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

*(Incorporated in the Cayman Islands with limited liability)*
***Website: http://www.enviro-energy.com.hk***
**(Stock Code: 1102)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

## CHAIRMAN'S STATEMENT

I take pleasure in presenting the results for Enviro Energy International Holdings Limited ("**Company**" or "**EE**" and together with its subsidiaries and jointly-controlled entity, "**Group**") for the year ended 31 December 2012.

The year 2012 will be seen as the point when western economies generally began a return to growth, increased job creation and economic stability. However this positive turn does not include all economies and caution remains a watchword for planning ahead.

The political situation in the United States was resolved with a clear re-election of the incumbent President signaling a period of stability. Economic stability in the United States is bolstered by the excellent outlook for domestic energy production. Western Europe remains a spotty mix of positive and negative signals while Asia-Pacific, dominated by the People's Republic of China ("**China**") continues its growth pattern. I am particularly impressed with Southeast Asia's progress and the growth centered on Indonesia during the year. Looking ahead, I foresee Indonesia on track to surpass some of the largest western economies in absolute size within 10 years.

EE has reacted to the broadening economic potential in the entire Asia Pacific and while maintaining excellent assets in China, new projects and opportunities beckon elsewhere in the region.

**The medium and long term outlook for natural resources remains very positive.**

We continue to balance risk and value creation by utilising a consistent disciplined approach to investing, underpinned by strategic principles.

Going forward EE will invest in future growth by expanding the horizon and the slate of target natural resources by focusing on a greater variety of major projects while retaining the principles noted.

The key segments of our business have been conventional and unconventional hydrocarbons and these will be retained in the portfolio. However we see greater opportunity in expanding the number of key segments with the intended result being enhanced reserve and production performance tied to nearer term cash flow generation. Ultimately EE will have a balanced and highly competitive portfolio of commodities and operations with more geographic diversity.

EE has grown its resource base. As reported last year we successfully added to the discovered and gross unconventional gas resources at our large-scale unconventional gas project located in western China which reflects our objective to create value in the upstream sector, where shareholders traditionally have the greatest leverage. During the year the Company successfully recalculated its discovered coalbed methane ("**CBM**") resources, previously evaluated according to international standards, into the Chinese national standard reserves and resources. This step is a necessary precursor to advancing to economic reserves and commercial development of the gas field. The recalculation was completed by an independent third party CBM expert.

We also added another pilot production well at the China gas project. The exceptional value potential of the China gas project reflects the wisdom of pursuing such projects in regions of exceptional energy demand growth. China is expected to be the area of the world with greatest energy demand growth for the foreseeable future.

We understand the risk profile of such projects and the patience and capital required to develop resources in frontier areas. The payoff is likely to be worth the wait. However, I have personally been disappointed with some aspects of service quality in China and the sometimes unnecessary delays relating to bureaucracy, both of which tend to extend project lead times unnecessarily.

We also recognise the necessity of cash flow and cash flow growth and therefore the corporate benefits of investing in projects with near-term cash flow potential. The financing flexibility alone associated with near term cash flow projects provides a real incentive to the Company. At this stage in the Company's evolution, all shareholders will relate to the benefits of project financing flexibility that can provide options to simply issuing equity.

I wish to highlight as well the potential benefits to the Group of unlocking asset value in the unconventional natural gas project. There is enormous value hidden in the China gas property that currently delivers no revenue. The Company has amassed a much larger developable gas resource than we may be able to fund efficiently and we are therefore examining opportunities to joint venture the project or otherwise cooperate with a partner. The prospective scale of development in China means we are considering cooperation of various kinds with large companies.

Excellence in the Company's business performance is driven by people and I state again that I am constantly reminded of the quality of the talented team of professionals who drive our success by their dedication. Continuing support from our valued business and financial partners as well as you the shareholder is a source of encouragement for the entire Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business Review

***Unconventional natural gas business***

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

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

TWE holds the first fully-approved and currently the only CBM PSC in Xinjiang which is considered to be among the most attractive CBM exploration areas in the world based on known coal resources and regional economic development plans of the central government of China. The 2012 Liuhuanggou CBM operations program continued the first CBM pilot production testing under a production sharing contract in western China.

The CBM operations in 2012 included evaluation of previous results, review of the fracture stimulation plans for existing wells and the design and drilling of two additional CBM pilot production wells.

Well LHG12-02 was spudded on 11 November 2012 and drilled to a depth of 750 metres in the prospective Jurassic Badaowan (J1B) formation. The well is located in the vicinity of LHG10-02 and future development plans will coordinate fracture stimulation and production between the two wells. The area is very prospective for natural gas and additional wells are planned.

The operations at LHG12-02 were completed on 8 December 2012 after the downhole geophysical survey.

Well LHG12-01 to be drilled in the vicinity of LHG10-01 to further evaluate the prospective Jurassic Xishanyao (J2X) formation was deferred from 2012 operations to the spring of 2013 due to the inclement winter weather which struck the Liuhuanggou area in December 2012. Equipment remains in the field and ready for mobilisation.

The 2012 operations included the recalculation of certain CBM resource figures for the highest level resources calculated to date. Original gas in place ("**OGIP**") and discovered CBM (Contingent Resources) were estimated by an independent third party in 2010 for a portion of the PSC ("**TWE's discovered CBM area**"). TWE's discovered CBM area represents the area most likely to be the starting point for commercial development and therefore the area targeted for an Overall Development Program ("**ODP**") according to China's CBM regulatory regime. The initial step in ODP is the evaluation of CBM resources and reserves according to the Chinese CBM resource estimation standard DZ/T 0216-2010. An independent third party completed this evaluation for the CBM resources within TWE's discovered CBM area. Next steps in advancing the development of the area include further drilling, fracture stimulation of wells and establishing commercial rates of production.

As previously reported, in October 2011, TWE announced a significant milestone in its development with the results of an independent engineering report prepared by Netherland, Sewell & Associates, Inc. updating estimates for the total Discovered OGIP in the Liuhuanggou CBM PSC area as: a) Grand total Best Estimate OGIP of 11.825 trillion cubic feet ("**Tcf**") of natural gas; and, b) Grand total OGIP Low Estimate of 7.179 Tcf and High Estimate of 19.185 Tcf. As at 31 December 2012, there were no material changes to the resource figures mentioned above.

The discovered CBM resources and the exceptional OGIP estimates reflect the great potential of the Liuhuanggou PSC area and warrant continuing exploration and development efforts.

***Conventional crude oil business***

As at 31 December 2012, EE indirectly owned 50% of Qian An Oil Development Co., Ltd. ("**Qian An**"), an equity joint venture company established in China. The other 50% of the equity interest of Qian An is beneficially owned by PetroChina Company Limited ("**PetroChina**"), whose "H" shares and American depository shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the New York Stock Exchange, Inc., respectively. Qian An is principally engaged in exploitation of petroleum resources activities and production of petroleum.

During the year ended 31 December 2012, the crude oil price in China continued to maintain at a level ranging between approximately US$94 to US$115 per barrel. PetroChina, being the operator of the two oilfields of Qian An, namely Qian Shen 12 and Qian 209, continued to maintain annual production levels at slightly over 80,000 barrels, representing a daily production of approximately 227 barrels.

As disclosed in the announcement of the Company on 11 March 2013, EE completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited, for a cash consideration of RMB50 million (equivalent to approximately HK$61.4 million). Please refer to that announcement for further details.

*Natural resource projects*

EE responded to the growing economy and favourable economic conditions in Southeast Asia by acquiring limestone/marble assets in Indonesia. The Company indirectly holds approximately 90% of PT. Bara Hugo Energy ("**BHE**") which in turn holds 37.5% of PT. Grasada Multinational ("**GM**"), which holds a mining permit covering the Maros Marble Project in southwestern Sulawesi, Indonesia. BHE also holds warrants in GM which upon exercise will bring its shareholding in GM to 60%.

BHE initiated geological evaluation and drilling at the Maros marble project during the year incurred capital expenditure of approximately HK$0.9 million since acqusition. A five hole drilling program was undertaken to explore the resource base and sample the quality of the ore body. Various samples were sent to labs in Indonesia for assessment. Detailed evaluations are expected to be undertaken during 2013. In due course following evaluation of the results of current activities, the Company plans to proceed to complete marble resource and reserve estimations according to international industry standards, and will provide shareholders updates as and when appropriate. Commercial development could then follow should marble reserves be identified.

Subsequent to the year end, on 18 March 2013, the Company through one of its wholly-owned subsidiaries executed a memorandum of understanding on production and operation of a producing marble mine in Indonesia, which is expected to contribute immediate strong profits and cash flow. The mine concession covers approximately 20 hectares located at Barabatu, Labakkang District, Pankep Regency, South Sulawesi Province, Indonesia, an area known for good quality marble quarries. The scale of potentially recoverable marble is not known with certainty but is substantial, and a geological report conducted in 1997 estimated uncategorised marble resources at the concession to exceed seven (7) million cubic metres. The mine was previously producing on average 500 cubic metres of marble products per month, mainly in the highly sought French white cream and Italian yellow amber colours.

*Advanced production technologies*

EE specialises in the injection of carbon dioxide ("**$CO_2$**") or a gas mixture including $CO_2$ into geological formations to enhance hydrocarbon recovery and creating storage capacity for the $CO_2$ in the reservoirs, for example, enhanced oil recovery ("**EOR**") and enhanced coalbed methane recovery ("**ECBM**").

The initial phase of the Deep Unmineable Coal Carbon Dioxide Sequestration and Enhanced CBM Production Project operated under a cooperative joint research venture agreement between the Company, China United Coalbed Methane Corporation Limited ("**CUCBM**") and Petromin Resources Ltd. ("**Petromin**") was completed in 2011. The initial phase was a single-well pilot project which involved injecting $CO_2$ into a target coal seam to test $CO_2$ sequestration and enhanced CBM production. A second phase which involves multi-well pilot testing was initiated during 2012. EE and Petromin will continue to evaluate our position in this Project. The business model must be appropriate in order for us to participate. EE will act in an advisory capacity in this second phase.

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

## Business Prospects

### *Unconventional natural gas business*

Unconventional natural gas is that category of natural gas which includes CBM and shale gas in addition to other sources. China is considered one of the world's largest and fastest growing consumer markets for natural gas and also holds the largest estimated unconventional natural gas resources in the world. Forecast demand for natural gas outstrips supply in China by a wide margin and the development opportunities for CBM and other unconventional natural gas resources are highly sought after.

The central government of China actively promotes the exploration and development of unconventional natural gas and conducted further shale gas land auctions in 2012 with only Chinese companies participating. The auction was disappointing in the inclusion of Chinese companies only and some winning bids were received from non-resource companies.

TWE holds the first CBM PSC in the Junggar Basin of Xinjiang and the PSC defines CBM as all gas contained in four named formations to a depth of 1,500 metres. This provides excellent scope for exploitation of gas in shale formations with the PSC if the shale is within the referenced geologic formations. Within China, the Junggar Basin is considered to be among the most prospective regions for CBM and other unconventional natural gas and is connected to the national natural gas pipeline grid of China via both the national 1st and 2nd West-East pipelines. The 3rd West-East pipeline is under construction and parallels the 2nd West-East pipeline crossing the Liuhuanggou PSC.

The Company anticipates continuing natural gas demand growth in China and is forecasting a growth rate of 10% per annum. Gas prices are also expected to continue to grow from current wellhead price levels equivalent to US$4.50 to greater than US$6.50 per thousand cubic feet ("**mcf**"). The central government of China also provides a price subsidy equivalent to over US$1.00 per mcf to CBM sales price and various reports cite speculation the subsidy may increase again in the coming year to encourage further exploration and development.

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

China's 12th Five Year Plan ("**Plan**"), announced in July 2011 focuses strongly on natural gas and highlights incentives to explore for and develop unconventional natural gas including CBM and shale gas. Natural gas consumption is expected to reach 235 billion cubic metres (or 8.2 Tcf) by 2015 which is more than double the demand of 2010. Imports will remain important but there is a huge drive to produce more gas domestically as reflected in the Plan.

The Plan also encourages investment in frontier areas such as Xinjiang with the objective of increasing and expanding energy and transportation infrastructure. The results of actions emerging from the Plan are clearly evident in Urumqi city, the capital of Xinjiang where new housing, major highway infrastructure and local gas pipeline construction are frequently seen. The initiative will lead to sizeable increases in energy demand in Xinjiang, including demand for natural gas.

***Global economy and outlook***

Recovery of western economies continued during the year and the outlook is generally positive although not without some problem areas. The election in the United States returned the incumbent President which was positive for stability in global markets. Western Europe has added strength but sovereign debt and required low rates of government spending and investment remain troublesome. In Asia the performance and outlook are generally better across the board. At the beginning of the year there was some recovery in major commodity prices including iron ore which is positive to the outlook and Chinese demand remains the key driver for all major commodity price levels.

The relatively low price for natural gas is expected to impact coal demand in the United States as more gas is utilized to generate electricity. In fact gas demand growth in the United States was robust in response to continuing low prices. Coal production dropped marginally as a result. Outside North America gas demand increased rapidly in China and Japan — Japan reflecting the necessary shift from nuclear-powered electricity.

The Group continues to interpret the global and regional situation in petroleum and natural gas as supporting its continued involvement in the upstream hydrocarbon business in China and the Group continually assesses opportunities to increase shareholder value and/or capture value from current operations as well as monetize assets when supportive of the corporate business plan.

***Other natural resource: Opportunities and markets***

Whilst western economies advance out of recession with only marginal success the Asia Pacific led by China and Southeast Asia march forward and the economic potential of the entire region is attractive for new resource investment. The Company takes special note of opportunities to generate near-term cash and create value in niche resource markets including some specialised industrial minerals and oilfield service commodities.

The building boom across the region, so evident in major cities such as Jakarta, is driving demand for limestone and marble as decorative stone. Of course China's urban growth remains a key driver of demand for this product as well. Demand is such that growth in imports of stone from such traditional suppliers as Italy and Turkey is robust while the search for local supply within the region is extensive. Any supply source within the region, offering suitable quality and shorter supply lines will be of great competitive advantage.

The energy boom in Asia and the worldwide increase in unconventional hydrocarbon development, including shale gas and shale oil have created great demand for some specialised products. The ongoing expansion of shale gas exploration in Australia and China is key to specialised product demand in the Asia Pacific.

## Financial Review

***Oil and gas segment***

*Unconventional natural gas business*

During the year ended 31 December 2012, EE's unconventional natural gas businesses were still in exploration and evaluation phases.

During the year ended 31 December 2012, the capital expenditure incurred for EE's unconventional natural gas businesses amounted to approximately HK$8.1 million. TWE continued production testing on the pilot production wells drilled in 2010 and 2012, and continued to plan for the drilling of more pilot production wells. As disclosed previously, once the results of the pilot production are available, TWE will start finalising off-take arrangements with local gas suppliers and/or owners of the national pipelines. TWE also expects to initiate the regulatory approval process of the overall development program once preliminary transportation and sales arrangements are in place. TWE's plan is to follow the pilot CBM production with the development of a 30 wells CBM production project. The project would represent the initial stage of a larger commercial development.

*Conventional crude oil business*

During the year ended 31 December 2012, the crude oil price in China continued to maintain at a level ranging between approximately US$94 to US$115 per barrel. PetroChina, being the operator of the two oilfields of Qian An, namely Qian Shen 12 and Qian 209, produced an aggregate of approximately 83,000 barrels (2011: 101,000 barrels), representing a daily production of approximately 227 barrels (2011: 277 barrels). As at 31 December 2012, as EE indirectly owned 50% of Qian An, the Group recorded an overall share of loss of Qian An for the year ended 31 December 2012, after taking into account depreciation and tax considerations, amounted to approximately HK$3.1 million (2011: share of profit HK$1.2 million).

As disclosed in the announcement of the Company on 11 March 2013, EE completed the disposal of its conventional crude oil business via the disposal of 100% of its wholly-owned subsidiary, Allied Resources Limited, for a cash consideration of RMB50 million (equivalent to approximately HK$61.4 million). The gain expected to accrue to the Company on the disposal is approximately HK$82.2 million, which is equal to the difference between the carrying value of the disposal group as at date of the agreement, the consideration and cumulative exchange differences.

***Information technology ("IT") and network infrastructure segment***

During the year ended 31 December 2012, EE continued to focus its resources on energy-related business. The Group's revenue generated from IT related businesses for the year ended 31 December 2012 amounted to approximately HK$0.1 million (2011: HK$0.2 million).

*Administrative and operating expenses*

For the year ended 31 December 2012, administrative and operating expenses amounted to approximately HK$74.0 million (for the year ended 31 December 2011: HK$77.7 million), representing a decrease of approximately 4.8%. The decrease was mainly due to the decrease of share-based payment expenses.

During the year ended 31 December 2012, share-based payment expenses amounted to HK$3.3 million (2011: HK$4.4 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$14.6 million (2011: HK$26.3 million), of which HK$9.7 million (2011: HK$19.4 million) was recorded as investor relations expenses and HK$4.9 million (2011: HK$6.9 million) was recorded as technical consultancy expenses in the consolidated income statement. These non-employees mainly comprise (i) independent consultants who will assist in the marketing and promotion of EE in terms of investors' relations; and (ii) independent expert industry consultants who will provide advices in relation to the technical aspects of EE's energy-related businesses.

*Other comprehensive income*

During the year ended 31 December 2012, exchange differences mainly arising on translation of the Canadian operation amounted to approximately HK$19.0 million (2011: HK$20.6 million) because the Canadian dollar ("**C$**") appreciated by approximately 2.1% against the Hong Kong dollar ("**HK$**"), when translating the carrying value of EE's Canadian subsidiary, namely TWE.

*Loss attributable to equity holders of the Company*

As a result of the above-mentioned factors, loss attributable to equity holders of the Company for the year ended 31 December 2012 amounted to approximately HK$73.4 million (for the year ended 31 December 2011: HK$76.7 million).

**Liquidity and Financial Resources**

For the year ended 31 December 2012, EE mainly financed its operations with funds raised from previous share placements, including the top-up placement in October 2010 which EE raised net proceeds of approximately HK$154.0 million. As at 31 December 2012, the Group had bank balances and cash of approximately HK$27.5 million (as at 31 December 2011: HK$48.9 million). Subsequent to the year-end 31 December 2012, the Company completed the disposal transaction on Allied Resources Limited and sales proceed of approximately HK$61.4 million has been received on 11 March 2013. The Group's current ratio stood at approximately 0.6 as at 31 December 2012 (as at 31 December 2011: 1.9).

On 2 June 2011, EE issued 230,000,000 non-listed warrants which entitle the warrant subscribers to subscribe for new shares of the Company at the warrant subscription price of HK$0.38 per new share for a period of twenty-four (24) months commencing from the date of issuance of the warrants. Upon full exercise of the warrants, EE would be able to raise net proceeds of approximately HK$87.4 million. Details regarding the warrants have been disclosed in the Company's announcement dated 9 May 2011.

On 10 August 2012, EE allotted and issued 154,000,000 new shares at the subscription price of HK$0.152 per share. The net proceeds from the subscription amounted to approximately HK$22.6 million.

Also on 10 August 2012, EE issued 50,000,000 non-listed warrants which entitle the warrant subscriber to subscribe for new shares of the Company at the warrant subscription price of HK$0.38 per new share for a period of eighteen (18) months commencing from the date of issuance of the warrants. Upon full exercise of the warrants, EE would be able to raise net proceeds of approximately HK$19.0 million. Details regarding the share and warrant subscriptions have been disclosed in the Company's announcements dated 30 July 2012 and 10 August 2012, respectively.

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

As at 31 December 2012, the Group had net assets of approximately HK$1,056.6 million (as at 31 December 2011: HK$914.4 million).

As at 31 December 2012, the Group continued to maintain a debt-free capital structure.

As at 31 December 2012, 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 2011: Nil).

**Charge on Group Assets**

As at 31 December 2012, the Group did not have any charge on its assets (as at 31 December 2011: Nil).

**Foreign Exchange Exposure**

EE mainly earned revenue and incurred costs in HK$, Renminbi, C$, Indonesian Rupiah 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 2012, the Group had capital commitments amounting to approximately HK$4.2 million (as at 31 December 2011: HK$17.9 million).

**Contingent Liabilities**

As at 31 December 2012, the Group had no contingent liabilities (as at 31 December 2011: Nil).

**Significant Investments and Future Plans for Material Investments**

Save as disclosed in the sections headed "Business Review" and "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies", during the year ended 31 December 2012, 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 China and overseas.

**Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

As disclosed in the announcements of the Company on 2 April 2012 and 15 May 2012, EE, through CCST Singapore Pte. Ltd., its wholly-owned subsidiary, acquired a 95% interest of Hugo Link Global Investments Limited ("**Hugo Link**") for considerations of US$3.5 million (equivalent to approximately HK$27.3 million) in cash and issuance of 452,400,000 new shares of the Company. Hugo Link holds 95% of BHE which in turn holds 37.5% of GM. BHE also holds warrants in GM which upon exercise will bring its shareholding in GM to 60%.

As disclosed in the announcement of the Company on 11 March 2013, Allied Resources Limited, being a wholly-owned subsidiary of the Company, and the purchaser, have on 11 March 2013 entered into the deed of cancellation pursuant to which the parties have agreed to terminate and release all their respective rights and obligations under and pursuant to the agreement dated 18 October 2012 in relation to the sale and purchase of 100% of Jilin Hengli Industries Liability Co., Ltd, an indirect wholly-owned subsidiary of the Company with effect from the signing of the deed of cancellation. Also on 11 March 2013, the Company and the new purchaser have entered into the disposal agreement pursuant to which the Company has agreed to sell and the new purchaser has agreed to acquire 100% of Allied Resources Limited for a cash consideration of RMB50 million (equivalent to approximately HK$61.4 million) and the new purchaser agreed to pay the Company the cash balance of Allied Resources Limited as at 28 February 2013 on completion. The transaction was completed on 11 March 2013. Please refer to that announcement for further details.

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

**Employees' Information**

As at 31 December 2012, the Group had 29 full-time employees (as at 31 December 2011: 25) working in Hong Kong, China, Indonesia and Canada. EE remunerates its employees based on their performance, experience and the prevailing industry practice.

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

## CONSOLIDATED INCOME STATEMENT

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2012** | 2011 (Restated) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Continuing operations: | | | |
| **Revenue** | *4* | **69** | 164 |
| **Cost of sales** | *5* | **(35)** | (123) |
| **Gross profit** | | **34** | 41 |
| Other gain/(loss), net | | **1,597** | (1,753) |
| Administrative and operating expenses | | **(74,189)** | (74,076) |
| Finance income | | **442** | 454 |
| **Loss before taxation** | *5* | **(72,116)** | (75,334) |
| Income tax | *6* | **683** | 388 |
| **Loss for the year from continuing operations** | | **(71,433)** | (74,946) |
| Discontinued operations: | | | |
| **Loss for the year from discontinued operations** | *10* | **(2,930)** | (2,428) |
| **Loss for the year** | | **(74,363)** | (77,374) |
| **Attributable to:** | | | |
| Equity holders of the Company | | | |
| Continuing operations | | **(70,488)** | (74,270) |
| Discontinued operations | | **(2,930)** | (2,428) |
| | | **(73,418)** | (76,698) |
| Non-controlling interests | | | |
| Continuing operations | | **(945)** | (676) |
| | | **(74,363)** | (77,374) |

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2012** | 2011 |
| | | | (Restated) |
| | *Note* | ***HK Cents*** | *HK Cents* |
| **Loss per share attributable to equity holders of the Company (expressed in HK cents per share)** | *7* | | |
| Basic and diluted — from continuing operations | | **(2.26)** | (2.67) |
| Basic and diluted — from discontinued operations | | **(0.09)** | (0.09) |
| Basic and diluted — from loss for the year | | **(2.35)** | (2.76) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December 2012 *HK$'000* | 2011 *HK$'000* |
|---|---|---|
| **Loss for the year** | **(74,363)** | (77,374) |
| **Other comprehensive income/(loss)** | | |
| Fair value gain on available-for-sale investment | **955** | – |
| Exchange differences arising from translation of foreign operations | **18,963** | (20,638) |
| Other comprehensive income/(loss) for the year, net of tax | **19,918** | (20,638) |
| Total comprehensive loss for the year | **(54,445)** | (98,012) |
| Attributable to: | | |
| Equity holders of the Company | **(58,297)** | (90,367) |
| Non-controlling interests | **3,852** | (7,645) |
| Total comprehensive loss for the year | **(54,445)** | (98,012) |
| Total comprehensive loss attributable to equity holders of the Company arises from: | | |
| Continuing operations | **(55,359)** | (88,615) |
| Discontinued operations | **(2,938)** | (1,752) |
| | **(58,297)** | (90,367) |

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

| | Note | As at 31 December<br>**2012**<br>***HK$'000*** | <br>2011<br>*HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | | **3,005** | 2,616 |
| Exploration and evaluation assets | | **1,316,257** | 1,103,650 |
| Interest in a jointly-controlled entity | | **–** | 3,683 |
| Available-for-sale investment | | **1,484** | 529 |
| Club memberships | | **2,700** | 2,700 |
| Deposits | | **574** | 19,500 |
| | | **1,324,020** | 1,132,678 |
| **Current assets** | | | |
| Trade receivables | *8* | **2** | – |
| Deposits, prepayments and other receivables | | **2,938** | 2,095 |
| Financial asset at fair value through profit or loss | | **3,321** | 1,874 |
| Bank balances and cash | | **25,884** | 48,906 |
| | | **32,145** | 52,875 |
| Assets of disposal group classified as held-for-sale | *10* | **1,711** | – |
| | | **33,856** | 52,875 |
| **Total assets** | | **1,357,876** | 1,185,553 |

| | Note | As at 31 December 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **8,461** | 6,945 |
| Share premium and reserves | | **693,598** | 676,901 |
| | | **702,059** | 683,846 |
| Non-controlling interests | | **354,589** | 230,592 |
| **Total equity** | | **1,056,648** | 914,438 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **247,733** | 243,359 |
| **Current liabilities** | | | |
| Other payables | *9* | **33,190** | 27,756 |
| Liabilities of disposal group classified as held-for-sale | *10* | **20,305** | – |
| | | **53,495** | 27,756 |
| **Total liabilities** | | **301,228** | 271,115 |
| **Total equity and liabilities** | | **1,357,876** | 1,185,553 |
| **Net current (liabilities)/assets** | | **(19,639)** | 25,119 |
| **Total assets less current liabilities** | | **1,304,381** | 1,157,797 |

*Notes:*

## 1. BASIS OF PREPARATION

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

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

As at 31 December 2012, the Group's oil and gas properties amounted to approximately HK$1,135 million. The exploration period of the underlying coalbed methane production sharing contract ("PSC") has expired in February 2011. As at the date of approval of the consolidated financial statements, the Group is still in the process of formally extending the exploration period of the PSC. On the basis that the Directors believe that the exploration period will be extended, the consolidated financial statements do not include any adjustment on the carrying amount of the oil and gas properties of the Group as at 31 December 2012 that may result if the exploration period of the PSC is not extended.

As at 31 December 2012, the Group's current liabilities exceeded its current assets by HK$19.6 million. Subsequent to the year-end 31 December 2012, the disposal transaction has been completed and a sales proceed of approximately HK$61.4 million has been received. Based on the Group's expected future working capital requirements, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, the financial statements of the Group have been prepared on a going concern basis.

## 2. APPLICATION OF NEW AND REVISED HKFRS

The HKICPA has amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

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

## 3. SEGMENT INFORMATION

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

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

(ii) GM — Marble rock mining in Indonesia

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

(iv) Information technology related services in Hong Kong

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

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

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

(c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, the Group's share of profits less losses of a jointly-controlled entity, administrative and operating expenses, finance income and income tax.

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

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

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

| | Continuing operations | | | Discontinued operations | |
|---|---|---|---|---|---|
| | Information technology related services in Hong Kong HK$'000 | Gas exploration in TWE HK$'000 | Subtotal HK$'000 | Oil exploration in Qian An (Restated) HK$'000 | Consolidated (Restated) HK$'000 |
| **For the year ended 31 December 2011** | | | | | |
| Segment revenue | 164 | – | 164 | – | 164 |
| Gross profit | 41 | – | 41 | – | 41 |
| Administrative and operating expenses | (1,809) | (2,065) | (3,874) | (3,635) | (7,509) |
| Finance income | – | – | – | 2 | 2 |
| Share of profits less losses of a jointly-controlled entity | – | – | – | 1,205 | 1,205 |
| Income tax | – | 388 | 388 | – | 388 |
| Segment results | (1,768) | (1,677) | (3,445) | (2,428) | (5,873) |
| Unallocated: | | | | | |
| Other loss, net | | | | | (1,753) |
| Administrative and operating expenses | | | | | (70,202) |
| Finance income | | | | | 454 |
| Loss before taxation | | | | | (77,374) |
| Income tax | | | | | – |
| Loss for the year | | | | | (77,374) |
| **As at 31 December 2011** | | | | | |
| Segment assets | 1,065 | 1,104,385 | 1,105,450 | 6,046 | 1,111,496 |
| Unallocated assets | | | | | 74,057 |
| Total assets | | | | | 1,185,553 |
| Segment liabilities | 489 | 246,757 | 247,246 | 21,871 | 269,117 |
| Unallocated liabilities | | | | | 1,998 |
| Total liabilities | | | | | 271,115 |

| | Information technology related services in Hong Kong *HK$'000* | Gas exploration in TWE *HK$'000* | Oil exploration in Qian An *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| **For the year ended 31 December 2011** | | | | | |
| Capital expenditures | 6 | 20,966 | – | 1,976 | 22,948 |

The Group's revenue for both the year ended 31 December 2012 and 2011 is solely derived from its information technology related services segment in Hong Kong.

The Group's non-current assets other than available-for-sale investment as at 31 December 2012 and 2011 are further analysed as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **4,862** | 24,802 |
| China | **1,134,715** | 1,107,347 |
| Indonesia | **182,959** | – |
| | **1,322,536** | 1,132,149 |

## 4. REVENUE

Revenue represents amount receivable for goods sold and services provided in the normal course of business.

An analysis of the Group's revenue is as follows:

| | **Year ended 31 December** | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Continuing operations | | |
| Sale of computer software | **21** | 40 |
| Network infrastructure maintenance and sale of computer hardware | **48** | 124 |
| | **69** | 164 |

## 5. LOSS BEFORE TAXATION

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

| | Continuing operations Year ended 31 December | | Discontinued operations Year ended 31 December | | Total Year ended 31 December | |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **19** | 36 | **–** | – | **19** | 36 |
| Depreciation of plant and equipment | **1,226** | 1,236 | **5** | 10 | **1,231** | 1,246 |
| Auditor's remuneration | | | | | | |
| — Current year | **1,730** | 1,400 | **20** | 50 | **1,750** | 1,450 |
| — (Over)/under-provision in prior year | **(53)** | 165 | **–** | – | **(53)** | 165 |
| Operating lease payments | **3,979** | 3,391 | **–** | – | **3,979** | 3,391 |
| Legal and professional fees | **5,090** | 876 | **23** | – | **5,113** | 876 |
| Investor relations expenses | | | | | | |
| — Cash payments | **721** | 1,557 | **–** | – | **721** | 1,557 |
| — Share-based payments | **9,722** | 19,449 | **–** | – | **9,722** | 19,449 |
| Technical consultancy expenses | | | | | | |
| — Share-based payments | **4,892** | 6,856 | **–** | – | **4,892** | 6,856 |
| Staff costs, including directors' emoluments | | | | | | |
| — Salaries, allowances and other benefits | **24,281** | 24,015 | **1,221** | 1,265 | **25,502** | 25,280 |
| — Retirement benefit scheme contributions | **171** | 140 | **14** | 12 | **185** | 152 |
| — Share-based payments | **3,270** | 4,420 | **–** | – | **3,270** | 4,420 |
| — Discretionary and performance related incentive payments | **5,787** | 5,410 | **–** | 139 | **5,787** | 5,549 |
| Provision for impairment of amount due from a jointly-controlled entity | **–** | – | **549** | 915 | **549** | 915 |
| Exchange loss/(gain), net | **1,922** | (1,859) | **287** | 904 | **2,209** | (955) |

## 6. INCOME TAX

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

No Hong Kong profits tax had been provided as the Group did not have any assessable profits in Hong Kong for the year ended 31 December 2012 (2011: 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 2012 (2011: 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 2012 (2011: Nil).

The Company's non wholly-owned subsidiary, TWE, incorporated under the laws of British Columbia, Canada, has been reporting tax loss since its incorporation. 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).

## 7. LOSS PER SHARE

(a) Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2012 and 2011.

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

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| Loss attributable to equity holders of the Company for the purposes of basic loss per share (HK$'000) | | |
| — Continuing operations | **(70,488)** | (74,270) |
| — Discontinued operations | **(2,930)** | (2,428) |
| Weighted average number of ordinary shares for the purpose of basic loss per share ('000) | **3,123,367** | 2,777,674 |
| Basic loss per share (in HK cents) | | |
| — Continuing operations | **(2.26)** | (2.67) |
| — Discontinued operations | **(0.09)** | (0.09) |

(b) The Group had share options and warrants outstanding as at 31 December 2011 and 31 December 2012. The share options and warrants did not have a dilutive effect on loss per share (2011: anti-dilutive).

## 8. TRADE RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **2** | – |

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

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **1** | – |
| Over 60 days | **1** | – |
| | **2** | – |

As at 31 December 2012, trade receivables of HK$1,000 were past due but not impaired. These relate to an independent customer for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Over 60 days | **1** | – |
| | **1** | – |

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| HK$ | **1** | – |
| US$ | **1** | – |
| | **2** | – |

## 9. OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Other payables | **10,085** | 23,917 |
| Consideration payable (Note 11) | **7,800** | – |
| Accrued liabilities | **15,305** | 3,839 |
| | **33,190** | 27,756 |

## 10. ASSETS/(LIABILITIES) HELD-FOR-SALE AND DISCONTINUED OPERATIONS

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

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Operating cash outflows | **(642)** | (1,719) |

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Plant and equipment | **3** | – |
| Interest in a jointly-controlled entity | **–** | – |
| Deposits, prepayments and other receivables | **57** | – |
| Bank balances and cash | **1,651** | – |
| Total | **1,711** | – |

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Other payables | **20,305** | – |

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

| | As at 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Translation reserve | **540** | – |

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

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Other gain | **2,574** | – |
| Administrative and operating expenses | **(2,357)** | (3,635) |
| Finance income | **1** | 2 |
| Share of profits less losses of a jointly-controlled entity | **(3,148)** | 1,205 |
| Loss for the year from discontinued operations | **(2,930)** | (2,428) |

The share of profits less losses of a jointly-controlled entity is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Share of revenue | **33,119** | 42,718 |
| Share of profits less losses | **(3,148)** | 1,205 |

During the year ended 31 December 2012, the Group has discontinued recognising its share of losses as the losses have exceeded the Group's carrying amount of the investment. The unrecognised share of loss for the year was HK$1,272,000 (2011: nil).

## 11. ACQUISITION OF HUGO LINK GLOBAL INVESTMENTS LIMITED

On 15 May 2012, the Group acquired 95% of the issued share capital of Hugo Link for consideration of HK$111.0 million, comprised of US$3.5 million (equivalent to approximately HK$27.3 million) in cash and HK$83.7 million in the form of 452,400,000 new Company shares. As a result of the acquisition, Hugo Link holds 95% of BHE which in turn holds 37.5% of GM. BHE also holds currently exercisable warrants in GM which upon exercise will bring its shareholding in GM to 60%.

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

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

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

| | *HK$'000* |
|---|---|
| Plant and equipment | 1,413 |
| Exploration and evaluation assets — mining properties | 180,758 |
| Deposits, prepayments and other receivables | 830 |
| Bank balances and cash | 907 |
| Other payables | (551) |
| Fair value of net assets | 183,357 |
| Non-controlling interests | (120,145) |
| Warrants in GM recorded in Other reserve | 47,782 |
| Total consideration — shown as below | 110,994 |
| Total consideration satisfied by: | |
| Cash deposit utilised | 19,500 |
| Consideration payable *(Note 9)* | 7,800 |
| Fair value of shares issued *(Note)* | 83,694 |
| Total consideration | 110,994 |

*Note:*

Pursuant to the sales and purchase agreement, part of the consideration was settled by way of issuance of 452,400,000 new ordinary shares (the "**Consideration Shares**"). The fair value of the Consideration Shares, determined using the published closing price as at the date of acquisition, amounted to approximately HK$83.7 million at HK$0.185 each.

## 12. SUBSEQUENT EVENTS

(a) On 11 March 2013, Allied Resources Limited, a wholly-owned subsidiary of the Company, and a third party purchaser, have entered into the deed of cancellation pursuant to which the parties have agreed to terminate and release all their respective rights and obligations under and pursuant to the agreement dated 18 October 2012 in relation to the sale and purchase of 100% of Jilin Hengli Industries Liability Co., Ltd, an indirect wholly-owned subsidiary of the Company with effect from the signing of the deed of cancellation. On the same day, the Company and the new purchaser have entered into the disposal agreement pursuant to which the Company has agreed to sell and the new purchaser has agreed to acquire 100% of Allied Resources Limited for a cash consideration of RMB50 million (equivalent to approximately HK$61.4 million) and the new purchaser agreed to pay the Company the cash balance of Allied Resources Limited as at 28 February 2013 on completion. The transaction was completed on 11 March 2013.

(b) On 18 March 2013, Aces Diamond Pte. Ltd., has entered into a memorandum of understanding with PT. Anugerah Batualam Industri, a third party, in relation to, among others, the production and operation of the marble mine located at Barabatu, Labakkang District, Pankep Regency, South Sulawesi Province, Indonesia.

## DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2012 (2011: Nil).

## ANNUAL GENERAL MEETING

The 2013 annual general meeting of the Company will be held on Thursday, 16 May 2013 ("**AGM**") and the notice of AGM will be published and dispatched in the manner as required by the articles of association of the Company.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2012.

## COMPLIANCE WITH CODE PROVISIONS

In the opinion of the Board, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices ("**Former Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the period from 1 January 2012 to 31 March 2012, and with the amended Corporate Governance Code ("**New Code**") throughout the period from 1 April 2012 to 31 December 2012.

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

- the independent non-executive Directors ("**INEDs**") form the majority of the Board;
- the audit committee of the Company ("**Audit Committee**") composed exclusively of INEDs; and
- the INEDs have free and direct access to the Company's external auditors and independent professional advisers when considered necessary.

Under Code Provisions A.5.1 to A.5.5 of the New Code, the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. The role of the proposed nomination committee has been performed by the Board. The Board is of the view that this has not prejudiced the Company in appointment of directors for the following reasons:

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

## COMPETING BUSINESS AND CONFLICTS OF INTEREST

During the year ended 31 December 2012, Mr. Chan Wing Him Kenny, an executive Director of the Company, is a director and co-chairman of Petromin whilst Dr. Arthur Ross Gorrell, an executive Director of the Company, is a director, co-chairman, president and chief executive officer of Petromin. As at 31 December 2012, Mr. Chan Wing Him Kenny held 1,000,000 stock options entitling him to subscribe for 1,000,000 common shares (representing approximately 1.49% of the issued common share capital) in Petromin. Dr. Arthur Ross Gorrell held 4,068,193 common shares (representing approximately 6.05% of the issued common share capital) and 1,000,000 stock options entitling him to subscribe for 1,000,000 common shares (representing approximately 1.49% 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 2012, Petromin had oil and gas properties in the province of Alberta, Canada. Taking into account (i) the operation of Petromin's business in Canada which is geographically different from the Company's current project operation in China; (ii) the Company and Petromin have different target customers; and (iii) Mr. Chan Wing Him Kenny and Colpo Mercantile Inc., being the Company's controlling shareholders ("**Controlling Shareholders**"), had entered into a deed of non-competition undertakings dated 7 December 2010 in favour of the Company ("**Deed**"), the Board considers that the business of Petromin does not and will not have any direct competition with the Group's business. The term of the Deed commenced from 17 December 2010 and shall end on the occurrence of the earliest of (i) the day on which the shares of the Company ceased to be listed on the Main Board of the Stock Exchange or any stock exchange (except the delisting from the Growth Enterprise Market ("**GEM**") pursuant to the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange); (ii) the day on which the Controlling Shareholders cease to be interested in at least 30% of the entire issued share capital of the Company; or (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of the Company.

The INEDs had reviewed the compliance with the provisions of the Deed by the Controlling Shareholders and confirmed that there was no matter to be disclosed under the requirements of the Deed for the year ended 31 December 2012.

The Directors received from each Controlling Shareholders an annual confirmation on their compliance with the terms of the Deed, and hence the Directors confirm that the parties to the Deed were in compliance with the terms of the Deed, during the year ended 31 December 2012.

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

## AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely, Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen, with Mr. Tsoi as the chairman.

On 29 March 2012, the Company adopted new terms of reference (in replacement of the old terms of reference) of the Audit Committee in accordance with the requirements of the New Code which took effect from 1 April 2012. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the effectiveness of the Group's internal controls and risk management. The Group's consolidated results for the year ended 31 December 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 27 March 2013

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

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

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