2014
Annual Report

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)

Extending Our Operational Research

Contents

Corporate INFORMATION

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

Mr. Ho Kam Fung

Compliance Officer

Mr. Chan Wing Him Kenny

Authorised Representatives

Mr. Chan Wing Him Kenny
Mr. Ho Kam Fung

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

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100 Cyberport Road
Hong Kong

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)*
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Company Website

www.enviro-energy.com.hk

Stock Code

1102.HK

Welcome

CHAN Wing Him Kenny
Chairman and CEO

Dear Shareholders,

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

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

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

Chairman's Statement

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

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

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

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

CHAN Wing Him Kenny
Chairman and Chief Executive Officer
Hong Kong, 27 February 2015

Management Discussion and Analysis

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

Business Review

Marble business — operations

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

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

During the year ended 31 December 2014, the Group steadily increased the marketing of marble products globally via various channels. With processing and warehouse facilities in place, the Group began to generate orders for the domestic Indonesian market. The overseas market also started to open up after the Indonesian government lifted the export ban on marble products in April 2014. The current operating arrangements between the Group and the concession owner do not necessitate qualification of marble resource/reserves according to international reporting standards. If and when the Group requires the qualification of the marble resources/reserves according to a reportable standard, such qualification will be completed and shared with shareholders of the Company.

Marble business — resources & reserves

As at 31 December 2014 , the Company indirectly held approximately 90% of PT. Bara Hugo Energy ("**BHE**") which in turn held 37.5% of PT. Grasada Multinational ("**GM**"), which held a mining permit covering the Maros Marble Project in southwestern Sulawesi, Indonesia ("**GM Quarry**"). BHE also held warrants in GM which upon exercise will bring its shareholding in GM to 60%.

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

As disclosed in the Company's announcement dated 17 February 2014, the Company completed a competent person's report ("**CPR**") regarding the GM quarry. According to the CPR, as of 30 November 2013, the total proved and probable gross (100%) mineable reserve of marble estimated was approximately 2,613,000 m^3.

Management Discussion and Analysis

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

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

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

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

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

Management Discussion and Analysis

Unconventional natural gas business — resources

As at 31 December 2014, the Company, through its wholly-owned subsidiaries, held approximately 71.61% of the issued common shares and preferred shares in the capital of TerraWest Energy Corp. ("**TWE**"), or approximately 82.92% of the issued common shares, preferred shares and warrants outstanding in the capital of TWE on a fully diluted basis, respectively. TWE holds a 47% interest in and is the operator in the first and currently the only, foreign-operated coalbed methane ("**CBM**") production sharing contract ("**PSC**") in the Junggar Basin of Xinjiang, China. China National Petroleum Corporation ("**CNPC**") holds the remaining 53% of the PSC.

As previously disclosed in the announcements of the Company dated 28 April 2014 and 7 July 2014, TWE has declared a dispute ("**Dispute**") with CNPC in relation to the PSC. TWE has subsequently advised its shareholders that it has taken advice from its retained special international arbitration counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC ("**Termination**"), which is a purported termination and is not effective until it has been ruled by the arbitration tribunal following the hearing. In reaching the decision on the Termination, TWE has taken into account CNPC's breaches of the PSC, including the breakdown in the relationship between TWE and CNPC, the reduction in the CBM exploration area as previously reported and the scale of ongoing coal mining activities, and the fact that the project is no longer operationally viable.

On 4 July 2014, TWE's counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina Company Limited and CNPC. By this notice of arbitration, TWE seeks an award of damages ("**Damages**") as compensation for the losses caused by CNPC's prior breaches of the PSC, together with declaratory relief, costs and interest. The amount of damages has taken into account, among others (i) the CBM discovered resources as previously reported by an independent third party in 2010 according to reporting standard National Instrument 51–101 Standards of Disclosure for Oil and Gas Activities; and (ii) the original gas in place as previously reported by an independent third party in 2011 according to Petroleum Resources Management System of the Society of Petroleum Engineers, details of which are set out below.

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

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

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

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

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

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

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

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

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

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

Business Prospects

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

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

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

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

Management Discussion and Analysis

Financial Review

Oil and gas segment

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

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

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

Marble segment

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

Information technology ("IT") and network infrastructure segment

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

Administrative and operating expenses

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

Management Discussion and Analysis

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

Other comprehensive income

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

Loss attributable to equity holders of the Company

As a result of the above-mentioned factors, loss attributable to equity holders of the Company for the year ended 31 December 2014 amounted to approximately HK$84.4 million (2013: profit of HK$20.7 million).

Liquidity and Financial Resources

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

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

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

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

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

As at 31 December 2014, the Group had no payables incurred which were not in the ordinary course of business and accordingly its gearing ratio was nil (as at 31 December 2013: Nil).

Management Discussion and Analysis

Charge on Group Assets

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

Foreign Exchange Exposure

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

Capital Commitments

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

Contingent Liabilities

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

Significant Investments and Future Plans for Material Investments

As announced on 21 February 2014, the Group entered into an arrangement with PT. Baramas Mandiri ("**Baramas**") to develop the industrial minerals business in Southeast Asia, which includes a first right of refusal to invest up to 20% in Baramas.

Save as disclosed above, during the year ended 31 December 2014, the Group did not make any significant investments or future plans for material investments. The Group will continue to explore new opportunities in resource-related projects and to look for potential investments in Southeast Asia, the PRC and overseas.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Employees' Information

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

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 2014, 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 23 August 2013, the Company adopted a new code of conduct regarding directors' securities transactions ("**Model Code**") based on the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with the Model Code throughout the year ended 31 December 2014.

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 20 to 21 of this report.

The Board meets regularly and at least twice a year. The Board held seven meetings during the year ended 31 December 2014. The attendance of individual Directors at Board and Board committee meetings during 2014 is set out in the following table:

	Meetings attended/eligible to attend (Note)		
Name of Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Chan Wing Him Kenny	6/7	–	1/1
Arthur Ross Gorrell	6/7	–	–
Independent Non-executive Directors			
David Tsoi	7/7	2/2	–
Lo Chi Kit	6/7	2/2	1/1
Tam Hang Chuen	7/7	2/2	1/1

Notes: 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**").

During the year ended 31 December 2014, 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.

Corporate Governance Report

In compliance with Code Provision C.1.2 of the CG Code, during the year ended 31 December 2014, 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 2014, 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.

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 2014.

During the year ended 31 December 2014, the role of the proposed nomination committee was performed by the Board. The Board is of the view that this has not prejudiced the Company in appointment of directors for the following reasons:

- The INEDs form the majority of the Board; and

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

Board diversity policy

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report

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 2014, 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, legal and ethical issues in financing a commercial lawsuit, investing in China, energy and mining sectors in Indonesia, investing in Vietnam and Shanghai-Hong Kong Stock Connect Investor Education. 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.

During the year ended 31 December 2014, 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
Arthur Ross Gorrell	A/B
Independent Non-executive Directors	
David Tsoi	A/B
Lo Chi Kit	A/B
Tam Hang Chuen	A/B

A: attending seminars and/or conferences and/or forums.
B: 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 2014.

Independent auditors' remuneration

During the year ended 31 December 2014, the independent auditors provided the following audit and permissible non-audit services to the Company:

	2014	2013
	HK$'000	HK$'000
Audit for current year	**1,396**	1,775

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 2014 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.

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 2014, 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 13 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.

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.

One meeting of the Remuneration Committee had been held during the year ended 31 December 2014. A meeting of the Remuneration Committee was held on 29 December 2014 for reviewing and approving the year-end bonus for 2014 for certain Directors. 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 13 of this report.

Corporate Governance 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.

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 2014. 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 2014 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 2014.

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.

Corporate Governance Report

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.

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. The results of the voting by poll are published on the websites of the Stock Exchange and the Company on the day of the annual general meeting.

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 2014. 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 64, 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 67, 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 of the Stock Exchange) and Universal Technologies Holdings 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 59, 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.

Senior management

Mr. WONG Sum Lok Sam, aged 65, 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.

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 36, 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.

Mr. HO Kam Fung, aged 35, was appointed as Company Secretary and Authorised Representative of the Company in June 2014. Mr. Ho has joined the Group as Finance Manager since July 2010. He is mainly responsible for the accounting and company secretarial functions of the Group. Mr. Ho has over 10 years of experience in the field of accounting, auditing and financial management. Mr. Ho holds a Bachelor of Commerce degree in Accounting and a Master degree in International Business from the University of Wollongong, Australia, and is a member of CPA Australia.

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 2014.

Principal activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 20 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 2014.

The results of the Group for the year ended 31 December 2014 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 2014 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 2014 are set out in note 30 to the consolidated financial statements.

Reserves

As at 31 December 2014, 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$152.7 million in aggregate as at 31 December 2014, 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 2014 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 2014, sales to the Group's five largest customers accounted for approximately 90% of the Group's total sales and sales to the largest customer included therein accounted for approximately 37%.

During the year ended 31 December 2014, purchases from the Group's five largest suppliers accounted for approximately 100% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 93%.

Save as disclosed above, during the year ended 31 December 2014, 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 2014 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. Lo Chi Kit and Mr. Tam Hang Chuen 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 and senior management profile

Biographical details of the Directors and senior management of the Group are set out on pages 20 to 21 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. They are subject to retirement by rotation and re-election pursuant to the Articles of Association.

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 35 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 2014.

Report of the Directors

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

As at 31 December 2014, the interests and short positions of each Director and chief executive of the Company, if any, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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	2,170,463,623 (Note 1)	589,070,172	2,759,533,795	
	Beneficial owner	Personal interest	37,021,800	44,296,252 (Note 2)	81,318,052	
			2,207,485,423	633,366,424	2,840,851,847	54.21%
Arthur Ross Gorrell	Beneficial owner	Personal interest	2,625,000	7,094,594 (Note 2)	9,719,594	0.19%
David Tsoi	Beneficial owner	Personal interest	–	2,128,379 (Note 2)	2,128,379	0.04%
Lo Chi Kit	Beneficial owner	Personal interest	–	1,560,811 (Note 2)	1,560,811	0.03%
Tam Hang Chuen	Beneficial owner	Personal interest	1,500,000	1,151,352 (Note 2)	2,651,352	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 2,170,463,623 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, the 2011 Share Option Scheme (hereinafter defined) and warrants granted upon the completion of an open offer by the Company on 18 November 2014.

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

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

So far as is known to any Director, as at 31 December 2014, the following parties (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Interests or short positions in ordinary shares 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	2,759,533,795 (Note 1)	52.66%
Cool Legend Limited ("**Cool Legend**")	Long positions	Beneficial owner	452,400,000 (Note 2)	8.63%

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 2,759,533,795 shares or underlying shares held by Colpo. Mr. Chan Wing Him Kenny's indirect interests in 2,759,533,795 shares or underlying 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". Mr. Chan Wing Him Kenny is the sole director of Colpo.

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 2014, no person (other than the Directors whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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.

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 2014 were as follows:

Movement in the 2003 Share Option Scheme

Name or category of participants	Date of grant	Exercise period	Adjusted Exercise price per share (HK$)	As at 1 January 2014	Granted during the year	Lapsed/ cancelled during the year	Adjusted during the year	As at 31 December 2014
Executive Directors								
Chan Wing Him Kenny	19/06/2008	19/06/2010 to 19/06/2018	0.1632	500,000[(1)]	–	–	209,459	709,459[(1)]
	15/06/2009	15/06/2011 to 15/06/2019	0.5145	2,000,000[(1)]	–	–	837,838	2,837,838[(1)]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	8,500,000[(2)]	–	–	3,560,811	12,060,811[(2)]
Arthur Ross Gorrell	19/06/2008	19/06/2010 to 19/06/2018	0.1632	500,000[(1)]	–	–	209,459	709,459[(1)]
	15/06/2009	15/06/2011 to 15/06/2019	0.5145	2,000,000[(1)]	–	–	837,838	2,837,838[(1)]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	500,000[(2)]	–	–	209,459	709,459[(2)]
Independent non-executive Directors								
David Tsoi	15/06/2009	15/06/2011 to 15/06/2019	0.5145	750,000[(1)]	–	–	314,189	1,064,189[(1)]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	250,000[(2)]	–	–	104,730	354,730[(2)]
Lo Chi Kit	15/06/2009	15/06/2011 to 15/06/2019	0.5145	600,000[(1)]	–	–	251,351	851,351[(1)]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	100,000[(2)]	–	–	41,892	141,892[(2)]
Tam Hang Chuen	15/06/2009	15/06/2011 to 15/06/2019	0.5145	100,000[(1)]	–	–	41,892	141,892[(1)]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	100,000[(2)]	–	–	41,892	141,892[(2)]
				15,900,000	–	–	6,660,810	22,560,810

Report of the Directors

Name or category of participants	Date of grant	Exercise period	Adjusted Exercise price per share (HK$)	As at 1 January 2014	Granted during the year	Lapsed/ cancelled during the year	Adjusted during the year	As at 31 December 2014
Other employees								
In aggregate	19/06/2008	19/06/2010 to 19/06/2018	0.1632	8,350,000[1]	–	(8,350,000)	–	–
	15/06/2009	15/06/2011 to 15/06/2019	0.5145	4,030,000[1]	–	(4,000,000)	12,568	42,568[1]
	04/02/2010	04/02/2012 to 04/02/2020	0.3622	7,180,000[1]	–	(5,000,000)[1]	913,243	3,093,243[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	7,670,000[2]	–	(5,500,000)[2]	909,054	3,079,054[2]
				27,230,000	–	(22,850,000)[1]	1,834,865	6,214,865
Others								
In aggregate	19/06/2008	19/06/2010 to 19/06/2018	0.1632	500,000[1]	–	–	209,459	709,459[1]
	15/06/2009	15/06/2011 to 15/06/2019	0.5145	20,000,000[1]	–	–	8,378,378	28,378,378[1]
	06/10/2009	06/10/2011 to 06/10/2019	0.5286	350,000[1]	–	–	146,622	496,622[1]
	04/02/2010	04/02/2012 to 04/02/2020	0.3622	50,250,000[1]	–	–	21,050,676	71,300,676[1]
	09/07/2010	09/07/2012 to 08/07/2020	0.3947	61,850,000[2]	–	–	25,910,135	87,760,135[2]
				132,950,000	–	–	55,695,270	188,645,270
			Total:	176,080,000[3]	–	(22,850,000)	64,190,945	217,420,945[3]
Weighted average exercise price per share (HK$)				0.56	–	0.46		0.40

Notes:

(1) 50% of the share options are exercisable in a period commencing two (2) years from the date of grant and expiring on the tenth anniversary from the date of grant. The balance of 50% of the share options are exercisable in a period commencing three (3) years from the date of grant and expiring on the tenth anniversary from the date of grant.

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

(3) As at 31 December 2014, the Company had 217,420,945 (31 December 2013: 176,080,000) share options outstanding under the 2003 Share Option Scheme, which represented approximately 4.15% (31 December 2013: approximately 5.04%) of the Company's shares in issue on that date.

(4) As a result of the issuance of additional shares in open offer, the exercise prices and the number of the shares to be allotted and issued upon full exercise of the outstanding share options were adjusted accordingly. The above adjustments have taken effect from 13 October 2014. Save for the above adjustments, all other terms and conditions of the share options granted under the Share Option Scheme remain unchanged.

(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 2014 were as follows:

Movement in the 2011 Share Option Scheme

Name or category of participants	Date of grant	Exercise period	Adjusted Exercise price per share (HK$)	As at 1 January 2014	Granted during the year	Lapsed/ cancelled during the year	Adjusted during the year	As at 31 December 2014
Executive Directors								
Chan Wing Him Kenny	31/12/2012	31/12/2013 to 30/12/2022	0.1149	15,000,000[1 & 2]	–	–	6,283,784	21,283,784[1 & 2]
Arthur Ross Gorrell	31/12/2012	31/12/2013 to 30/12/2022	0.1149	2,000,000[1 & 2]	–	–	837,838	2,837,838[1 & 2]
Independent Directors								
David Tsoi	23/06/2011	23/06/2012 to 22/06/2021	0.3066	150,000[2]	–	–	62,838	212,838[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.1149	350,000[1 & 2]	–	–	146,622	496,622[1 & 2]
Lo Chi Kit	23/06/2011	23/06/2012 to 22/06/2021	0.3066	100,000[2]	–	–	41,892	141,892[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.1149	300,000[1 & 2]	–	–	125,676	425,676[1 & 2]
Tam Hang Chuen	23/06/2011	23/06/2012 to 22/06/2021	0.3066	100,000[2]	–	–	41,892	141,892[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.1149	300,000[1 & 2]	–	–	125,676	425,676[1 & 2]
				18,300,000	–	–	7,666,218	25,966,218
Other employees								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.3066	4,200,000[2]	–	(450,000)	1,570,946	5,320,946[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.1149	14,750,000[2]	–	(1,500,000)	5,550,676	18,800,676[2]
				18,950,000	–	(1,950,000)	7,121,622	24,121,622
Others								
In aggregate	23/06/2011	23/06/2012 to 22/06/2021	0.3066	45,350,000[2]	–	–	18,997,973	64,347,973[2]
	31/12/2012	31/12/2013 to 30/12/2022	0.1149	4,250,000[2]	–	–	1,780,405	6,030,405[2]
				49,600,000	–	–	20,778,378	70,378,378
			Total:	86,850,000	–	(1,950,000)	35,566,218	120,466,218[3]
Weighted average exercise price per share (HK$)				0.32	–	0.23		0.23

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 2014, the Company had 120,466,218 (31 December 2013: 86,850,000) share options outstanding under the 2011 Share Option Scheme, which represented approximately 2.30% (31 December 2013: 2.49%) of the Company's shares in issue on that date.

(4) As a result of the issuance of additional shares in open offer, the exercise prices and the number of the shares to be allotted and issued upon full exercise of the outstanding share options were adjusted accordingly. The above adjustments have taken effect from 13 October 2014. Save for the above adjustments, all other terms and conditions of the share options granted under the Share Option Scheme remain unchanged.

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

Petromin is engaged in the business of acquisition and development of oil and gas properties. As of 31 December 2014, Petromin had oil and gas properties in the province of Alberta, Canada. Taking into account (i) the operation of Petromin's business in Canada which is geographically different from the Company's current project operation in China; (ii) the Company and Petromin have different target customers; and (iii) Mr. Chan Wing Him Kenny and Colpo, 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 2014, save and except the following that:

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

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

3. the INEDs had discussed in details the Deed, the Notification and information relating to the New Business Opportunity. The INEDs had also taken into consideration the 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 2014.

Save as disclosed above, none of the executive Directors of the Company or any of their respective associates had been interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Purchase, redemption or sale of listed securities of the company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2014.

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 February 2015

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 were engaged to audit the consolidated financial statements of Enviro Energy International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 34 to 95, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, and 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.

Director's 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.

Except for the inability to obtain sufficient appropriate audit evidence as explained in the Basis for Disclaimer of Opinion paragraphs, 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 as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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

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

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

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

Disclaimer of Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 February 2015

Consolidated Balance Sheet

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,278**	2,078
Exploration and evaluation assets	18	**141,070**	1,205,190
Available-for-sale investment	22	**347**	377
Club memberships		**2,700**	2,700
Deposits	24	**467**	881
		145,862	1,211,226
Current assets			
Inventories	19	**1,228**	–
Trade receivables	23	**108**	196
Deposits, prepayments and other receivables	24	**2,271**	4,576
Financial asset at fair value through profit or loss	25	**630**	900
Bank balances and cash	26	**29,033**	37,493
		33,270	43,165
Assets of disposal group classified as held for distribution	29(a)	**977,157**	–
		1,010,427	43,165
Total assets		**1,156,289**	1,254,391
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	**13,101**	8,734
Share premium and reserves		**613,541**	677,439
		626,642	686,173
Non-controlling interests		**288,620**	310,144
Total equity		**915,262**	996,317
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	**–**	228,428
Current liabilities			
Trade and other payables	27	**23,455**	29,646
		23,455	29,646
Liabilities of disposal group classified as held for distribution	29(a)	**217,572**	–
		241,027	29,646
Total liabilities		**241,027**	258,074
Total equity and liabilities		**1,156,289**	1,254,391
Net current assets		**769,400**	13,519
Total assets less current liabilities		**915,262**	1,224,745

Chan Wing Him Kenny
Director

Arthur Ross Gorrell
Director

The notes on pages 41 to 95 are an integral part of these financial statements.

Balance Sheet

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	69	370
Investments in subsidiaries	20	–	–
Available-for-sale investment	22	347	377
Deposit	24	333	337
		749	1,084
Current assets			
Amounts due from subsidiaries	21	262,048	259,284
Deposits, prepayments and other receivables	24	923	888
Bank balances and cash	26	22,330	26,284
		285,301	286,456
Total assets		286,050	287,540
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	13,101	8,734
Share premium and reserves	31	260,023	267,992
Total equity		273,124	276,726
LIABILITIES			
Current liabilities			
Other payables	27	12,722	10,481
Amount due to a subsidiary	21	204	333
Total liabilities		12,926	10,814
Total equity and liabilities		286,050	287,540
Net current assets		272,375	275,642
Total assets less current liabilities		273,124	276,726

Chan Wing Him Kenny
Director

Arthur Ross Gorrell
Director

The notes on pages 41 to 95 are an integral part of these financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Continuing operations:			
Revenue	8	**1,043**	1,154
Cost of sales		**(640)**	(266)
Gross profit		**403**	888
Other gains/(losses), net	9(a)	**1,737**	(2,496)
Fair value loss in issuance of unlisted warrants	9(b)	**(38,931)**	–
Selling and distribution expenses		**(447)**	(613)
Administrative and operating expenses		**(51,556)**	(64,131)
Gain on disposal of subsidiaries	34	**–**	81,934
Finance income	11	**19**	438
(Loss)/profit before taxation	10	**(88,775)**	16,020
Income tax	13	**–**	–
(Loss)/profit for the year from continuing operations		**(88,775)**	16,020
Discontinued operation:			
Profit for the year from discontinued operation	29(b)	**1,592**	1,227
(Loss)/profit for the year		**(87,183)**	17,247
Attributable to:			
Equity holders of the Company			
Continuing operations		**(88,272)**	20,219
Discontinued operation		**3,841**	504
		(84,431)	20,723
Non-controlling interests			
Continuing operations		**(503)**	(4,199)
Discontinued operation		**(2,249)**	723
		(87,183)	17,247
		HK Cents	HK Cents
(Loss)/earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	16		
Basic and diluted — from continuing operations		**(2.38)**	0.58
Basic and diluted — from discontinued operation		**0.10**	0.02
Basic and diluted — from (loss)/profit for the year		**(2.28)**	0.60
Dividends	14	**–**	–

The notes on pages 41 to 95 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

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

The notes on pages 41 to 95 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 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	79	5,371	–	(2,662)	–	–	–	2,788	–	2,788
Lapse/forfeiture of share options	–	–	–	(55,397)	–	–	55,397	–	–	–
Lapse of warrants (Note 31 (i))	–	–	–	–	–	(23)	23	–	–	–
Issuance of new shares (Note 30 (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

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 2014	8,734	929,450	19,980	84,445	19,001	11,112	(386,549)	686,173	310,144	996,317
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(84,431)	(84,431)	(2,752)	(87,183)
Other comprehensive loss										
Exchange differences arising from translation of foreign operations	–	–	–	–	(48,712)	–	–	(48,712)	(18,772)	(67,484)
Total other comprehensive loss	–	–	–	–	(48,712)	–	–	(48,712)	(18,772)	(67,484)
Total comprehensive loss for the year	–	–	–	–	(48,712)	–	(84,431)	(133,143)	(21,524)	(154,667)
Transactions with shareholders										
Recognition of equity-settled share-based payments	–	–	–	1,082	–	–	–	1,082	–	1,082
Lapse/forfeiture of share options	–	–	–	(7,528)	–	–	7,528	–	–	–
Exercise of warrants	–	2	–	–	–	–	–	2	–	2
Lapse of warrants (Note 31 (i))	–	–	–	–	–	(125)	125	–	–	–
Issuance of subscribed offer shares and bonus issue of warrants (Note 30 (i) and Note 31 (ii))	4,367	38,845	–	–	–	29,316	–	72,528	–	72,528
Total transactions with shareholders	4,367	38,847	–	(6,446)	–	29,191	7,653	73,612	–	73,612
As at 31 December 2014	13,101	968,297	19,980	77,999	(29,711)	40,303	(463,327)	626,642	288,620	915,262

The notes on pages 41 to 95 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Operating activities			
(Loss)/profit before taxation, including discontinued operation		(89,793)	14,699
Adjustments for:			
Finance income		(19)	(440)
Depreciation of property, plant and equipment		602	753
Loss/(gain) on disposal of property, plant and equipment		117	(47)
Share-based payments		1,082	7,523
Fair value loss in issuance of unlisted warrants		38,931	–
Gain on disposal of subsidiaries		–	(81,934)
Fair value changes on financial asset at fair value through profit or loss		270	2,421
Impairment loss on available-for-sale investment		30	152
Provision for trade receivables		108	–
Provision for other receivables		1,762	–
Write back of other payables		(1,964)	–
Operating cash flow before movements in working capital		(48,874)	(56,873)
Increase in trade receivables		(20)	(194)
Increase in inventories		(1,228)	–
Decrease/(increase) in deposits, prepayments and other receivables		975	(1,457)
Increase/(decrease) in trade and other payables		6,554	(6,987)
Net cash used in operating activities		(42,593)	(65,511)
Investing activities			
Addition to oil and gas properties		–	(552)
Addition to mining properties		–	(344)
Purchase of property, plant and equipment	17	(1,158)	(537)
Proceeds from disposal of property, plant and equipment	17	1,229	450
Proceeds from disposal of subsidiaries, net of professional expenses incurred and bank balances and cash on disposal and cash balance returned	34	–	61,216
Bank interest received	11	–	3
Net cash generated from investing activities		71	60,236
Financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	30	33,597	11,625
Proceeds from exercise of share options		–	2,788
Proceeds from exercise of warrants		2	–
Net cash generated from financing activities		33,599	14,413
Net (decrease)/increase in bank balances and cash		(8,923)	9,138
Bank balances and cash at beginning of year		37,493	27,535
Exchange difference on bank balances and cash		596	820
Bank balances and cash at end of year including disposal group		29,166	37,493
Bank balances and cash of disposal group classified as held for distribution	29(a)	133	–
Bank balances and cash other than disposal group at end of year	26	29,033	37,493
Bank balances and cash at end of year including disposal group		29,166	37,493

The notes on pages 41 to 95 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 20. The Company and its subsidiaries are collectively referred to as the "Group".

As at 31 December 2014, 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 February 2015.

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 distribution. In addition, the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

During the year ended 31 December 2014, the Group reported a net operating cash outflow of HK$42,593,000 while the Group has bank balances and cash of HK$29,033,000 as at 31 December 2014. 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 have been 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 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, believe that the Group will have sufficient financial resources in the coming twelve months from the balance sheet date to meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate 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.

(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.

(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.

3 Summary of significant accounting policies *(Continued)*

(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 gains/(losses), 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) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method, which comprises invoiced cost and other incidental expenses. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(h) 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.

(i) Disposal group classified as held for distribution

A disposal group is classified as held for distribution to owners when distribution of the disposal group to the owners is considered highly probable. The assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be considered highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

A disposal group classified as held for distribution to owners is measured at the lower of its carrying amount and fair value less costs to distribute.

A disposal group classified as held for distribution is presented separately from other assets in the balance sheet. The liabilities of the disposal group classified as held for distribution are presented separately from other liabilities in the balance sheet. Those assets and liabilities are not offset and presented as a single amount.

3 Summary of significant accounting policies *(Continued)*

(j) Discontinued operation

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 disposal group constituting the discontinued operation.

(k) 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 gains/(losses), 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 gains/(losses), net".

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(l) 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.

(m) 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.

3 Summary of significant accounting policies *(Continued)*

(n) Bank balances and cash

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

(o) 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.

On the commitment day for the issuance of equity instruments by the Company, a derivative for the commitment arises, which will be measured as financial liability at fair value through profit or loss and is recognised at fair value. Upon the issuance of these equity instruments, such financial liability is remeasured at fair value and the fair value change is recognised in the profit or loss. The financial liability is then derecognised and recorded as equity instruments.

(p) 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.

(q) 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).

(r) 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.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

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

(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.

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.

(s) 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.

3 Summary of significant accounting policies *(Continued)*

(s) Employee benefits *(Continued)*

(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.

(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.

(t) 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.

(u) Contingent assets and liabilities

Contingent assets are possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Where it is not probable that an outflow of economic estimated reliably, the obligation is disclosed as a contingent liability.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

(v) 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.

(w) 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.

(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.

3 Summary of significant accounting policies *(Continued)*

(w) Foreign currency translation *(Continued)*

(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.

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.

(x) 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.

(y) Application of new and revised HKFRSs

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

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

Notes to the Consolidated Financial Statements

3 Summary of significant accounting policies *(Continued)*

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

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

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

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

Note

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

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

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

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

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

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 mining reserves

Mining reserves is a key factor in the Group's investment decision-making process. Estimates of mining 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 production activities or from changes in economic factors, including product mining rock prices, contract terms and development plans. In general, changes in the technical maturity of mining reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of revisions.

4 Critical accounting estimates and judgements *(Continued)*

(b) Impairment assessment of mining 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 mining 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 mining evaluation properties of PT. Grasada Multinational ("**GM**"), the Group has considered the following factors when assessing whether an impairment indicator existed at 31 December 2014:

(i) Although the mining permit held by GM will expire in 2017, management is in the progress of applying an extension of the mining permit. Management assessed that the approval of the extension by local regulatory body is highly probable;

(ii) 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 GM operates;

(iii) 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 mining properties' recoverable amount materially; and

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

(c) Impairment assessment of oil and gas exploration and evaluation properties included in "Assets of disposal group held for distribution"

As discussed in Note 18, the exploration phase of TerraWest Energy Corporation ("TWE") has declared a dispute with China National Petroleum Corporation ("CNPC") in relation to the a coalbed methane production sharing contract (the "PSC") and subsequently served a notice of arbitration which seeks an awards of damages as compensation for the losses caused by CNPC's breaches of the PSC.

While there are uncertainties on the outcome of the arbitration, Directors considered the merits and basis of the claim and assessed the likelihood of a successful outcome from the arbitration process which includes the amount of damages to be awarded to the Company, which require significant judgements, and concluded that TWE's oil and gas production properties are not impaired.

(d) 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 32(c).

Notes to the Consolidated Financial Statements

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 2014 amounted to HK$626,642,000 (2013: HK$686,173,000).

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.

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	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Loan and receivables		
Bank balances and cash	**43**	974
Deposits and other receivables	**285**	1,375
Available-for-sale investment	**347**	377
Financial asset at fair value through profit or loss	**630**	900
	1,305	3,626
Financial liabilities		
Amortised cost		
Other payables	**1,031**	1,107

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

(a) Financial risk factors *(Continued)*

(i) Currency risk *(Continued)*

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

At 31 December 2014, if the Hong Kong dollar had weakened/strengthened by 10% against the RMB, CAD and IDR with all other variables held constant, post-tax loss for the year would have been HK$103,000 higher/lower (2013: post-tax profit would have been HK$87,000 lower/higher), HK$101,000 lower/higher (2013: post-tax profit would have been HK$303,000 higher/lower) and HK$29,000 lower/higher (2013: post-tax profit would have been HK$36,000 higher/lower) respectively.

(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 loss for the year ended 31 December 2014 would decrease/increase by approximately HK$214,000 (2013: profit would increase/decrease by approximately HK$266,000).

(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 loss for the year ended 31 December 2014 would decrease/increase by approximately HK$35,000 (2013: loss would decrease/increase by approximately HK$38,000). 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 marble business and also other normal operating disbursements, management will consider if additional capital in the form of borrowing or equity, or a combination of both, will be necessary in the future. The Directors consider such capital will be available as and when required. Management also is also implementing more stringent measures to reduce normal operating disbursement with in order to reduce liquidity risk.

(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 2014

	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	**–**	**–**	**630**	**630**
Available-for-sale investment	**347**	**–**	**–**	**347**

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

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

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 2014 and 2013.

	2014 HK$'000	2013 HK$'000
Opening balance	900	3,321
Fair value loss recognised in profit or loss	(270)	(2,421)
Closing balance	630	900
Total loss for the year included in profit or loss for assets held at the end of the year	(270)	(2,421)
Changes in unrealised loss for the year included in profit or loss at the end of the year	(270)	(2,421)

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	
	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables		
Trade receivables	108	196
Deposits and other receivables	1,839	3,610
Bank balances and cash	29,033	37,493
Financial asset at fair value through profit or loss	630	900
Available-for-sale investment	347	377
	31,957	42,576

Notes to the Consolidated Financial Statements

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

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

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Financial liabilities		
Amortised cost		
Trade and other payables	**23,327**	29,424

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 Chief Executive Officer ("**CEO**"), the Group has presented the following reportable segments:

(i) Marble rock mining and distribution in Indonesia

(ii) Information technology related services in Hong Kong

(iii) Exploration, development and production of CBM and natural gas in China (Discontinued operation) (Note 29)

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

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

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

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

7 Segment information *(Continued)*

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

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

Notes to the Consolidated Financial Statements

7 Segment information *(Continued)*

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

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

7 Segment information *(Continued)*

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

The Group's revenue for the year ended 31 December 2014 is mainly derived from the marble rock mining and distribution segment in Indonesia (2013: Same). The Group's non-current assets other than available-for-sale investment and that of disposal group held for distribution as at 31 December 2014 and 2013 are further analysed as follows:

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

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

Notes to the Consolidated Financial Statements

9 Other gains/(losses), net and fair value loss in issuance of unlisted warrants

(a) Other gains/(losses), net

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Continuing operations:		
Fair value loss on financial asset at fair value through profit or loss (Note 25)	**(270)**	(2,421)
Impairment loss on available-for-sale investment (Note 22)	**(30)**	(152)
(Loss)/gain on disposal of property, plant and equipment	**(117)**	47
Gain on write back of other payables	**1,964**	–
Others	**190**	30
	1,737	(2,496)

Comparative figures have been re-presented.

(b) Fair value loss in issuance of unlisted warrants

On 13 October 2014, the shareholders of the Company has approved the issuance of 1,048,063,800 unlisted warrants in conjunction with the open offer for the issuance of 1,746,773,000 new shares of the Company at HK$0.02 per share (on the basis of three warrants for every five new shares of the Company issued). The warrants will entitle the holders thereof to subscribe in cash for new shares of the Company at a subscription price of HK$0.21 per new shares up to an aggregate amount of HK$220.1 million. The new shares may fall to be allotted and issued upon the exercise of the subscription rights attached to the warrants for a period of 2 years commencing from the date of issue of the warrants. The above commitment to issue warrants constituted a derivative on the day when the open offer was approved (13 October 2014). On 17 November 2014, upon the issuance of the shares pursuant to the open offer, the abovementioned warrants were issued, which resulted in a fair value loss of HK$38,931,000 recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014. As at 31 December 2014, the warrants are recognised as equity instrument.

An independent valuation on the warrants issued in accordance with the terms of the warrants was performed by the valuer, Vigers Appraisal & Consulting Limited, using binomial option pricing model with certain assumptions, including expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the warrants. The major assumptions applied in the valuations are as follows:

Valuation date:	**13 October 2014**	**17 November 2014**
Expected volatility of share price	62.9%	65.2%
Expected dividend yield	0%	0%
Risk-free rate	0.29%	0.38%

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10 (Loss)/profit before taxation

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

	Continuing operations Year ended 31 December		Discontinued operation Year ended 31 December		Total Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cost of inventories sold	**629**	221	**–**	–	**629**	221
Depreciation of property, plant and equipment	**596**	749	**6**	4	**602**	753
Auditor's remuneration						
— Current year	**1,367**	1,733	**29**	42	**1,396**	1,775
— Over-provision in prior year	**–**	(140)	**–**	–	**–**	(140)
Operating lease payments	**2,448**	3,564	**314**	580	**2,762**	4,144
Legal and professional fees	**1,957**	3,778	**–**	184	**1,957**	3,962
Investor relations expenses						
— Cash payments	**1,075**	836	**–**	–	**1,075**	836
— Share-based payments	**128**	2,521	**–**	–	**128**	2,521
Technical consultancy expenses						
— Share-based payments	**–**	1,421	**–**	–	**–**	1,421
Staff costs, including Directors' emoluments (Note 12)						
— Salaries, allowances and other benefits	**23,586**	28,032	**121**	216	**23,707**	28,248
— Retirement benefit scheme contributions	**180**	173	**–**	3	**180**	176
— Share-based payments	**954**	3,581	**–**	–	**954**	3,581
— Discretionary and performance related incentive payments	**7,716**	7,824	**–**	11	**7,716**	7,835
Exchange loss/(gain), net	**164**	(39)	**61**	3	**225**	(36)
Provision for trade receivables	**108**	–	**–**	–	**108**	–
Provision for other receivables	**1,762**	–	**–**	–	**1,762**	–

Comparative figures have been re-presented.

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11 Finance income

	Continuing operations Year ended 31 December 2014 HK$'000	Continuing operations 2013 HK$'000	Discontinued operation Year ended 31 December 2014 HK$'000	Discontinued operation 2013 HK$'000	Total Year ended 31 December 2014 HK$'000	Total 2013 HK$'000
Interest income from financial asset at fair value through profit or loss	–	432	–	–	–	432
Bank interest income	–	3	–	–	–	3
Others	19	3	–	2	19	5
	19	438	–	2	19	440

Comparative figures have been re-presented.

12 Directors' and senior management's emoluments

Directors' emoluments for the year ended 31 December 2014 and 2013, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2014	**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)	–	12,161	17	452	6,050	18,680
Dr. Arthur Ross Gorrell	–	192	–	60	–	252
Independent non-executive Directors						
Mr. David Tsoi	150	–	–	11	–	161
Mr. Lo Chi Kit	150	–	–	9	–	159
Mr. Tam Hang Chuen	150	–	–	9	–	159
Total	450	12,353	17	541	6,050	19,411

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

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.

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

For the year ended 31 December 2014, 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 (2013: Nil).

For the year ended 31 December 2014, there was no arrangement under which the Directors waived or agreed to waive any emoluments (2013: Nil).

During the year ended 31 December 2014, one (2013: 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 (2013: four) individuals are as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and other benefits	**6,237**	8,228
Retirement benefit scheme contributions	**31**	33
Share-based payments	**347**	1,465
Discretionary and performance related incentive payments	**1,250**	1,707
	7,865	11,433

The emoluments were within the following bands:

	Number of employees Year ended 31 December	
	2014	2013
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	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
HK$3,000,001 to HK$3,500,000	**–**	–
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 2014 (2013: Nil).

Enterprise Income Tax has not been provided for the subsidiaries in China as they did not generate any assessable profits during the year ended 31 December 2014 (2013: Nil).

Corporate Income Tax has not been provided for the subsidiaries in Indonesia as they did not generate any assessable profits during the year ended 31 December 2014 (2013: Nil).

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

	Continuing operations Year ended 31 December		Discontinued operation Year ended 31 December		Total Year ended 31 December	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit before taxation	**(88,775)**	16,020	**(1,018)**	(1,321)	**(89,793)**	14,699
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	**14,648**	(2,644)	**168**	218	**14,816**	(2,426)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**337**	776	**953**	853	**1,290**	1,629
Tax effect of:						
— income not subject to tax	**–**	13,585	**–**	–	**–**	13,585
— expenses not deductible	**(11,868)**	(7,722)	**(1)**	–	**(11,869)**	(7,722)
— tax losses (not recognised)/recognised	**(3,117)**	(3,995)	**1,490**	1,461	**(1,627)**	(2,534)
— over-provision in prior year	**–**	–	**–**	16	**–**	16
Income tax	**–**	–	**2,610**	2,548	**2,610**	2,548

The Group has unrecognised deferred tax assets from estimated tax losses of approximately HK$7,917,000 (2013: HK$6,683,000) 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$35,000 (2013: HK$33,000) 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$4,685,000 (2013: HK$4,363,000) and HK$3,197,000 (2013: HK$2,287,000), respectively, that have no expiry date. During the year ended 31 December 2014, none of the previously recognised tax losses have expired (2013: Nil).

There is no tax impact relating to components of other comprehensive loss for the year ended 31 December 2014 (2013: Nil).

Comparative figures have been re-presented.

14 Dividends

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

15 (Loss)/profit attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$77,214,000 (2013: profit of HK$3,617,000).

16 (Loss)/earnings per share

(a) Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2014 and 2013.

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

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

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

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 2013								
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
Year ended 31 December 2014								
Opening net book amount	735	11	176	75	10	211	860	2,078
Exchange differences	(12)	–	3	–	–	(1)	–	(10)
Additions	–	–	1,127	17	13	1	–	1,158
Disposals	–	–	(1,130)	–	–	–	(216)	(1,346)
Depreciation charge for discontinued operation (Note i)	–	–	–	(6)	–	–	–	(6)
Depreciation charge for continuing operations (Note i)	–	(9)	(141)	(37)	(4)	(69)	(336)	(596)
Closing net book amount	**723**	**2**	**35**	**49**	**19**	**142**	**308**	**1,278**
At 31 December 2014								
Cost	723	1,107	82	1,087	530	510	3,873	7,912
Accumulated depreciation	–	(1,105)	(47)	(1,038)	(511)	(368)	(3,565)	(6,634)
Net book amount	**723**	**2**	**35**	**49**	**19**	**142**	**308**	**1,278**

Notes:

(i) During the year, the depreciation charge for continuing operations and discontinued operation amounted to HK$596,000 (2013: HK$752,000) and HK$6,000 (2013: HK$1,000) respectively.

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

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 2013						
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
Year ended 31 December 2014						
Opening net book amount	11	31	10	31	287	370
Additions	–	18	13	–	–	31
Disposals	–	–	–	–	(169)	(169)
Depreciation charge	(9)	(21)	(5)	(10)	(118)	(163)
Closing net book amount	**2**	**28**	**18**	**21**	**–**	**69**
At 31 December 2014						
Cost	1,107	260	447	92	–	1,906
Accumulated depreciation	(1,105)	(232)	(429)	(71)	–	(1,837)
Net book amount	**2**	**28**	**18**	**21**	**–**	**69**

Notes to the Consolidated Financial Statements

17 Property, plant and equipment *(Continued)*

Proceeds from sales of property, plant and equipment

Group	Year ended 31 December 2014 HK$'000	2013 HK$'000
Net book amount	**1,346**	403
(Loss)/gain on disposal of property, plant and equipment	**(117)**	47
Proceeds from disposal of property, plant and equipment	**1,229**	450

18 Exploration and evaluation assets — Group

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

Notes:

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

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

Notes to the Consolidated Financial Statements

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

Notes: (Continued)

(i) (Continued)

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

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

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

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

As previously disclosed in the announcements of the Company dated 28 April 2014 and 7 July 2014, TWE has declared a dispute ("**Dispute**") with CNPC in relation to the PSC. TWE has subsequently advised its shareholders that it has taken advice from its retained special international arbitration counsel and a notice was issued to CNPC on 3 July 2014 to terminate the PSC. In reaching the decision on the termination, TWE has taken into account CNPC's breaches of the PSC, including the breakdown in the relationship between TWE and CNPC, the reduction in the CBM exploration area as previously reported and the scale of ongoing coal mining activities, and the fact that any on-going collaboration is no longer feasible.

On 4 July 2014, TWE's counsel, on behalf of TWE, formally served a notice of arbitration on PetroChina Company Limited and CNPC. By this notice of arbitration, TWE seeks an award of damages as compensation for the losses caused by CNPC's breaches of the PSC, together with declaratory relief, costs and interest. The amount of damages has taken into account, among others (i) the CBM discovered resources as previously reported by an independent third party in 2010 according to reporting standard National Instrument 51–101 Standards of Disclosure for Oil and Gas Activities; and (ii) the original gas reserve in place as previously reported by an independent third party in 2011 according to Petroleum Resources Management System of the Society of Petroleum Engineers, details of which have been set forth in the Company's annual report for the year ended 31 December 2013.

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

On 24 November 2014, the Group has issued an announcement in relation to a proposed distribution in specie, where equity interest of certain group companies including TWE, will be distributed to the shareholders of the Company, so that these interests will be held by shareholders of the Company separately from the Company in future. Accordingly, the oil and gas properties was reclassified to "Assets of disposal group classified as held for distribution" in accordance with HKFRS 5 since 24 November 2014. The distribution was completed on 18 February 2015 (Note 29).

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

Notes to the Consolidated Financial Statements

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

Notes: (Continued)

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

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

All expenditures in relation to mining properties were capitalised and there is no operating cash flow for the year ended 31 December 2014 (2013: Nil).

19 Inventories — Group

	As at 31 December 2014 HK$'000	2013 HK$'000
Marbles	**1,228**	–

20 Investments in subsidiaries — Company

	As at 31 December 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**969**	969
Less: Provision for impairment loss	**(969)**	(969)
	–	–

20 Investments in subsidiaries — Company *(Continued)*

Details of the principal subsidiaries held by the Company as at 31 December 2014 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
Chinook Holdings Limited	BVI, limited liability company	1 Ordinary share with no par value	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 (Note 29)	CBM and natural gas exploration and development in the PRC
Sys Solutions Limited	Hong Kong, limited liability company	1,000,000 Ordinary shares	–	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**”)	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**”)	Indonesia, limited liability company	24,000,000 Ordinary shares of 100 IDR each	–	33.8[(a)]	Marble rock mining in Indonesia
Migo Asia Pacific Limited (“**Migo Asia**”)	Hong Kong, limited liability company	1 Ordinary share	–	100	Investment holding in Indonesia

Notes to the Consolidated Financial Statements

20 Investments in subsidiaries — Company *(Continued)*

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

GM was acquired on 15 May 2012 through acquisition of subsidiaries.

GM has 13,500,000 outstanding warrants as at 31 December 2014 (2013: 13,500,000) which are currently exercisable. Assuming the full conversion of all outstanding warrants of GM, the Group would hold approximately 54.15% (2013: 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 2014 '000	As at 31 December 2013 '000	**As at 31 December 2014 '000**	As at 31 December 2013 '000
Issued and outstanding:				
At the beginning of year and end of year Ordinary shares with par value	**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 2014 and 2013	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	

20 Investments in subsidiaries — Company *(Continued)*

(b) Material non-controlling interests

The total non-controlling interest for the year is HK$288,620,000, of which HK$197,544,000 is for TWE and HK$91,076,000 is attributed to BHE and its subsidiary GM (together, the "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 2014 HK$'000	As at 31 December 2013 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 December 2013 HK$'000
Current				
Assets	**56**	1,414	**2,391**	768
Liabilities	**(56,657)**	(52,022)	**(16,203)**	(10,275)
Total current net liabilities	**(56,601)**	(50,608)	**(13,812)**	(9,507)
Non-current				
Assets	**123,753**	131,653	**4,427**	4,882
Liabilities	**–**	–	**–**	–
Total non-current net assets	**123,753**	131,653	**4,427**	4,882
Net assets/(liabilities)	**67,152**	81,045	**(9,385)**	(4,625)

Summarised income statement	TWE		BHE group	
	For the year ended 31 December 2014 HK$'000	For the year ended 31 December 2013 HK$'000	**For the year ended 31 December 2014 HK$'000**	For the year ended 31 December 2013 HK$'000
Revenue	**–**	–	**941**	–
Loss for the year	**(7,977)**	(6,587)	**(5,041)**	(8,989)
Other comprehensive (loss)/income	**(5,916)**	(6,125)	**281**	477
Total comprehensive loss	**(13,893)**	(12,712)	**(4,760)**	(8,512)
Total comprehensive loss allocated to non-controlling interests	**(17,213)**	(17,711)	**(4,311)**	(26,734)

Notes to the Consolidated Financial Statements

20 Investments in subsidiaries — Company *(Continued)*

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

Summarised cash flows	TWE	BHE group
	For the year ended 31 December 2014	
	HK$'000	HK$'000
Net cash used in operating activities	(8,425)	(5,763)
Net cash generated from investing activities	–	444
Net cash generated from financing activities	7,175	4,820
Net decrease in cash and cash equivalents	(1,250)	(499)
Bank balances and cash at beginning of year	1,305	625
Bank balances and cash at end of year	55	126

21 Amounts due from/to subsidiaries — Company

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Amounts due from subsidiaries	364,331	350,710
Less: Provision for impairment	(102,283)	(91,426)
	262,048	259,284
Amount due to a subsidiary	204	333

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

22 Available-for-sale investment — Group and Company

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	377	1,484
Fair value change	–	(955)
Impairment loss (Note 9(a))	(30)	(152)
At end of the year	347	377

22 Available-for-sale investment — Group and Company *(Continued)*

Available-for-sale investment comprises:

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Listed security, reporting as non-current assets:		
— Equity security — listed overseas	**347**	377

The equity securities represented approximately 2.4% (2013: 2.4%) equity interests in Petromin Resources Ltd ("**Petromin**"), a related company of the Group (Note 35(a)).

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

23 Trade receivables — Group

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

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

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

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

As at 31 December 2014, trade receivables of HK$22,000 (2013: HK$109,000) were past due but not impaired. These relate to independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Over 60 days	**22**	109

Notes to the Consolidated Financial Statements

23 Trade receivables — Group *(Continued)*

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

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
HK$	22	–
IDR	86	–
US$	–	196
	108	196

Movement on the Group's provision for impairment of trade receivables are as follows:

	2014
	HK$'000
At 1 January 2014	–
Provision for impairment	108
At 31 December 2014	108

24 Deposits, prepayments and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current				
Deposits	467	881	333	337
	467	881	333	337
Current				
Deposits	464	438	5	5
Prepayments	899	1,847	605	185
Other receivables	908	2,291	313	698
	2,271	4,576	923	888
Total deposits, prepayments and other receivables	2,738	5,457	1,256	1,225

25 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 matured on 11 August 2014 ("**Debenture Maturity Date**"). Pursuant to the terms and conditions of the debenture, it is convertible into the ordinary shares of Petromin at the option of the Group before the Debenture Maturity Date at CAD0.2 per share, and any remaining debenture will be automatically converted into the ordinary shares of Petromin at CAD0.2 per share at the Debenture Maturity Date. If converted, the debenture represents approximately 4.4% (2013: 4.4%) of the outstanding common shares of Petromin as of 31 December 2014.

As at 31 December 2014, the aforementioned automatic conversion has not taken place and as of the date of this report, the Directors of the Company are negotiating with Petromin on the possibility of further extending the Debenture Maturity Date. The Group has recognised a loss of HK$270,000 (2013: loss of HK$2,421,000) in "Other gains/(losses), net" in the consolidated income statement to reflect the change in fair value of the asset.

26 Bank balances and cash

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**29,033**	37,493	**22,330**	26,284

27 Trade and other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**–**	76	**–**	–
Other payables	**1,851**	4,872	**–**	2,444
Consideration payable	**7,800**	7,800	**–**	–
Accrued liabilities	**13,804**	16,898	**12,722**	8,037
	23,455	29,646	**12,722**	10,481

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

As at 31 December 2014, the ageing analysis of the trade payables based on invoice date is as follows:

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

Notes to the Consolidated Financial Statements

28 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	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	236,282	253,423
Exchange differences	(11,264)	(17,141)
Transferred to liabilities of disposal group classified as held for distribution	(225,018)	–
At end of the year	–	236,282

Note:

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

Deferred tax assets

	Tax losses	
	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	7,854	5,690
Exchange differences	(289)	(384)
Credited to consolidated income statement	2,422	2,548
Transferred to assets of disposal group classified as held for distribution	(9,987)	–
At end of the year	–	7,854

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	
	2014	2013
	HK$'000	HK$'000
Deferred tax liabilities	–	236,282
Deferred tax assets	–	(7,854)
	—	228,428

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

29 Assets/liabilities of disposal group classified as held for distribution and discontinued operation — Group

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

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

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

(b) Analysis of the results of discontinued operation

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

Comparatives figures have been re-presented.

Notes to the Consolidated Financial Statements

29 Assets/liabilities of disposal group classified as held for distribution and discontinued operation — Group *(Continued)*

(b) Analysis of the results of discontinued operation *(Continued)*

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).

(c) Cumulative gain recognised in other comprehensive income related to discontinued operation

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Translation reserve	3,806	57,726

(d) Analysis of cash flows

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Operating cash outflows	8,428	12,765

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

TWE has 220,000,000 outstanding warrants as at 31 December 2014 (2013: 220,000,000 warrants) and 8,000,000 outstanding preferred shares (2013: 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% (2013: 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 2014 '000	As at 31 December 2013 '000	As at 31 December 2014 '000	As at 31 December 2013 '000	As at 31 December 2014 '000	As at 31 December 2013 '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

29 Assets/liabilities of disposal group classified as held for distribution and discontinued operation — Group *(Continued)*

(e) Common shares, preferred shares and warrants in TWE *(Continued)*

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 2014 and 2013	Exercise price (CAD per share) at 31 December 2014 and 2013
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.

(f) 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 29(f)(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 2013 and 31 December 2014, all of the C Warrants and D Warrants mentioned in Note 29(f)(i) and (f)(ii) were not expired nor exercised.

Notes to the Consolidated Financial Statements

30 Share capital

	Number of ordinary shares Year ended 31 December		Nominal value Year ended 31 December	
	2014	2013	**2014**	2013
	'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	**3,493,546**	3,384,359	**8,734**	8,461
Issuance of new shares upon exercise of share options on 11 January 2013 (Note (ii))	**–**	15,847	**–**	40
Issuance of new shares upon exercise of share options on 14 February 2013 (Note (ii))	**–**	15,840	**–**	39
Issuance of new shares on 10 May 2013 (Note (iii))	**–**	77,500	**–**	194
Issuance of subscribed offer shares on 17 November 2014 (Note (i))	**1,746,773**	–	**4,367**	–
At end of the year				
Ordinary shares of HK$0.0025 each	**5,240,319**	3,493,546	**13,101**	8,734

Notes:

(i) During the year, 1,746,773,000 ordinary shares were issued at the subscription price of HK$0.02 each by way of open offer mentioned in Note 9(b). The net proceeds received by the Company from the open offer were HK$33,597,000, among which HK$4,367,000 was credited to the share capital account and the balance of HK$29,230,000 (net of professional fees of HK$1,339,000) was credited to the share premium account.

(ii) 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.

(iii) 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.

31 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 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 (i))	–	–	–	–	(23)	23	–
Issuance of new shares (Note 30(ii), (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 to the Consolidated Financial Statements

31 Share premium and reserves — Company *(Continued)*

	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 2014	929,450	871	–	84,445	125	(746,899)	267,992
Comprehensive income							
Loss for the year	–	–	–	–	–	(77,214)	(77,214)
Other comprehensive loss							
Fair value loss on available-for-sale investment	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	(77,214)	(77,214)
Transactions with shareholders							
Recognition of equity settled share-based payments	–	–	–	1,082	–	–	1,082
Exercise of warrants	2	–	–	–	–	–	2
Lapse/forfeiture of share options	–	–	–	(7,528)	–	7,528	–
Lapse of warrants (Note (i))	–	–	–	–	(125)	125	–
Issuance of subscribed offer shares and bonus issue of warrants (Note (ii))	38,845	–	–	–	29,316	–	68,161
Total transactions with shareholders	38,847	–	–	(6,446)	29,191	7,653	69,245
As at 31 December 2014	968,297	871	–	77,999	29,316	(816,460)	260,023

Notes:

(i) 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.

In February 2014, 50,000,000 warrants that were issued to independent third parties with an issue price of HK$0.0025 per warrant in July 2012 have expired.

(ii) On 17 November 2014, 1,746,773,000 subscribed offer shares pursuant to the open offer mentioned in Note 30(i) were issued to shareholders of the Company at HK$0.02 per new share, raising net proceeds of approximately HK$33,597,000, in which HK$29,230,000 is credited to share premium.

In conjunction with the open offer, the Company has also issued a total number of 1,048,063,800 unlisted warrants on the basis of 3 warrants for every 5 new shares from the aforementioned open offer the Company issued on 17 November 2014. A change in the fair value of the unlisted warrants from the date of commitment to issue and the date of issuance resulted in a fair value loss amounted to HK$38,931,000 (Note 9(b)). Upon the issuance of these unlisted warrants, the fair value of these unlisted warrants on this date, amounted to HK$29,316,000 was credited to other reserve, whilst the remainder, amounted to HK$9,615,000 was credited to share premium.

32 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

32 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 2014 are as follows:

	Weighted average exercise price (per share) HK$	Outstanding Options
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
As at 1 January 2014	**0.48**	**262,930,000**
Adjustment in relation to issuance of additional shares in open offer (Note (i))		**99,757,163**
Exercised	**–**	**–**
Lapsed/forfeited	**0.44**	**(24,800,000)**
As at 31 December 2014	**0.34**	**337,887,163**
Exercisable as at 31 December 2014	**0.34**	**337,887,163**

Note (i):

As a result of the issuance of additional shares in open offer, the exercise prices and the number of the shares to be allotted and issued upon full exercise of the outstanding share options were adjusted accordingly. The above adjustments have taken effect from 13 October 2014. Save for the above adjustments, all other terms and conditions of the share options granted under the Share Option Scheme remain unchanged.

32 Share option schemes *(Continued)*

(b) (Continued)

Share options outstanding as at 31 December 2014 and 2013 have the following expiry dates and exercise prices:

Expiry date	Adjusted Exercise price (per share) HK$	Outstanding options as at 31 December 2014
19 June 2018 (Note 2)	0.16	2,128,377
15 June 2019 (Note 2)	0.51	36,154,054
6 October 2019 (Note 2)	0.53	496,622
4 February 2020 (Note 2)	0.36	74,393,919
8 July 2020 (Note 3)	0.39	104,247,973
22 June 2021 (Note 4)	0.31	70,165,541
30 December 2022 (Note 4)	0.11	50,300,677
		337,887,163

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:

(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.

Notes to the Consolidated Financial Statements

32 Share option schemes *(Continued)*

(b) (Continued)

The aggregate share-based payment expense of HK$954,000 (2013: HK$3,581,000) 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$128,000 (2013: HK$3,942,000), of which all of it (2013: HK$2,521,000) was recorded as investor relations expenses in the consolidated income statement.

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

No option was exercised during the year (2013: 31,687,200 options).

(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.

32 Share option schemes *(Continued)*

(c) (Continued)

The outstanding share options as at 31 December 2014 had a weighted average remaining contractual life of 5.87 years (2013: 6.76 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 2014, the Company had 337,887,000 (2013: 262,930,000) share options outstanding under the Share Option Scheme, which represented approximately 6.45% (2013: 7.53%) 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.

There was no option granted during the year ended 31 December 2014.

33 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$180,000 represents contributions payable to these schemes by the Group during the year ended 31 December 2014 (2013: HK$176,000).

Notes to the Consolidated Financial Statements

34 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.

35 Related party transactions

The Group entered into the following material related party transactions during the year ended 31 December 2014 and 2013.

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Operating lease payments to a related company (Note (b))	**50**	250

(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 2014: (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 5.62% 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 2014, 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 2014).

(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.

Notes to the Consolidated Financial Statements

35 Related party transactions *(Continued)*

(a) Transactions with Petromin *(Continued)*

(i) Co-operative agreement with Petromin and CUCBM *(Continued)*

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 2014, 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.

(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	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and other benefits	**18,590**	22,143
Retirement benefit scheme contributions	**47**	48
Share-based payments	**859**	3,268
Discretionary and performance related incentive payments	**7,300**	6,967
	26,796	32,426

36 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,683**	2,376	**1,093**	992
After one year but within five years	**1,721**	2,467	**1,220**	2,272
	3,404	4,843	**2,313**	3,264

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.

37 Capital commitments

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
— Oil & gas exploration activities	**–**	3,719

38 Contingent liabilities

As at 31 December 2014, the Group did not have any contingent liabilities (2013: Nil).

39 Event after balance sheet date

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

The related operations of TWE is classified as discontinued operation and reflected in the statement of comprehensive income with the comparative figures re-presented, and the relevant assets and liabilities of the group including TWE to be distributed are classified as "assets/liabilities of disposal group held for distribution", in accordance with HKFRS 5 (Note 29).

Five Years Financial Statement Summary

Consolidated Income Statement

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,043**	1,154	69	164	379
Cost of Sales	**(640)**	(266)	(35)	(123)	(297)
Gross profit	**403**	888	34	41	82
Selling and distribution expenses	**(447)**	(613)	–	–	–
Administrative and operating expenses	**(51,556)**	(64,131)	(74,189)	(74,076)	(99,234)
Share of profits less losses of a jointly-controlled entity	**–**	–	–	–	964
Fair value loss in issuance of unlisted warrants	**(38,931)**	–	–	–	–
Gain on disposal of subsidiaries	**–**	81,934	–	–	–
Other gains/(losses), net	**1,737**	(2,496)	1,597	(1,753)	(3,177)
Operating (loss)/profit	**(88,794)**	15,582	(72,558)	(75,788)	(101,365)
Finance income	**19**	438	442	454	512
(Loss)/profit before taxation	**(88,775)**	16,020	(72,116)	(75,334)	(100,853)
Income tax	**–**	–	683	388	4,618
(Loss)/profit for the year from continuing operations	**(88,775)**	16,020	(71,433)	(74,946)	(96,235)
Profit/(loss) for the year from discontinued operations	**1,592**	1,227	(2,930)	(2,428)	–
(Loss)/profit for the year	**(87,183)**	17,247	(74,363)	(77,374)	(96,235)
Non-controlling interests	**(2,752)**	(3,476)	(945)	(676)	909
(Loss)/profit attributable to equity holders of the Company	**(84,431)**	20,723	(73,418)	(76,698)	(97,144)

Consolidated Balance Sheet

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**145,862**	1,211,226	1,324,020	1,132,678	1,116,325
Current assets	**1,010,427**	43,165	33,856	52,875	161,436
Current liabilities	**(241,027)**	(29,646)	(53,495)	(27,756)	(47,092)
Non-current liabilities	**–**	(228,428)	(247,733)	(243,359)	(249,083)
Net assets	**915,262**	996,317	1,056,648	914,438	981,586