bank balances and cash include cash in hand and deposits held at call with banks.

(m) Share capital and equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, from the proceeds.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity instruments ("**other reserve**"). The reserve will be transferred to the share capital and share premium accounts upon the exercise of the warrants.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

(p) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(p) Current and deferred tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Inside basis differences (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following period. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) Share-based payments — share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received in exchange for the grant of the options is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in the consolidated income statement with a corresponding adjustment to equity.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to the consolidated income statement.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(q) Employee benefits *(Continued)*

(iv) Share-based payments — share options granted to non-employees

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve) when the counterparties render services or over the period when the non-employees render services, unless the services qualify for recognition as assets.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that created a constructive obligation.

(r) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars, which is the Company's functional and the Group's presentation currency.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(t) Foreign currency translation *(Continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All other foreign exchange gains and losses are presented in the income statement within ‘administrative and operating expenses’.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(t) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures that do not result in the Group losing joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of sales related taxes, if any.

Revenue from the sales of marble blocks and the sales of computer hardware are recognised when the customer has accepted the goods together with significant risks and rewards of ownership.

Revenue from the sale of computer software and the rendering of network maintenance services are recognised on a time proportion basis over the period of the licence or contract, or when the related services are rendered.

Interest income is recognised using the effective interest method.

(v) Application of new and revised HKFRSs

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The impact on the adoption is shown in the consolidated statement of comprehensive income.

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard has no impact to the Group's results and financial position.

HKFRS 12, 'Disclosure of interests in other entities'. The new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has included the required disclosure in the consolidated financial statements.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(v) Application of new and revised HKFRSs *(Continued)*

(i) New and amended standards adopted by the Group *(Continued)*

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The Group has included the required disclosure in the consolidated financial statements.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013 but not currently relevant to the Group

HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures
HKFRS 11	Joint arrangements
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Associates and joint ventures
HKAS 19 (Amendment)	Employee benefits
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine
Annual improvement 2012 and 2013	

(iii) 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 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities[1]
HKAS 36 (Amendment)	Impairment of assets — on recoverable amount disclosures[1]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — Novation of derivatives[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities[1]
HK(IFRIC) — 21	Levies[1]
HKFRS 9	Financial instruments[2]

Note

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

(2) Effective for annual periods beginning on or after 1 January 2015

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.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of oil and gas reserves

Oil and gas reserves is a key factor in the Group's investment decision-making process. Estimates of oil and gas reserves are an important element in determining their economic value. Proved plus probable reserves and unrisked prospective resources estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product oil and gas prices, contract terms and development plans. In general, changes in the technical maturity of oil and gas reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of revisions.

(b) Impairment assessment of oil and gas exploration and evaluation properties

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the Group's oil and gas exploration and evaluation properties may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount. The sources utilised to identify facts and circumstances that indicate impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment has to be performed as at any given balance sheet date.

For the oil and gas exploration and evaluation properties of TerraWest Energy Corp. ("TWE"), the Group has considered the following factors when assessing whether an impairment indicator existed at 31 December 2013:

(i) There was no significant change that had taken place since the acquisition or is expected to take place in the near future, that would create an adverse effect in the technological market, economic or legal environments in which TWE operates;

(ii) There was no significant increase in market interest rates which are likely to affect the discount rate used in calculating an asset's value in use and would decrease the asset's recoverable amount materially;

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements *(Continued)*

(b) Impairment assessment of oil and gas exploration and evaluation properties *(Continued)*

(iii) Exploration activities have been affected as there was a dispute between the Group and the administrator of the Production Sharing Contract ("**PSC**") (Note 18);

(iv) There was no evidence from internal reports which indicates that the economic performance of the oil and gas properties is, or will be, worse than expected; and

(v) There was a substantial increase in the gas resources as noted in an updated estimate prepared by an independent engineer for the area in which TWE has a right to explore coalbed methane and other gas resources.

As mentioned above and further discussed in Note 18, the exploration phase of TWE's PSC has expired in February 2011 and the Group is currently in the process of extending the exploration period. While there are uncertainties as to the extension of the exploration period and the outcome of the dispute, management estimated the future cash flows expected to be generated from the PSC over the 20-year production period as specifically stipulated in the PSC, which require significant estimates on the assumptions used, and concluded that TWE's oil and gas production properties are not impaired.

(c) Valuation of share options granted

The fair value of share options granted was priced using a binomial option pricing model which requires the management's estimates and assumptions on significant calculation inputs, including the estimated life of share options granted, the volatility of share price and expected dividend yield. Changes in the subjective input assumptions could materially affect the fair value estimate, which would in turn affect the share-based payment expense recognised for the period and its corresponding impact on the share option reserve. Estimates relating to the evaluation of share options are discussed in Note 33(c).

5 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists solely of equity attributable to equity holders of the Company, comprising issued share capital and reserves. Capital as at 31 December 2013 amounted to HK$686,173,000 (2012: HK$702,059,000).

The Directors review the cost of capital and the associated risks on a regular basis, and take appropriate actions to adjust the Group's capital structure in a timely manner.

In order to fund the development of the Group's TWE project and marble business, significant amounts of capital in the form of borrowing or equity, or a combination of both, are considered to be necessary in the future. The Directors consider such funding for the future development of TWE and marble business will be available as and when required.

Notes to the Consolidated Financial Statements

6 Financial risk management and financial instruments

(a) Financial risk factors

The Group's major financial instruments include available-for-sale investment, financial asset at fair value through profit or loss, trade receivables, other receivables, deposits, bank balances and cash, trade and other payables. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk, other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Currency risk

The Directors monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loan and receivables		
Bank balances and cash	974	1,006
Deposits and other receivables	1,375	606
Available-for-sale investment	377	1,484
Financial asset at fair value through profit or loss	900	3,321
	3,626	6,417
Financial liabilities		
Amortised cost		
Other payables	1,107	4,337
Other payables of disposal group classified as held for sale (Note 30)	–	14,052
	1,107	18,389

The assets above are primarily denominated in Renminbi ("**RMB**"), Canadian dollars ("**CAD**") and Indonesian Rupiah ("**IDR**").

At 31 December 2013, if the Hong Kong dollar had weakened/strengthened by 10% against the RMB, CAD and IDR with all other variables held constant, post-tax profit for the year would have been HK$87,000 lower/higher (2012: post-tax loss would have been HK$1,816,000 higher/lower), HK$303,000 higher/lower (2012: post-tax loss would have been HK$618,000 lower/higher) and HK$36,000 higher/lower (2012: Nil) respectively.

Notes to the Consolidated Financial Statements

6 Financial risk management and financial instruments *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly the interest bearing bank balances at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances at the balance sheet date. The analysis is prepared assuming the relevant assets outstanding at the balance sheet date were outstanding for the whole year. If interest rates had been 1% higher/lower and all other variables were held constant, the profit for the year ended 31 December 2013 would increase/decrease by approximately HK$266,000 (2012: loss would decrease/increase by approximately HK$204,000).

(iii) Other price risk

The Group and the Company are exposed to equity price risk through their investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on its investment in the equity securities of Petromin, a company operating in resources sector and whose shares are quoted in the Toronto Stock Exchange ("**TSX**") Venture Exchange. If share price of Petromin had been 10% higher/lower and all other variables were held constant, the gain for the year ended 31 December 2013 would increase/decrease by approximately HK$38,000 (2012: loss would decrease/increase by approximately HK$148,000). The Group considers its exposure to equity price risk is not significant.

(iv) Credit risk

At the balance sheet date, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit standing. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Notes to the Consolidated Financial Statements

6 Financial risk management and financial instruments *(Continued)*

(a) Financial risk factors *(Continued)*

(v) Liquidity risk

The Directors have built a liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity dates of all financial liabilities are within one year as at the respective balance sheet dates, and the undiscounted cash flows equal their carrying value, as the impact of discounting is not significant.

In order to fund the development of the Group's TWE project and the marble business, significant amount of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. The Directors consider such capital will be available as and when required.

(b) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value:

As at 31 December 2013

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial asset at fair value through profit or loss	–	–	900	900
Available-for-sale investment	377	–	–	377

As at 31 December 2012

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial asset at fair value through profit or loss	–	–	3,321	3,321
Available-for-sale investment	1,484	–	–	1,484

There were no transfers of financial assets between Level 1, Level 2 and Level 3 fair value hierarchy classification.

Notes to the Consolidated Financial Statements

6 Financial risk management and financial instruments *(Continued)*

(b) Fair value estimation *(Continued)*

The following table presents the changes in Level 3 instruments for the year ended 31 December 2013 and 2012.

	2013 HK$'000	2012 HK$'000
Opening balance	3,321	1,874
Fair value (loss)/gain recognised in profit or loss	(2,421)	1,447
Closing balance	900	3,321
Total (loss)/gain for the year included in profit or loss for assets held at the end of the year	(2,421)	1,447
Changes in unrealised (loss)/gain for the year included in profit or loss at the end of the year	(2,421)	1,447

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investment classified as available-for-sale investment denominated in CAD.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) Categories of financial instruments

	As at 31 December 2013 HK$'000	 2012 HK$'000
Financial assets		
Loans and receivables		
Trade receivables	196	2
Deposits and other receivables	3,610	2,764
Bank balances and cash	37,493	25,884
Bank balances and cash of disposal group classified as held-for-sale (Note 30)	–	1,651
Financial asset at fair value through profit or loss	900	3,321
Available-for-sale investment	377	1,484
	42,576	35,106

Notes to the Consolidated Financial Statements

6 Financial risk management and financial instruments *(Continued)*

(c) Categories of financial instruments *(Continued)*

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Financial liabilities		
Amortised cost		
Trade and other payables	**29,424**	32,997
Other payables of disposal group classified as held-for-sale (Note 30)	**–**	20,305
	29,424	53,302

Except for financial asset at fair value through profit or loss and available-for-sale investment which are carried at fair value, all financial assets and liabilities are carried at amortised cost.

7 Segment information

In a manner consistent with the way in which information is reported internally to the Company's CEO, the Group has presented the following reportable segments:

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

(ii) Marble rock mining in Indonesia

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

(iv) 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 other (losses)/gains, net, selling and distribution expenses, administrative and operating expenses, gain on disposal of subsidiaries, finance income, the Group's share of profits less losses of a joint venture and income tax.

Notes to the Consolidated Financial Statements

7 Segment information *(Continued)*

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

	Continuing operations				Discontinued operations	
	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK $'000	Marble rock mining in Indonesia HK$'000	Subtotal HK$'000	Oil exploration in China HK$'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	–	488
Selling and distribution expenses	–	–	(613)	(613)	–	(613)
Administrative and operating expenses	(2,542)	(1,784)	(7,234)	(11,560)	(21)	(11,581)
Finance income	–	2	–	2	–	2
Income tax	–	2,548	–	2,548	–	2,548
Segment results	(2,491)	1,254	(7,010)	(8,247)	(21)	(8,268)
Unallocated:						
Other losses, net						(2,496)
Administrative and operating expenses						(54,361)
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	1,063,149	147,417	1,218,278	–	1,218,278
Unallocated assets						36,113
Total assets						1,254,391
Segment liabilities	541	238,498	805	239,844	–	239,844
Unallocated liabilities						18,230
Total liabilities						258,074

Notes to the Consolidated Financial Statements

7 Segment information *(Continued)*

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

	Continuing operations				Discontinued operations		
	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK $'000	Marble rock mining in Indonesia HK$'000	Subtotal HK$'000	Oil exploration in China HK$'000	Inter-segment transaction HK$'000	Consolidated HK$'000
For the year ended 31 December 2012							
Segment revenue	69	–	–	69	–	–	69
Gross profit	34	–	–	34	–	–	34
Other gain/(loss), net	–	–	–	–	2,574	(2,574)	–
Administrative and operating expenses	(2,608)	(2,280)	(1,892)	(6,780)	(2,357)	–	(9,137)
Finance income	–	–	–	–	1	–	1
Share of profits less losses of a joint venture	–	–	–	–	(3,148)	–	(3,148)
Income tax	–	683	–	683	–	–	683
Segment results	(2,574)	(1,597)	(1,892)	(6,063)	(2,930)	(2,574)	(11,567)
Unallocated:							
Other gains, net							1,597
Administrative and operating expenses							(64,835)
Finance income							442
Loss before taxation							(74,363)
Income tax							–
Loss for the year							(74,363)
As at 31 December 2012							
Segment assets	2,337	1,140,733	184,205	1,327,275	1,711	–	1,328,986
Unallocated assets							28,890
Total assets							1,357,876
Segment liabilities	602	259,064	1,352	261,018	20,305	–	281,323
Unallocated liabilities							19,905
Total liabilities							301,228

Notes to the Consolidated Financial Statements

7 Segment information *(Continued)*

	Information technology related services in Hong Kong HK$'000	Gas exploration in China HK $'000	Marble rock mining in Indonesia HK$'000	Oil exploration in China HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2012						
Capital expenditures	–	8,090	851	–	152	9,093

The Group's revenue for the year ended 31 December 2013 is mainly derived from the marble rock mining segment in Pangkep Regency, South Sulawesi Province, Indonesia (2012: 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 2013 and 2012 are further analysed as follows:

	As at 31 December	
	2013 HK$'000	2012 HK$'000
Hong Kong (place of domicile)	**4,198**	4,862
China	**1,061,735**	1,134,715
Indonesia	**144,916**	182,959
	1,210,849	1,322,536

8 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	
	2013 HK$'000	2012 HK$'000
Continuing operations:		
Sale of marble blocks — mine concession in Pangkep Regency	**1,058**	–
Sale of computer software	**–**	21
Network infrastructure maintenance and sale of computer hardware	**96**	48
	1,154	69

Notes to the Consolidated Financial Statements

9 Other (losses)/gains, net

	Year ended 31 December 2013 HK$'000	2012 HK$'000
Continuing operations:		
Fair value (loss)/gain on financial asset at fair value through profit or loss (Note 26)	(2,421)	1,447
Gain on write-off of payables	488	–
Impairment loss on available-for-sale investment (Note 23)	(152)	–
Gain on disposal of property, plant and equipment	47	–
Others	30	150
	(2,008)	1,597

10 Profit/(loss) before taxation

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

	Continuing operations Year ended 31 December		Discontinued operations Year ended 31 December		Total Year ended 31 December	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cost of inventories sold	221	19	–	–	221	19
Depreciation of property, plant and equipment	752	1,226	1	5	753	1,231
Auditor's remuneration						
— Current year	1,775	1,730	–	20	1,775	1,750
— Over-provision in prior year	(140)	(53)	–	–	(140)	(53)
Operating lease payments	4,144	3,979	–	–	4,144	3,979
Legal and professional fees	3,962	5,090	–	23	3,962	5,113
Investor relations expenses						
— Cash payments	836	721	–	–	836	721
— Share-based payments	2,521	9,722	–	–	2,521	9,722
Technical consultancy expenses						
— Share-based payments	1,421	4,892	–	–	1,421	4,892
Staff costs, including Directors' emoluments (Note 12)						
— Salaries, allowances and other benefits	28,032	24,281	216	1,221	28,248	25,502
— Retirement benefit scheme contributions	173	171	3	14	176	185
— Share-based payments	3,581	3,270	–	–	3,581	3,270
— Discretionary and performance related incentive payments	7,824	5,787	11	–	7,835	5,787
Provision for impairment of amount due from a joint venture	–	–	–	549	–	549
Exchange (gain)/loss, net	(39)	1,922	3	287	(36)	2,209

Notes to the Consolidated Financial Statements

11 Finance income

	Continuing operations Year ended 31 December		Discontinued operations Year ended 31 December		Total Year ended 31 December	
	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest income from financial asset at fair value through profit or loss	432	432	–	–	432	432
Bank interest income	3	10	–	1	3	11
Others	5	–	–	–	5	–
	440	442	–	1	440	443

12 Directors' and senior management's emoluments

Directors' emoluments for the year ended 31 December 2013 and 2012, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2013	Directors' fees HK$'000	Salaries, allowance and other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Share-based payments HK$'000	Discretionary bonuses (Note) HK$'000	Total HK$'000
Name of Directors						
Executive Directors						
Mr. Chan Wing Him Kenny (CEO)	–	13,723	15	1,607	5,260	20,605
Dr. Arthur Ross Gorrell	–	192	–	196	–	388
Independent non-executive Directors						
Mr. David Tsoi	150	–	–	43	35	228
Mr. Lo Chi Kit	150	–	–	33	25	208
Mr. Tam Hang Chuen	150	–	–	33	25	208
Total	450	13,915	15	1,912	5,345	21,637

For the year ended 31 December 2012	Directors' fees HK$'000	Salaries, allowance and other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Share-based payments HK$'000	Discretionary bonuses (Note) HK$'000	Total HK$'000
Name of Directors						
Executive Directors						
Mr. Chan Wing Him Kenny (CEO)	–	10,822	14	910	4,500	16,246
Dr. Arthur Ross Gorrell	–	192	–	116	–	308
Independent non-executive Directors						
Mr. David Tsoi	150	–	–	67	35	252
Mr. Lo Chi Kit	150	–	–	41	25	216
Mr. Tam Hang Chuen	150	–	–	24	25	199
Total	450	11,014	14	1,158	4,585	17,221

Note: The discretionary and performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

Notes to the Consolidated Financial Statements

12 Directors' and senior management's emoluments *(Continued)*

For the year ended 31 December 2013, no emolument or incentive payments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

For the year ended 31 December 2013, there was no arrangement under which the Directors waived or agreed to waive any emoluments (2012: Nil).

During the year ended 31 December 2013, one (2012: one) of the five individuals with the highest emoluments in the Group was a Director whose emoluments are disclosed in the table above. Details of the emoluments of the remaining four (2012: four) individuals are as follows:

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and other benefits	**8,228**	8,598
Retirement benefit scheme contributions	**33**	41
Share-based payments	**1,465**	2,062
Discretionary and performance related incentive payments	**1,707**	908
	11,433	11,609

The emoluments were within the following bands:

	Number of employees Year ended 31 December	
	2013	2012
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
	4	4

Notes to the Consolidated Financial Statements

13 Income tax

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly are exempted from the payment of the British Virgin Islands income taxes.

No Hong Kong profits tax has been provided as the Group did not have any assessable profits in Hong Kong for the year ended 31 December 2013 (2012: 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 2013 (2012: 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 2013 (2012: Nil).

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Deferred income tax (Note 29)	2,548	683

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 TWE's deferred tax liability arising from the business combination in 2008, under the Income Tax Act (Canada).

The tax on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using domestic income tax rate applicable to profits/(losses) of the consolidated entities as follows:

	Continuing operations Year ended 31 December		Discontinued operations Year ended 31 December		Total Year ended 31 December	
	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(loss) before taxation	14,720	(72,116)	(21)	(2,930)	14,699	(75,046)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	(2,429)	11,899	3	484	(2,426)	12,383
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,622	395	7	49	1,629	444
Tax effect of:						
— income not subject to tax	13,585	–	–	–	13,585	–
— expenses not deductible	(7,739)	(10,157)	17	(387)	(7,722)	(10,544)
— tax losses for which no deferred income tax asset was recognised	(2,507)	(1,341)	(27)	(146)	(2,534)	(1,487)
— expiry of tax losses previously recognised	–	(113)	–	–	–	(113)
— over-provision in prior year	16	–	–	–	16	–
Income tax	2,548	683	–	–	2,548	683

Notes to the Consolidated Financial Statements

13 Income tax *(Continued)*

The Group has unrecognised deferred tax assets from estimated tax losses of approximately HK$6,683,000 (2012: HK$4,448,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Included in unrecognised tax losses are losses arising from the subsidiaries in the PRC of approximately HK$33,000 (2012: HK$10,000) that will expire in five years from the respective year of loss. Also included in unrecognised tax losses are losses relating to Hong Kong and Indonesian operations of approximately HK$4,363,000 (2012: HK$3,965,000) and HK$2,287,000 (2012: HK$473,000), respectively, that have no expiry date. During the year ended 31 December 2013, none of the previously recognised tax losses have expired (2012: HK$113,000).

There is no tax impact relating to components of other comprehensive loss for the year ended 31 December 2013 (2012: Nil).

14 Dividends

No dividend was paid or proposed for the year ended 31 December 2013 (2012:Nil).

15 Profit/(loss) attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$3,617,000 (2012: Loss of HK$73,825,000).

16 Earnings/(loss) per share

(a) Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2013 and 2012.

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

	Year ended 31 December	
	2013	2012
Profit/(loss) attributable to equity holders of the Company for the purpose of basic earnings/(loss) per share (HK$'000)		
— Continuing operations	20,744	(70,488)
— Discontinued operations	(21)	(2,930)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share ('000)	3,463,650	3,123,367
Basic earnings/(loss) per share (in HK cents)		
— Continuing operations	0.60	(2.26)
— Discontinued operations	0.00	(0.09)

(b) The Group had share options and warrants outstanding as at 31 December 2013. The share options and warrants did not have a dilutive effect on earnings per share for the year ended 31 December 2013 (2012: anti-dilutive).

Notes to the Consolidated Financial Statements

17 Property, plant and equipment

Group	Land (Note ii) HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment and software HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2012								
Cost	–	1,239	–	1,075	526	212	4,946	7,998
Accumulated depreciation	–	(1,166)	–	(938)	(392)	(162)	(2,724)	(5,382)
Net book amount	–	73	–	137	134	50	2,222	2,616
Year ended 31 December 2012								
Opening net book amount	–	73	–	137	134	50	2,222	2,616
Exchange differences	–	–	–	2	–	–	–	2
Additions	–	–	2	68	2	45	91	208
Additions acquired in acquisition of subsidiaries (Note 35)	932	–	96	–	–	263	122	1,413
Transfers to assets of disposal group classified as held-for-sale (Note 30)	–	–	–	–	(3)	–	–	(3)
Depreciation charge (Note i)	–	(34)	(12)	(72)	(92)	(62)	(959)	(1,231)
Closing net book amount	932	39	86	135	41	296	1,476	3,005
At 31 December 2012								
Cost	932	1,239	98	1,145	507	520	5,150	9,591
Accumulated depreciation	–	(1,200)	(12)	(1,010)	(466)	(224)	(3,674)	(6,586)
Net book amount	932	39	86	135	41	296	1,476	3,005
Year ended 31 December 2013								
Opening net book amount	932	39	86	135	41	296	1,476	3,005
Exchange differences	(197)	–	(36)	(8)	–	(49)	(19)	(309)
Additions	–	8	146	10	10	43	320	537
Disposals	–	–	–	–	–	–	(403)	(403)
Depreciation charge (Note i)	–	(36)	(20)	(62)	(41)	(79)	(514)	(752)
Closing net book amount	735	11	176	75	10	211	860	2,078
At 31 December 2013								
Cost	735	1,107	208	1,098	517	514	4,669	8,848
Accumulated depreciation	–	(1,096)	(32)	(1,023)	(507)	(303)	(3,809)	(6,770)
Net book amount	735	11	176	75	10	211	860	2,078

Notes:

(i) During 2013, the depreciation charge for continuing operations and discontinued operations amounted to HK$752,000 (2012: HK$1,226,000) and HK$1,000 (2012: HK$5,000) respectively.

(ii) The Group's interests in land in Indonesia are freehold.

Notes to the Consolidated Financial Statements

17 Property, plant and equipment *(Continued)*

Company	Leasehold improvements HK$'000	Computer equipment and software HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2012						
Cost	1,099	206	422	64	625	2,416
Accumulated depreciation	(1,026)	(150)	(302)	(39)	(26)	(1,543)
Net book amount	73	56	120	25	599	873
Year ended 31 December 2012						
Opening net book amount	73	56	120	25	599	873
Additions	–	31	2	28	–	61
Depreciation charge	(34)	(28)	(81)	(10)	(156)	(309)
Closing net book amount	39	59	41	43	443	625
At 31 December 2012						
Cost	1,099	237	424	92	625	2,477
Accumulated depreciation	(1,060)	(178)	(383)	(49)	(182)	(1,852)
Net book amount	39	59	41	43	443	625
Year ended 31 December 2013						
Opening net book amount	39	59	41	43	443	625
Additions	8	5	10	–	–	23
Depreciation charge	(36)	(33)	(41)	(12)	(156)	(278)
Closing net book amount	**11**	**31**	**10**	**31**	**287**	**370**
At 31 December 2013						
Cost	1,107	242	434	92	625	2,500
Accumulated depreciation	(1,096)	(211)	(424)	(61)	(338)	(2,130)
Net book amount	**11**	**31**	**10**	**31**	**287**	**370**

Notes to the Consolidated Financial Statements

18 Exploration and evaluation assets — Group

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Oil and gas properties (Note i)	**1,061,728**	1,134,704
Mining properties (Note ii)	**143,462**	181,553
	1,205,190	1,316,257

Notes:

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

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
At cost		
At beginning of the year	**1,134,704**	1,103,650
Additions	**3,907**	8,090
Exchange differences	**(76,883)**	22,964
At end of the year	**1,061,728**	1,134,704

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

During 2013, HK$552,000 of oil and gas properties (2012: HK$396,000) have been settled by cash and HK$3,355,000 of oil and gas properties (2012: HK$7,694,000) have not yet been settled and are included in other payables. All expenditures in relation to oil and gas properties were capitalised and there is no operating cash flow for the year ended 31 December 2013 (2012: Nil).

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**"). It provides a term of thirty consecutive years, with a production period not more than twenty consecutive years commencing on a date determined by the joint management committee which was set up by TWE and CUCBM, pursuant to the PSC, to oversee the operations in the Contract Area.

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. Pursuant to the PSC, TWE is the operator and has the right to explore, develop, produce and sell CBM in a block covering 653.518 square kilometers in the Junggar Basin of Xinjiang Province in the northwest of the PRC ("**Contract Area**").

According to the terms of the PSC, all the costs incurred at the exploration stage shall be borne by TWE. Upon submission of the overall development programme and approval by the relevant PRC government authorities, the operation shall enter into the stage of development and then CBM production. All the development and operating costs shall be borne in the proportion of 47% by TWE and 53% by CNPC. During the production stage, 70% of the annual gross CBM production will be deemed as cost recovery production, where firstly, operating costs, secondly, the exploration costs incurred but not yet recovered by TWE and thirdly, development costs incurred but not yet recovered by TWE or CNPC would be reimbursed therefrom. The remainder of production would be shared based upon the terms in the PSC, broadly in the proportion of 47% by TWE and 53% by CNPC, which will be adjusted according to their respective actual participating interests in the CBM fields.

The PSC is now administered by PetroChina Coalbed Methane Company Ltd., a division of PetroChina Company Limited ("**CNPC**" is used herein to mean CNPC, PetroChina Company Limited or PetroChina Coalbed Methane Company Ltd.).

The initial five-year exploration period for the block covered by the PSC expired on 28 February 2011 and required extension of exploration period to be agreed by the joint management committee and subject to approval by the MOC. TWE has formally submitted a notice of intention to extend the exploration period and an application for extension with supporting technical appendices to CNPC.

Notes to the Consolidated Financial Statements

18 Exploration and evaluation assets — Group *(Continued)*

Notes: (Continued)

(i) (Continued)

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.

The matter between TWE and CNPC was disclosed in the Company's announcements dated 17 June 2013, 6 September 2013 and 23 October 2013, wherein it was noted TWE has been seeking clarification and response on the following matters before continuing planned exploration activities in the CBM project: (1) clarification on discrepancy of the CBM exploration area relating to its exploration rights, including highly prospective CBM zones and fairway lands, between the PSC and the renewed CBM exploration permits and investigation on reported unauthorised coal drilling activity within the Contract Area and any land title mismanagement by CNPC; (2) dispute on CNPC's failure to certify two international independent expert reports on evaluations of CBM discovered resources and natural gas resources originally in place (OGIP) commissioned by TWE and provided to CNPC in support of the application for extension of the exploration period of the PSC; (3) dispute on CNPC's failure to validate the capital expenditure incurred by TWE on the project as required by the PSC; and (4) dispute on CNPC's failure to cooperate to clarify the land status with relevant ministries.

The significant administrative matters relating to unauthorised coal drilling and items (2)–(4) above were initially considered to be standalone matters that subsequently appear potentially related to the land title mismanagement by CNPC and hence became included in TWE's dispute with CNPC.

Additionally, a search of the web-based data of the Ministry of Land and Resources of China suggests that other coal exploration and mining permits have been issued and/or earlier permits have been renewed and greatly expanded without required consents within the Contract Area since 30 December 2005 (the date of the PSC) in contravention of Chinese law. In this regard, CNPC has failed to assist to monitor or prevent unauthorised issuances of such permits despite TWE's multiple notices referencing the activities.

TWE has issued notices relating to the unresolved CBM lands dispute including formal notice of dispute and arbitration to CNPC, and has followed the required process by providing notice of selected arbitration procedure to CNPC. CNPC, in accordance with the terms and conditions of the PSC may respond to all such correspondence and notices. The terms and conditions of the PSC address the matter of a dispute between the parties and provide an arbitration procedure that follows internationally-accepted due process. As at the date of approval of the consolidated financial statements, CNPC has not provided any clarification nor response to the above points, and therefore TWE's notice of intention to extend the exploration period and application for extension, while being matters of record, have not been responded to by CNPC and approval from the MOC is not yet available. Since CNPC has not responded to the correspondence and notices, TWE has provided copies of material documents to MOC for the record. The Group has obtained legal opinion that the above points do not affect the validity of the PSC and there is no material legal impediment in extending the exploration period of the PSC and continuing the PSC under appropriate circumstances.

Nevertheless, the Company's Directors consider the recent dispute with CNPC is an impairment indicator on the oil and gas properties as at 31 December 2013 and an impairment review has been performed.

For the purpose of impairment review, the recoverable amount of the oil and gas properties is based on value-in-use calculations. These calculations are cash flow projections based on projections approved by management over the term of the PSC assuming the exploration period is extended and production commencing in 2015. The key assumptions used for value-in-use calculations are as follows:

- Recoverable resources available;
- Current market price for gas; and
- Discount rate in the range of 16.72%–17.18%

Based on the above assumptions, the recoverable amount of the oil and gas properties is above its carrying amount, and no impairment provision has been made as at 31 December 2013.

Notes to the Consolidated Financial Statements

18 Exploration and evaluation assets — Group *(Continued)*

Notes: (Continued)

(i) (Continued)

Management determined the amount of recoverable resources available and the market price for gas to be the key assumptions. The market price for gas is the main driver for revenue. The amount of recoverable gas resources is based on technical analysis performed and management's expectations. If the market price for gas has decreased by 55%, the estimated recoverable amount of the oil and gas properties is still above its carrying amount as at 31 December 2013. If the recoverable resources decreased by 80%, the estimated recoverable amount of the oil and gas properties is still above its carrying amount as at 31 December 2013.

Based on the above, the Company's Directors consider that while the exploration period has expired, no impairment losses are noted relating to the oil and gas properties as at 31 December 2013. There is, however, uncertainty as to when the MOC of the PRC will approve the extension of the exploration period and changes in terms of the PSC may be required in conjunction with their approval of any extension of the exploration period of the PSC. The consolidated financial statements do not include any adjustment on the carrying amount of the oil and gas properties of the Group as at 31 December 2013 that may result if the exploration period of the PSC is not extended.

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

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
At cost		
At beginning of the year	181,553	–
Acquisition (Note 35)	–	180,758
Additions	344	795
Exchange differences	(38,435)	–
At end of the year	143,462	181,553

During 2013, HK$344,000 (2012: HK$795,000) of mining properties additions have been settled by cash. During 2012, HK$180,758,000 of mining properties were acquired via acquisition of subsidiaries (Note 35). All expenditures in relation to mining properties were capitalised and there is no operating cash flow for the year ended 31 December 2013 (2012: Nil).

19 Investments in subsidiaries — Company

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	969	372,680
Less: Provision for impairment loss	(969)	(372,680)
	–	–

Notes to the Consolidated Financial Statements

19 Investments in subsidiaries — Company *(Continued)*

Details of the principal subsidiaries held by the Company as at 31 December 2013 are as follows:

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			Direct	Indirect	
Rich Concept Technology Limited	BVI, limited liability company	10,000 Ordinary shares of 1 US dollar each	100	–	Investment holding in Hong Kong
Chavis International Limited ("**Chavis**")	BVI, limited liability company	1 Ordinary share with no par value	–	100	Investment holding in Hong Kong
TerraWest Energy Corp.	British Columbia, Canada, limited liability company	324,333,334 Common shares with no par value 8,000,000 Preferred shares with no par value	–	71.61 [a]	CBM and natural gas exploration and development in the PRC
Sys Solutions Limited	Hong Kong, limited liability company	1,000,000 Ordinary shares of 1 HK dollar each	–	100	Provision of network infrastructure solutions and services in Hong Kong
Dragon Bounty Company Limited	BVI, limited liability company	1 Ordinary share of 1 US dollar	–	100	Investment holding in Hong Kong
CCST Singapore Pte. Ltd.	Singapore, limited liability company	10,000 Ordinary shares of 1 Singaporean dollar each	–	100	Environmental projects in South East Asia
Aces Diamond International Limited ("**Aces Diamond**")	BVI, limited liability company	1 Ordinary share of 1 US dollar	–	100	Investment holding in Hong Kong
PT. Bara Hugo Energy ("**BHE**") (Note 35)	Indonesia, limited liability company	600,000 Ordinary shares of 9,052 Indonesian Rupiah ("IDR") each	–	90.3	Investment holding in Indonesia
PT. Grasada Multinational ("**GM**") (Note 35)	Indonesia, limited liability company	24,000,000 Ordinary shares of 100 IDR each	–	33.8 [b]	Marble rock mining in Indonesia
Migo Asia Pacific Limited ("**Migo Asia**")	Hong Kong, limited liability company	1 Ordinary share of 1 HK dollar	–	100	Investment holding in Indonesia

Notes to the Consolidated Financial Statements

19 Investments in subsidiaries — Company *(Continued)*

(a) Common shares, preferred shares and warrants in TWE

TWE has 220,000,000 outstanding warrants as at 31 December 2013 (2012: 220,000,000 warrants) and 8,000,000 outstanding preferred shares (2012: 8,000,000 preferred shares). Assuming the full conversion of all outstanding warrants of TWE and preferred shares, the Group would hold approximately 82.92% (2012: 82.92%) controlling interest of the enlarged capital. TWE will remain a subsidiary of the Group after the full conversion of all outstanding warrants and preferred shares.

	Number of common shares with no par value		Number of preferred shares with no par value		Number of warrants	
	As at 31 December 2013 '000	As at 31 December 2012 '000	As at 31 December 2013 '000	As at 31 December 2012 '000	As at 31 December 2013 '000	As at 31 December 2012 '000
Issued and outstanding:						
At the beginning and end of the year	324,333	324,333	8,000	8,000	220,000	220,000
Number of common shares, preferred shares and warrants owned by the Group as at end of the year	238,000	238,000	–	–	220,000	220,000

Note:

On 26 March 2013, TWE and Aces Diamond signed a supplemental letter to TWE Subscription Agreement to, among others, extend the exercise period of 63,000,000 C warrants and 27,000,000 D warrants to on or before 1 April 2016 from 1 April 2013 and 29 July 2016 from 29 July 2013, respectively.

Details of outstanding warrants of TWE and their respective exercise price are detailed as follows:

	Outstanding ('000) at 31 December 2013 and 2012	Exercise price (CAD per share) at 31 December 2013 and 2012
B Warrant	40,000	0.15
C Warrant	90,000	0.07
D Warrant	90,000	0.10
	220,000	

The key terms of the preferred shares of TWE are that the holders thereof are entitled to one vote each and will provide the holders with a preference on winding up to the extent of the paid up capital or the cost of their shares. The preferred shares of TWE will have a preference as to dividends or any other distributions by TWE to its shareholders. Each preferred share is convertible into one common share of TWE at the option of the holder. In all other aspects, the terms of the preferred shares and common shares of TWE are equal.

Notes to the Consolidated Financial Statements

19 Investments in subsidiaries — Company *(Continued)*

(b) Ordinary shares and warrants in PT. Grasada Multinational

GM was acquired on 15 May 2012 through acquisition of subsidiaries (Note 35).

GM has 13,500,000 outstanding warrants as at 31 December 2013 (2012: 13,500,000) which are currently exercisable. Assuming the full conversion of all outstanding warrants of GM, the Group would hold approximately 54.15% (2012: 54.15%) controlling interest of the enlarged capital and have control over the financial and operating decisions of GM. Accordingly, the Group consolidates its interest in GM as a subsidiary.

	Number of ordinary shares with par value		Number of warrants	
	As at 31 December 2013 '000	As at 31 December 2012 '000	As at 31 December 2013 '000	As at 31 December 2012 '000
Issued and outstanding:				
At the beginning of year				
Ordinary shares with par value	24,000	–	13,500	–
Ordinary shares acquired in acquisition of subsidiaries (Note 35)	–	24,000	–	–
Warrants acquired in acquisition of subsidiaries (Note 35)	–	–	–	13,500
As at end of the year	24,000	24,000	13,500	13,500
Number of ordinary shares and warrants owned by the Group as at end of the year	9,000	9,000	13,500	13,500

Details of outstanding warrants of GM and their respective exercise price are detailed as follows:

	Expiration of warrants	Outstanding ('000) at 31 December 2013 and 2012	Exercise price (IDR per share)
A warrant	3 months after commencement of marble production	2,250	444
A warrant	3 months after commencement of marble production	2,250	888
B Warrant	6 months after commencement of marble production	2,250	888
B Warrant	6 months after commencement of marble production	2,250	1,333
C Warrant	12 months after commencement of marble production	4,500	1,779
		13,500	

Notes to the Consolidated Financial Statements

19 Investments in subsidiaries — Company *(Continued)*

(c) Material non-controlling interests

The total non-controlling interest as at 31 December 2013 is HK$310,144,000, of which HK$217,006,000 is for TWE and HK$93,138,000 is attributed to BHE group.

Set out below are the summarised financial information of each subsidiary group that has non-controlling interest that are material to the Group.

Summarised balance sheet	TWE		BHE group	
	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000
Current				
Assets	**1,414**	6,018	**768**	1,246
Liabilities	**(52,022)**	(46,684)	**(719)**	(1,352)
Total net current (liabilities)/assets	**(50,608)**	(40,666)	**49**	(106)
Non-current				
Assets	**131,653**	134,423	**4,882**	5,380
Liabilities	**–**	–	**(9,556)**	(1,387)
Total net non-current assets/(liabilities)	**131,653**	134,423	**(4,674)**	3,993
Net assets/(liabilities)	**81,045**	93,757	**(4,625)**	3,887

Summarised income statement	TWE		BHE group	
	For the year ended 31 December 2013 HK$'000	For the year ended 31 December 2012 HK$'000	**For the year ended 31 December 2013 HK$'000**	For the year ended 31 December 2012 HK$'000
Revenue	**–**	–	**–**	–
Loss for the year	**(6,587)**	(2,408)	**(8,989)**	(1,892)
Other comprehensive (loss)/income	**(6,125)**	1,910	**477**	–
Total comprehensive loss	**(12,712)**	(498)	**(8,512)**	(1,892)
Total comprehensive (loss)/income allocated to non-controlling interests	**(17,711)**	4,125	**(26,734)**	(273)

Notes to the Consolidated Financial Statements

19 Investments in subsidiaries — Company *(Continued)*

(c) Material non-controlling interests *(Continued)*

Summarised cash flows	TWE	BHE group
	For the year ended 31 December 2013	
	HK$'000	HK$'000
Net cash used in operating activities	(6,215)	(9,149)
Net cash used in investing activities	(550)	(533)
Net cash generated from financing activities	2,429	8,169
Net decrease in cash and cash equivalents	(4,336)	(1,513)
Bank balances and cash at beginning of year	5,901	462
Exchange difference on bank balances and cash	(260)	1,676
Bank balances and cash at end of year	1,305	625

20 Amounts due from/(to) subsidiaries — Company

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	350,710	322,934
Less: Provision for impairment	(91,426)	(77,784)
	259,284	245,150
Amount due to a subsidiary	333	–

The amounts due are unsecured, interest-free and repayable on demand.

21 Interest in a joint venture — Group

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

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	–	298,401
Share of post-acquisition losses and other comprehensive losses, net of dividends declared	–	(10,851)
Less: Impairment losses recognised	–	(287,550)
	–	–

Notes to the Consolidated Financial Statements

21 Interest in a joint venture — Group *(Continued)*

Particulars of the joint venture are summarised as follows:

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

The Group held 50% equity interests in Qian An, an equity joint venture company established under the laws of the PRC. The other 50% of the equity interests of Qian An is beneficially owned by PetroChina Company Limited. Qian An is principally engaged in the exploitation of petroleum resources activities and production of petroleum. The major assets of Qian An include two producing oilfields, which cover a total area of approximately 15 square kilometres and have over 60 producing and suspended wells and related facilities in the Jilin Qian An area of the PRC. Pursuant to the joint venture agreement, the rights for Qian An to exploit and produce petroleum will expire on 19 December 2016.

Included in the cost of the interest in a joint venture was goodwill amounting to HK$196,119,000 arising from the acquisition of Qian An, which was fully impaired as at 31 December 2012.

As at 31 December 2012, the interest in Qian An was classified as assets of disposal group classified as held-for-sale (Note 30).

The Group's share of the assets and liabilities of its joint venture, and their aggregate assets and liabilities, was as follows:

	As at 31 December 2012 HK$'000
Assets	
Non-current assets	25,632
Current assets	10,007
	35,639
Liabilities	
Current liabilities	(36,557)
Non-current liabilities	(354)
	(36,911)
Net liabilities (Note)	(1,272)

Note: As at 31 December 2012, the Group's share of the assets and liabilities of its joint venture was nil since the Group has discontinued recognising its share of losses as the losses had exceeded the Group's carrying amount of investment. The unrecognised share of loss for the year ended 31 December 2012 was HK$1,272,000.

As at 31 December 2012, there were no contingent liabilities related to the Group's interest in a joint venture and no contingent liabilities of the joint venture itself.

Notes to the Consolidated Financial Statements

22 Amount due from a joint venture — Group

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Amount due from a joint venture	–	22,629
Less: Provision for impairment	–	(22,629)
	–	–

The Group carried out an assessment on the recoverability of amount due from a joint venture as at 31 December 2012. In view of the fact that the amount had been outstanding for a prolonged period and the timing of the repayment remained uncertain, the Group had made a full provision for such amount.

During the year ended 31 December 2012, the joint venture had declared a dividend of approximately HK$549,000 to the Group. The Group had carried out an assessment on the recoverability of this dividend receivable as at 31 December 2012. In view of the fact that the timing of the distribution remains uncertain, the Group had made a full provision for such amount.

23 Available-for-sale investment — Group and Company

	Year ended 31 December	
	2013 HK$'000	2012 HK$'000
At beginning of the year	1,484	529
Fair value change	(955)	955
Impairment loss (Note 9)	(152)	–
At end of the year	377	1,484

Available-for-sale investment comprises:

	As at 31 December	
	2013 HK$'000	2012 HK$'000
Listed securities, reporting as non-current assets:		
— Equity securities — listed overseas	377	1,484

The equity securities represented approximately 2.4% (2012: 2.6%) equity interests in Petromin Resources Ltd ("**Petromin**"), a related company of the Group (Note 38(a)).

As at the balance sheet date, the available-for-sale investment is measured at fair value. The equity securities are denominated in CAD.

Notes to the Consolidated Financial Statements

24 Trade receivables — Group

	As at 31 December 2013 HK$'000	2012 HK$'000
Trade receivables	**196**	2

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 2013 HK$'000	2012 HK$'000
Within 30 days	**87**	1
31–60 days	**–**	–
Over 60 days	**109**	1
	196	2

As at 31 December 2013, trade receivables of HK$109,000 (2012: HK$1,000) were past due but not impaired. These relate to 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 2013 HK$'000	2012 HK$'000
Over 60 days	**109**	1

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

	As at 31 December 2013 HK$'000	2012 HK$'000
HK$	**–**	1
US$	**196**	1
	196	2

Notes to the Consolidated Financial Statements

25 Deposits, prepayments and other receivables

	Group As at 31 December		Company As at 31 December	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Non-current				
Deposits	881	574	337	319
	881	574	337	319
Current				
Deposits	438	400	5	5
Prepayments	1,847	748	185	589
Other receivables	2,291	1,790	698	340
	4,576	2,938	888	934
Total deposits, prepayments and other receivables	5,457	3,512	1,225	1,253

26 Financial asset at fair value through profit or loss — Group

Financial asset at fair value through profit or loss represents investment in a convertible debenture issued by Petromin. The debenture bears interest at 9% per annum and will mature on 11 August 2014 ("**Debenture Maturity Date**"). The debenture is convertible into the ordinary shares of Petromin at the option of the Group before 11 August 2014 at CAD0.2 per share. Any remaining debenture will be automatically converted into the ordinary shares of Petromin at CAD0.2 per share at the maturity date.

If converted, the debenture represents approximately 4.4% (2012: 4.7%) of the outstanding common shares of Petromin as of 31 December 2013.

Change in fair value of financial asset at fair value through profit or loss amounted to a loss of HK$2,421,000 (2012: gain of HK$1,447,000) was recorded in "Other (losses)/gains, net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

27 Bank balances and cash

	Group As at 31 December		Company As at 31 December	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at banks and in hand	37,493	25,884	26,284	14,919

28 Trade and other payables — Group

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Trade payables	76	–
Other payables	4,872	10,085
Consideration payable (Note 35)	7,800	7,800
Accrued liabilities	16,898	15,305
	29,646	33,190

The amounts are repayable according to normal trade terms from 30 to 60 days.

As at 31 December 2013, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Within 30 days	76	–

29 Deferred income tax — Group

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

Deferred tax liabilities

	Oil and gas properties (Note) Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	253,423	248,265
Exchange differences	(17,141)	5,158
At end of the year	236,282	253,423

Note:

Deferred tax liabilities arose from the difference between the carrying value of oil and gas properties and their tax bases.

Notes to the Consolidated Financial Statements

29 Deferred income tax — Group *(Continued)*

Deferred tax assets

	Tax losses Year ended 31 December 2013 HK$'000	2012 HK$'000
At beginning of the year	5,690	4,906
Exchange differences	(384)	101
Credited to consolidated income statement (Note 13)	2,548	683
At end of the year	7,854	5,690

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Year ended 31 December 2013 HK$'000	2012 HK$'000
Deferred tax liabilities	236,282	253,423
Deferred tax assets	(7,854)	(5,690)
	228,428	247,733

Deferred tax assets and liabilities of the Group are expected to be recovered after more than 12 months.

30 Assets/(liabilities) held-for-sale and discontinued operations — Group

On 18 October 2012, the Board of Directors of the Company decided to sell 50% equity interest in Qian An, an equity joint venture company established in China (exploration, development and production of petroleum segment). The transaction was completed on 11 March 2013.

	Year ended 31 December 2013 HK$'000	2012 HK$'000
Operating cash outflows	–	(642)

Notes to the Consolidated Financial Statements

30 Assets/(liabilities) held-for-sale and discontinued operations — Group *(Continued)*

(a) Assets of disposal group classified as held-for-sale

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Property, plant and equipment	–	3
Deposits, prepayments and other receivables	–	57
Bank balances and cash	–	1,651
Total	–	1,711

(b) Liabilities of disposal group classified as held-for-sale

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Other payables	–	20,305

(c) Cumulative income recognised in other comprehensive income related to disposal group classified as held-for-sale

	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Translation reserve	–	540

Analysis of the result of discontinued operations of assets or disposal group is as follows:

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Other gain	–	2,574
Administrative and operating expenses	(21)	(2,357)
Finance income	–	1
Share of profits less losses of a joint venture	–	(3,148)
Loss for the year from discontinued operations	(21)	(2,930)

Notes to the Consolidated Financial Statements

31 Share capital

	Number of ordinary shares Year ended 31 December		Nominal value Year ended 31 December	
	2013	2012	2013	2012
	'000	'000	HK$'000	HK$'000
Authorised				
At beginning and end of the year				
Ordinary shares of HK$0.0025 each	20,000,000	20,000,000	50,000	50,000
Issued and fully paid				
At beginning of the year				
Ordinary shares of HK$0.0025 each	3,384,359	2,777,959	8,461	6,945
Issuance of new shares upon exercise of share options on 11 January 2013 (Note (i))	15,847	–	40	–
Issuance of new shares upon exercise of share options on 14 February 2013 (Note (i))	15,840	–	39	–
Issuance of new shares for acquisition of subsidiaries (Note (ii))	–	452,400	–	1,131
Issuance of new shares (Note (iii))	77,500	154,000	194	385
At end of the year				
Ordinary shares of HK$0.0025 each	3,493,546	3,384,359	8,734	8,461

Notes:

(i) During the year ended 31 December 2013, the Company allotted and issued 15,847,200 and 15,840,000 shares of HK$0.0025 each in the share capital of the Company for cash at exercise prices of HK$0.0635 and HK$0.1125 per share respectively, as a result of the exercise of share options.

(ii) The Company issued 452,400,000 ordinary shares (the "**Consideration Shares**") on 15 May 2012 to the sole shareholder of Hugo Link Global Investments Limited ("**Hugo Link**") as part of the purchase consideration for 95% of issued share capital of Hugo Link. The Consideration Shares rank pari passu with the existing shares in all respects except that the Consideration Shares are restricted to be transferred, sold, lent, charged, and mortgaged within 12 months from 15 May 2012. The fair value of the Consideration Shares, determined using the published closing price on 15 May 2012, amounted to approximately HK$83,694,000 at HK$0.185 each.

(iii) On 10 August 2012, the Company has completed a share placement to raise HK$23,408,000 by issuing 154,000,000 ordinary shares at a price of HK$0.152 per share. After deducting the costs and expenses in connection with the placing amounting to HK$819,000, the net proceeds from issue of ordinary shares is HK$22,589,000.

On 10 May 2013, Cedrus Investments Limited, an existing shareholder of the Company, subscribed for an additional 77,500,000 new shares of the Company at HK$0.150 per new share, raising net proceeds of approximately HK$11,625,000.

All the above shares rank pari passu in all respects with other shares in issue.

Notes to the Consolidated Financial Statements

32 Share premium and reserves — Company

	Share premium HK$'000	Capital reserve HK$'000	Available-for-sale investment reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2012	807,881	871	–	117,097	23	(732,111)	193,761
Comprehensive loss							
Loss for the year	–	–	–	–	–	(73,825)	(73,825)
Other comprehensive income							
Fair value gain on available-for-sale investment	–	–	955	–	–	–	955
Total comprehensive loss	–	–	955	–	–	(73,825)	(72,870)
Transactions with shareholders							
Recognition of equity settled share-based payments	–	–	–	17,884	–	–	17,884
Issuance of new shares for acquisition of subsidiaries (Note 31(ii))	82,563	–	–	–	–	–	82,563
Issuance of new shares (Note 31(iii))	22,204	–	–	–	–	–	22,204
Issuance of warrants (Note (i))	–	–	–	–	125	–	125
Total transactions with shareholders	104,767	–	–	17,884	125	–	122,776
As at 31 December 2012	912,648	871	955	134,981	148	(805,936)	243,667
As at 1 January 2013	912,648	871	955	134,981	148	(805,936)	243,667
Comprehensive income							
Profit for the year	–	–	–	–	–	3,617	3,617
Other comprehensive loss							
Fair value loss on available-for-sale investment	–	–	(955)	–	–	–	(955)
Total comprehensive loss	–	–	(955)	–	–	3,617	2,662
Transactions with shareholders							
Recognition of equity settled share-based payments	–	–	–	7,523	–	–	7,523
Exercise of share options	5,371	–	–	(2,662)	–	–	2,709
Lapse/forfeiture of share options	–	–	–	(55,397)	–	55,397	–
Lapse of warrants (Note (ii))	–	–	–	–	(23)	23	–
Issuance of new shares (Note 31(iii))	11,431	–	–	–	–	–	11,431
Total transactions with shareholders	16,802	–	–	(50,536)	(23)	55,420	21,663
As at 31 December 2013	929,450	871	–	84,445	125	(746,899)	267,992

Notes:

(i) In August 2012, the Company has entered into an agreement with an independent third party whereby the Company agreed to issue and the independent third party agreed to subscribe for 50,000,000 warrants at a subscription price of HK$0.38 per warrant.

Each warrant carried the right to subscribe for one new share of the Company.

(ii) In June 2013, 230,000,000 warrants that were issued to independent third parties with an issue price of HK$0.0001 per warrant in June 2011 have expired.

Notes to the Consolidated Financial Statements

33 Share option schemes

(a) On 25 January 2003 and 12 May 2011, share option schemes ("2003 Share Option Scheme" and "2011 Share Option Scheme", respectively) were approved and adopted pursuant to resolutions of the Company. The purpose of the 2003 Share Option Scheme and 2011 Share Option Scheme is to enable the Group to recognise the contribution of the participants to the Group and to motivate the participants to continue working for the benefit of the Group by offering the participants an opportunity to have personal interest in the share capital of the Company. The board of Directors may, at its discretion, grant share options to any employees, consultants and advisers of the Company or its subsidiaries, including executive, non-executive and independent non-executive Directors, to subscribe for shares of the Company. The 2003 Share Option Scheme and 2011 Share Option Scheme remain in force for a period of ten years with effect from 25 January 2003 and 12 May 2011, respectively.

The maximum number of shares in respect of which share options may be granted under the 2003 Share Option Scheme and 2011 Share Option Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30% should the shareholders of the Company renew the 10% limit, from time to time which have been duly allotted and issued.

The exercise price for shares under the 2003 Share Option Scheme and 2011 Share Option Scheme may be determined by the board of Directors at its absolute discretion but in any event will be at least the highest of: (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of the shares on the date of grant of the option.

Any share options granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue on the date of such grant and an aggregate value, based on the closing price of the shares of the Company at the date of grant in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time, in any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The share options granted may be exercised at any time or times during a period to be determined and notified by the board of Directors which period of time shall commence after the date of grant of the share options and expire on such date as determined by the board of Directors in any event no later than 10 years from the date of the grant of such share options. A nominal consideration of HK$1 is payable on acceptance of the grant of a share option under the 2003 Share Option Scheme and 2011 Share Option Scheme.

Notes to the Consolidated Financial Statements

33 Share option schemes *(Continued)*

(b) Movements in the number of share options outstanding and their weighted average exercise prices for the year ended 31 December 2013 are as follows:

	Weighted average exercise price (per share) HK$	Outstanding Options
As at 1 January 2012	0.68	299,557,200
Granted	0.16	36,950,000
Forfeited	0.44	(50,000)
As at 31 December 2012	0.63	336,457,200
Exercisable as at 31 December 2012	0.76	206,317,200
As at 1 January 2013	**0.63**	**336,457,200**
Exercised	**0.09**	**(31,687,200)**
Lapsed/forfeited	**1.97**	**(41,840,000)**
As at 31 December 2013	**0.48**	**262,930,000**
Exercisable as at 31 December 2013	**0.50**	**244,455,000**

Share options outstanding as at 31 December 2013 and 2012 have the following expiry dates and exercise prices:

Expiry date	**Exercise price (per share) HK$**	**Outstanding options as at 31 December 2013**
19 June 2018 (Note 2)	**0.23**	**9,850,000**
15 June 2019 (Note 2)	**0.73**	**29,480,000**
6 October 2019 (Note 2)	**0.75**	**350,000**
4 February 2020 (Note 2)	**0.51**	**57,430,000**
8 July 2020 (Note 3)	**0.56**	**78,970,000**
22 June 2021 (Note 4)	**0.44**	**49,900,000**
30 December 2022 (Note 4)	**0.16**	**36,950,000**
		262,930,000

Notes to the Consolidated Financial Statements

33 Share option schemes *(Continued)*

(b) *(Continued)*

Expiry date	Exercise price (per share) HK$	Outstanding options as at 31 December 2012
24 January 2013 (Note 1)	0.11	15,840,000
24 January 2013 (Note 1)	1.37	16,500,000
24 January 2013 (Note 1)	0.58	1,000,000
24 January 2013 (Note 1)	2.44	24,200,000
24 January 2013 (Note 1)	0.06	15,847,200
19 June 2018 (Note 2)	0.23	9,850,000
15 June 2019 (Note 2)	0.73	29,480,000
6 October 2019 (Note 2)	0.75	410,000
4 February 2020 (Note 2)	0.51	57,480,000
8 July 2020 (Note 3)	0.56	79,000,000
22 June 2021 (Note 4)	0.44	49,900,000
30 December 2022 (Note 4)	0.16	36,950,000
		336,457,200

Notes:

(1) The exercise price of share options was adjusted upon the subdivision of shares of the Company which came to effect on 29 August 2007.

(2) Regarding the share options granted on 19 June 2008, 15 June 2009, 6 October 2009 and 4 February 2010, 50% of which shall be exercised in a period commencing two years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the tenth anniversary from the date of grant.

(3) Regarding the share options granted on 9 July 2010, 50% of which shall be exercised in a period commencing two years from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing three years from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant.

(4) Regarding the share options granted on 23 June 2011 and 31 December 2012, 50% of which shall be exercised in a period commencing one year from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant. The balance of 50% of the share options shall be exercised in a period commencing two years from the date of grant and expiring on the date falling one day preceding the tenth anniversary from the date of grant.

The aggregate share-based payment expense of HK$3,581,000 (2012: HK$3,270,000) in relation to stock options granted to employees of the Group was charged to the consolidated income statement. The share-based payment expense in relation to stock options granted to non-employees amounted to HK$3,942,000 (2012: HK$14,614,000), of which HK$2,521,000 (2012: HK$9,722,000) was recorded as investor relations expenses and HK$1,421,000 (2012: HK$4,892,000) was recorded as technical consultancy expenses, in the consolidated income statement.

Notes to the Consolidated Financial Statements

33 Share option schemes *(Continued)*

(b) *(Continued)*

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

31,687,200 options were exercised during the year (2012: nil). Options exercised in 2013 resulted in 31,687,200 shares being issued at a weighted average price of HK$0.09 each. The related weighted average share price at the time of exercise was HK$0.19 per share.

(c) The fair values of the share options granted during the year ended 31 December 2012 were derived from Binomial option pricing model by applying the following bases and assumptions:

Date of grant	Dividend yield	Expected volatility (i)	Risk-free rate (ii)	Price of the Company's shares at grant date of options (iii) HK$ per share
31 December 2012	Nil	70.30%	0.60%	HK$0.163

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

(ii) The risk-free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes ("**EFN**") as at the grant date. In this valuation, the yield of 10-year EFN has been adopted in the estimation of risk-free rate for the share options; and

(iii) The price of the Company's shares disclosed as at the date of grant of the share options was the closing price on the date of grant of the options.

The fair value of the share options during the year ended 31 December 2012 has been arrived at on the basis of a valuation carried out on date of grant by Vigers Appraisal and Consulting Limited. The values of the options are subject to the limitations of the Binomial option pricing model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially affect the fair value estimate.

The outstanding share options as at 31 December 2013 had a weighted average remaining contractual life of 6.76 years (2012: 6.08 years). The weighted average fair value of options granted during the year ended 31 December 2012 determined using the Binomial valuation model was HK$0.12 per option.

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

At 31 December 2013, the Company had 262,930,000 (2012: 336,457,200) share options outstanding under the Share Option Scheme, which represented approximately 7.53% (2012: 9.94%) of the Company's shares in issue at that date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to the Consolidated Financial Statements

34 Employee retirement benefit

The Group enrolled all Hong Kong employees in a Mandatory Provident Fund ("**MPF**") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The total cost charged to consolidated income statement of approximately HK$176,000 represents contributions payable to these schemes by the Group during the year ended 31 December 2013 (2012: HK$185,000).

35 Acquisition of Hugo Link Global Investments Limited ("Hugo Link")

On 15 May 2012, the Group acquired 95% of the issued share capital of Hugo Link for consideration of HK$110,994,000, comprised of US$3,500,000 (equivalent to approximately HK$27,300,000) in cash and HK$83,694,000 in the form of 452,400,000 new Company shares. As a result of the acquisition, Hugo Link holds 95% of BHE which in turn holds 37.5% of GM. BHE also holds currently exercisable warrants in GM which upon exercise will bring its shareholding in GM to 60%.

GM is a company established in Indonesia, principally engaged in marble rock mining and related business, and having a mining permit covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency, Indonesia. The mining permit is valid until 22 January 2017 and is renewable for two 10-year periods.

The acquisition of Hugo Link is accounted for as an asset purchase rather than a business combination because GM was still in the very early stage and its main asset is the mining property.

The following assets and liabilities were acquired as part of the transaction:

	HK$'000
Property, plant and equipment	1,413
Exploration and evaluation assets — mining properties	180,758
Deposits, prepayments and other receivables	830
Bank balances and cash	907
Other payables	(551)
Fair value of net assets	183,357
Non-controlling interests	(120,145)
Warrants in GM recorded in Other reserve (Note 19(b))	47,782
Total consideration — shown as below	110,994

Notes to the Consolidated Financial Statements

35 Acquisition of Hugo Link Global Investments Limited ("Hugo Link") *(Continued)*

	HK$'000
Total consideration satisfied by:	
Cash deposit utilised	19,500
Consideration payable (Note 28)	7,800
Fair value of shares issued (Note 31(ii))	83,694
Total consideration	110,994

36 Gain on disposal of subsidiaries

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

	For the year ended 31 December 2013 HK$'000
Net assets disposed of:	
Property, plant and equipment	2
Deposits, prepayments and other receivables	6
Bank balances and cash	1,563
Other payables	(20,217)
	(18,646)
Add: Translation reserve	(509)
Add: Professional expenses incurred on disposal	61
	(19,094)
Gain on disposal of subsidiaries	81,934
Total consideration	62,840
Total consideration satisfied by:	
Cash	62,840

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

Notes to the Consolidated Financial Statements

37 Transactions with TWE, a non-wholly owned subsidiary

(i) On 25 July 2010, Aces Diamond, a wholly-owned subsidiary of the Company, entered into a subscription agreement pursuant to which Aces Diamond has agreed to subscribe for 90,000,000 ordinary shares, 90,000,000 C Warrants of TWE and 90,000,000 D Warrants of TWE at the subscription price of CAD 4,500,000 (equivalent to HK$33,300,000 based on the then exchange rate).

On 25 July 2010, Aces Diamond completed the subscription for 27,000,000 ordinary shares, 27,000,000 C Warrants and 27,000,000 D Warrants of TWE for a consideration of CAD1,350,000 (equivalent to HK$10,141,000) pursuant to the above agreement. After this subscription, the Group's controlling interests in TWE has increased from 61.07% to 64.98%. Assuming immediately after this subscription and all C Warrants and D Warrants are exercised in full, the controlling interests of the Company, through Aces Diamond and Chavis, in TWE will increase from approximately 68.02% to 74.25% of the issued common shares, preferred shares, warrants and options outstanding in the capital of TWE on a fully diluted basis.

(ii) On 1 April 2011, Aces Diamond completed the subscription for 63,000,000 ordinary shares, 63,000,000 C Warrants and 63,000,000 D Warrants of TWE for a consideration of CAD3,150,000 (equivalent to HK$25,200,000) pursuant to the above agreement mentioned in Note 37(i). After this subscription, the Group's controlling interests in TWE has increased from 64.98% to 71.61%. Assuming after this subscription, all C Warrants and D Warrants are exercised in full, the controlling interests of the Company, through Aces Diamond and Chavis, in TWE will increase from approximately 74.25% to 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis as at 31 December 2011.

TWE has remained a subsidiary of the Group after this transaction mentioned immediately above, therefore, the difference between the consideration paid and the share of the carrying value of the net assets of TWE acquired of HK$49,310,000 is recorded in equity in the year ended 31 December 2011.

(iii) As at 31 December 2012 and 31 December 2013, all of the C Warrants and D Warrants mentioned in Note 37(i) and (ii) were not expired nor exercised.

38 Related party transactions

The Group entered into the following material related party transactions during the year ended 31 December 2013 and 2012.

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Reimbursement of expenses paid by Petromin on behalf of the Group	**–**	232
Professional services income paid/payable by Petromin	**–**	(150)
Reimbursement of expenses paid by the shareholders of GM and its related parties	**–**	330
Operating lease payments to a related company (Note (b))	**250**	–

Notes to the Consolidated Financial Statements

38 Related party transactions *(Continued)*

(a) Transactions with Petromin

Petromin Resources Limited ("**Petromin**") is a related company of the Group in which Mr. Chan Wing Him Kenny and Dr. Arthur Ross Gorrell, both being executive Directors of the Company, have a beneficial interest and take up key management positions. As at 31 December 2013: (i) Mr. Chan Wing Him Kenny held 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.11% of the issued common share capital) in Petromin; (ii) Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 5.72% of the issued common share capital) and 1,500,000 stock options entitling him to subscribe for 1,500,000 common shares (representing approximately 2.11% of the issued common share capital) in Petromin. Mr. Chan Wing Him Kenny is also the Co-Chairman of Petromin, while Dr. Arthur Ross Gorrell is the Co-Chairman, president and the chief executive officer of Petromin.

As at 31 December 2013, the Group held approximately 2.4% equity interests in Petromin, and certain convertible debentures issued by Petromin. The debenture is convertible into 3,150,000 common shares of Petromin (approximately 4.4% of the outstanding common shares of Petromin as of 31 December 2013).

(i) Co-operative agreement with Petromin and CUCBM

On 25 January 2008, the Company entered into a co-operative agreement ("**Co-operative Agreement**") with Petromin and CUCBM (collectively "**All Parties**"). Pursuant to the Co-operative Agreement, All Parties entered into a co-operation ("**Co-operation**") in accordance with the legislation of the PRC. The purpose for the Co-operation would be to jointly evaluate and implement deep un-mineable coal carbon dioxide sequestration and enhanced CBM production project in the PRC.

Pursuant to the Co-operative Agreement, (a) the Co-operation commenced on 1 January 2008 and would be effective for five years or until terminated as provided therein; and (b) the first phase would last for two years and the second phase would last for three years or longer as required to demonstrate the project. On 10 March 2010, All Parties entered into a first supplemental agreement to the Co-operative Agreement, pursuant to which All Parties have agreed to extend the Co-operation to five and a half years, as to two and a half years for the first phase and as to three years for the second phase, or until terminated as provided therein. On 30 November 2010, All Parties have further entered into a second supplemental agreement to the Co-operative Agreement and first supplemental agreement, pursuant to which All Parties have agreed to extend the Co-operation to six years, as to three years each for the first and second phases, or until terminated as provided therein.

CUCBM, Petromin and the Company would be entitled to 60%, 20% and 20% of the income, intellectual property and/or benefits derived from the Co-operation respectively. Each party would contribute to the capital of the Co-operation, in cash or property in agreed upon value. As at 31 December 2013, no legal entity has been formed pursuant to this Co-operation.

(ii) From time to time, the Group reimburses Petromin for miscellaneous expenses such as travelling and accommodation costs paid on the Group's behalf at cost.

Notes to the Consolidated Financial Statements

38 Related party transactions *(Continued)*

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

(c) Transactions with other related parties

The Group also reimburses the non-controlling shareholders of GM and its related parties for miscellaneous expenses such as travelling and accommodation costs paid on the Group's behalf at cost.

(d) Key management personnel compensation

Key management includes executive directors of the Company and senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and other benefits	22,143	19,612
Retirement benefit scheme contributions	48	55
Share-based payments	3,268	3,088
Discretionary and performance related incentive payments	6,967	5,408
	32,426	28,163

39 Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	2,376	2,920	992	1,061
After one year but within five years	2,467	1,196	2,272	122
	4,843	4,116	3,264	1,183

Operating lease payments represent rentals payable by the Group for certain of its office properties for the lease term ranges from one to five years.

Notes to the Consolidated Financial Statements

40 Capital commitments

	As at 31 December 2013 HK$'000	2012 HK$'000
Other commitments authorised but not contracted for in respect of:		
— PSC	–	630
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
— Oil & gas exploration activities	3,719	3,598
	3,719	4,228

41 Contingent liabilities

As at 31 December 2013, the Group did not have any contingent liabilities (2012: Nil).

42 Subsequent events

(a) On 20 February 2014 and 11 March 2014, the Company, through its subsidiary, Migo Asia Pacific Limited ("**Migo Asia**"), entered into the Master Services Agreement and Supplemental Agreement with PT Baramas Mandiri ("**Baramas**"), pursuant to which (1) Migo Asia has agreed to, among others, provide to Baramas certain technical and management services, and related support to develop the oilfield minerals business of Baramas in Indonesia; and (2) Baramas has granted Migo Asia a first right of refusal to invest up to 20% of the capital of Baramas.

(b) On 21 January 2014, BHE entered into a co-operation agreement with PT. Utama Granitindo Mandiri, an independent third party, whereby PT. Utama Granitindo Mandiri has agreed to appoint BHE as general distributor in Indonesia and exclusive distributor overseas for its marble products.

In concert with the business development announced above, the Group has decided to place the operations at the marble quarry at Barabatu, Labakkang District, Pangkep Regency, South Sulawesi Province, Indonesia, which is owned by an independent third party, on care and maintenance.

Five Years Financial Statement Summary

Consolidated Income Statement

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	1,154	69	164	379	310
Cost of Sales	(266)	(35)	(123)	(297)	(246)
Gross profit	888	34	41	82	64
Selling and distribution expenses	(613)	–	–	–	–
Administrative and operating expenses	(65,921)	(74,189)	(74,076)	(99,234)	(44,095)
Share of profits less losses of:					
— a joint venture before impairment loss	–	–	–	964	(3,279)
— a joint venture's impairment loss	–	–	–	–	(59,748)
Gain on disposal of subsidiaries	81,934	–	–	–	–
Other (losses)/gains, net	(2,008)	1,597	(1,753)	(3,177)	(509)
Operating profit/(loss)	14,280	(72,558)	(75,788)	(101,365)	(107,567)
Finance income	440	442	454	512	42
Profit/(loss) before taxation	14,720	(72,116)	(75,334)	(100,853)	(107,525)
Income tax	2,548	683	388	4,618	–
Profit/(loss) for the year from continuing operations	17,268	(71,433)	(74,946)	(96,235)	(107,525)
Loss for the year from discontinued operations	(21)	(2,930)	(2,428)	–	–
Profit/(loss) for the year	17,247	(74,363)	(77,374)	(96,235)	(107,525)
Non-controlling interests	(3,476)	(945)	(676)	909	(930)
Profit/(loss) attributable to equity holders of the Company	20,723	(73,418)	(76,698)	(97,144)	(106,595)

Consolidated Balance Sheet

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	1,211,226	1,324,020	1,132,678	1,116,325	1,032,238
Current assets	43,165	33,856	52,875	161,436	104,247
Current liabilities	(29,646)	(53,495)	(27,756)	(47,092)	(40,890)
Non-current liabilities	(228,428)	(247,733)	(243,359)	(249,083)	(240,941)
Net assets	996,317	1,056,648	914,438	981,586	854,654