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ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED
能源國際投資控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 353)

ANNOUNCEMENT OF 2012 FINAL RESULTS

The board of directors (the "**Board**") of Energy International Investments Holdings Limited (the "**Company**") presents the audited consolidated annual results of the Company and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Continuing operations:			
Revenue	*4*	**307,131**	231,388
Cost of sales		**(263,235)**	(203,160)
Gross profit		**43,896**	28,228
Other income	*4*	**57,889**	53,180
Selling and distribution expenses		**(9,393)**	(7,352)
Administrative expenses		**(31,356)**	(29,819)
Other operating expenses		**(23,807)**	(32,281)
Impairment loss of goodwill	*6*	**(68,385)**	(64,674)
Impairment loss of intangible assets	*7*	**(323,367)**	–
Impairment loss of property, plant and equipment	*7*	**(48,939)**	–
Finance costs	*8*	**(13,427)**	(13,096)
Loss before income tax	*9*	**(416,889)**	(65,814)
Income tax credit	*10*	**83,260**	1,881
Loss for the year from continuing operations		**(333,629)**	(63,933)
Discontinued operations:			
Loss for the year from discontinued operations	*12*	**–**	(1,457)
Loss for the year		**(333,629)**	(65,390)

* *For identification purpose only*

	Notes	**2012** **HK$'000**	2011 HK$'000
Loss for the year attributable to:			
Owners of the Company			
– from continuing operations		**(332,719)**	(60,293)
– from discontinued operations		**–**	(1,457)
		(332,719)	(61,750)
Non-controlling interests			
– from continuing operations		**(910)**	(3,640)
– from discontinued operations		**–**	–
		(910)	(3,640)
Loss for the year		**(333,629)**	(65,390)
Loss per share for loss attributable to the owners of the Company during the year	*13*		
– Basic			
From continuing and discontinued operations		**(HK cent 1.2)**	(HK cent 0.3)
From continuing operations		**(HK cent 1.2)**	(HK cent 0.3)
From discontinued operations		**N/A**	–
– Diluted			
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A
From discontinued operations		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Loss for the year	**(333,629)**	(65,390)
Other comprehensive income		
Exchange gains on translation of financial statements of foreign operations	**4,006**	13,795
Other comprehensive income for the year	**4,006**	13,795
Total comprehensive income for the year	**(329,623)**	(51,595)
Total comprehensive income attributable to:		
Owners of the Company	**(329,936)**	(52,815)
Non-controlling interests	**313**	1,220
	(329,623)	(51,595)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**608,819**	604,657
Prepaid land lease payments		**29,436**	29,876
Goodwill		**141,243**	209,628
Intangible assets		**1,749,712**	2,096,843
Deferred tax assets		**14,133**	7,491
		2,543,343	2,948,495
Current assets			
Indemnification assets		**–**	14,040
Inventories		**5,224**	15,570
Trade receivables	*14*	**52,564**	31,326
Prepayments, deposits and other receivables		**45,256**	37,982
Pledged bank deposits		**995**	976
Cash at banks and in hand		**70,045**	97,325
		174,084	197,219
Current liabilities			
Trade payables	*15*	**20,479**	12,017
Other payables and accruals		**125,309**	147,230
Amount due to non-controlling shareholder		**–**	4,074
Provision for legal claim		**–**	14,040
Bank borrowings		**–**	12,200
Other borrowings		**37,514**	2,196
Convertible bonds		**394**	14,129
Tax payables		**9,992**	2
		193,688	205,888
Net current liabilities		**(19,604)**	(8,669)
Total assets less current liabilities		**2,523,739**	2,939,826
Non-current liabilities			
Amounts due to non-controlling shareholder		**4,652**	8,401
Other borrowings		**116,686**	113,652
Promissory notes		**–**	28,707
Convertible bonds		**–**	355
Deferred tax liabilities		**436,317**	522,891
		557,655	674,006
Net assets		**1,966,084**	2,265,820

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**174,685**	134,827
Reserves		**1,635,619**	1,980,446
		1,810,304	2,115,273
Non-controlling interests		**155,780**	150,547
Total equity		**1,966,084**	2,265,820

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

Energy International Investments Holdings Limited ("the Company") is a limited liability company incorporated and domiciled in the Cayman Islands. Registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies and its principal place of business is Unit 1508, 15th Floor, The Center, 99 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the principal activities of the Company and its subsidiaries (together referred to as the "Group") include:

– the supply of electricity and heat representing the business of generation and supplying of electricity and heat; and

– the oil production representing the business of oil production.

For the year ended 31 December 2011, trading of carpet business was ceased as this business had suffered persistent losses and management of the Company considered that there was insignificant contribution to the Group. This business segment had been presented as discontinued operations in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5 for the year ended 31 December 2011.

There were no significant changes in the Group's operations during the year. The Group's principal places of the business are in Hong Kong and the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(i) Going concern basis

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that as at 31 December 2012, the Group had net current liabilities of approximately HK$19,604,000 (2011: HK$8,669,000) and the Group also incurred a loss of approximately HK$333,629,000 (2011: HK$65,390,000) for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharges their liabilities in the normal course of business. The going concern basis has been adopted on the bases that:

(a) The directors have prepared cash flow forecast for the next twelve months. Based on the results of the cash flow forecast, the directors are of the opinion that the Group is able to generate sufficient cash flows from its operations.

(b) On 20 March 2013, the Company entered into a loan agreement with the substantial shareholder for the principal amount of HK$20,000,000. This shareholder's loan is repayable not earlier than 1 July 2014. This shareholder's loan will be used to provide working capital to the Group so as to enable the Group can be operated as a going concern at least for the period up to the next eighteen months from the end of the reporting period.

Therefore, the directors consider that the Group can meet its financial obligations as and when they fall due in the foreseeable future and believe that the Company will continue as a going concern and consequently has prepared the financial statements on a going concern basis.

Should the Company be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in these financial statements.

(ii) Loss of controls over assets of Qinghai Forest Source Mining Industry Developing Company Limited ("QHFSMI") and Inner Mongolia Forest Source Mining Industry Developing Company Limited ("IMFSMI")

In 2010, the board of directors discovered that as from 31 January 2010, the exploration licence held by QHFSMI, an indirect wholly-owned subsidiary of the Company established in the PRC, had been transferred to a company known as 內蒙古小紅山源森礦業有限公司 (in English, for identification purpose only, Inner Mongolia Xiao Hong Shan Yuen Xian Mining Industry Company Limited) ("Yuen Xian Company") without the Company's knowledge, consent or approval.

Based on the searches conducted by the Company's legal advisers, the Company was advised that:

(a) Yuen Xian Company is a wholly foreign owned enterprise established in the PRC on 21 October 2009 and is wholly owned by a company, namely Yuenxian Mining Industry Holding Company Limited ("HK Yuenxian"). Ms Leung Lai Ching Margaret ("Ms Leung") is one of the directors and the legal representative of Yuen Xian Company.

(b) HK Yuenxian (formerly known as Forest Source Mining Industry Holding Company Limited) is a company incorporated in Hong Kong on 29 August 2008 and is wholly owned by Ms Leung. Ms Leung is also the sole director of HK Yuenxian.

Disputes with Ms Leung

In November 2009, a legal proceeding was commenced by Hong Kong Forest Source Mining Industry Holding Company Limited ("HKFSMIH"), QHFSMI and IMFSMI, all of which are indirect wholly-owned subsidiaries of the Company, against HK Yuenxian, Ms Leung and such other persons named as co-defendants to such legal proceedings. The Company sought and obtained, among other things, an interim injunction order from the Hong Kong Court in the following terms:

(a) An injunction restraining, amongst others, HK Yuenxian and Ms Leung from carrying on business in Hong Kong and/or the PRC under the name of Forest Source Mining Industry Holding Company Limited (subsequently known as HK Yuenxian since 7 January 2010); and

(b) An injunction restraining, amongst others, Ms Leung from acting or holding out as a director of QHFSMI or interfering with the business of QHFSMI, including but not limited to making any representations, requests, demands or promises to the Inner Mongolia Autonomous Region Commerce and Industry Bureau or any other governmental agencies in the PRC on behalf of QHFSMI in regard to any affairs of or relating to QHFSMI.

The interim injunction order was subsequently discharged on 30 March 2010.

Ms Leung's legal status as director and legal representative in the PRC subsidiaries remained unchanged during the year in the absence of her cooperation

Ms Leung was a director and legal representative of both QHFSMI and IMFSMI. On 10 September 2009, the sole shareholder of QHFSMI and IMFSMI (i.e. HKFSMIH) had resolved to remove Ms Leung's capacity as director and legal representative of both QHFSMI and IMFSMI with immediate effect. As disclosed in the Company's circular dated 28 June 2010, the respective members of the board of directors and legal representative of QHFSMI and IMFSMI had not yet been officially changed as the procedures of changing and updating the official records at the relevant PRC government authority took longer than expected as Ms Leung, being the then legal representative, was not cooperative and failed to provide the requested documents and corporate seals.

Transfer of exploration licence without the Company's knowledge, consent or approval

The Group acquired QHFSMI from Ms Leung in 2007. QHFSMI was the holder of an exploration licence which conferred QHFSMI the rights to conduct exploration work for the mineral resources containing iron, vanadium and titanium in the titanium mine located at Xiao Hong Shan in Inner Mongolia, the PRC. Based on the search conducted by the Company's legal advisers, the exploration licence was transferred, without the Company's knowledge, consent or approval, to Yuen Xian Company on 31 January 2010. Such actions by Ms Leung were not expected in view of the interim injunction order obtained by the Company from the Hong Kong Court, details of which are set out in the sub-paragraph headed "Disputes with Ms Leung" above. Without the exploration licence, QHFSMI no longer has the rights to, among other things, carry out exploration of the mineral resources of the titanium mine, access to the titanium mine and neighbouring areas and has no priority in obtaining the mining rights of the titanium mine.

As soon as the Company had discovered the loss of QHFSMI's exploration licence, the Company sought advice from its legal advisers. Given the discovery of the loss of significant assets of QHFSMI, the board of directors is no longer in the position of maintaining controls over QHFSMI and IMFSMI by the Group. As a consequence, the directors of the Company consider that the Group no longer has the power to exercise its right as the shareholder and thus has lost its control over the assets and operations and is unable to exercise control over the financial and operating policy decisions of QHFSMI and IMFSMI. Accordingly, the directors of the Company consider that it is inappropriate to consolidate the financial statements of QHFSMI and IMFSMI into the Group and these two wholly-owned subsidiaries are de-consolidated and classified as discontinued operations from 2010.

(iii) De-consolidating QHFSMI and IMFSMI

The Group has been unable to obtain the financial information of QHFSMI and IMFSMI since 2010. The directors of the Company consider that the Group had lost its control to govern the financial and operating policies of QHFSMI and IMFSMI with effect from 1 January 2010. Accordingly, the financial information of QHFSMI and IMFSMI was de-consolidated with effect from 1 January 2010. Details of the de-consolidating QHFSMI and IMFSMI are set out in the 2010 Annual Report of the Company.

In February 2012, the Group filed a writ to the Intermediate People's Court in Xining City, Qinghai Province (the "Qinghai Court") against Yuen Xian Company and QHFSMI for the request to invalidite the transfer of the exploration licence from QHFSMI to Yuen Xian Company at a consideration of RMB8,000,000 ("Transfer Agreement") and return the exploration licence to QHFSMI. On 31 December 2012, the Qinghai Court issued an order (the "Qinghai Court Order") that the Transfer Agreement was invalid. In January 2013, Ms Leung lodged an appeal to the Qinghai Court, the Qinghai Court has accepted the appeal and legal proceedings will be proceeded in due course.

The Group has sought legal opinion in respect of the writ and the Qinghai Court Order. The legal advisor opined that the Transfer Agreement was invalid and the Group should reserve its civil compensation rights. In the opinion of the directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group as the Group still does not have any control to govern the financial and operating policies of QHFSMI and IMFSMI which had already been de-consolidated since 2010.

3. ADOPTION OF NEW/REVISED HKFRSs

In the current year, the Group has applied for the first time the following amendments issued by the HKICPA, which are relevant to and effective for the financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments to HKFRSs has no material impact on the Group's financial statements.

At the date of authorisation of these financial statements, certain new and revised HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The standard is effective for accounting periods beginning on or after 1 July 2012. The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2015 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities. The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, the loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKFRS 10 – Consolidated Financial Statements

The standard is effective for accounting periods beginning on or after 1 January 2013 and introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

The standard is effective for accounting periods beginning on or after 1 January 2013. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors of the Company so far concluded that the application of these new or revised HKFRSs will have no material impact on the Group's financial statements.

4. REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in note 1 to the financial statements. Turnover of the Group is the revenue from these activities on continuing operations.

Revenue from the Group's principal activities and other income recognised are as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue on continuing operations		
Sale of electricity and heat	**122,700**	103,844
Sale of crude oil	**184,431**	127,544
	307,131	231,388
Other income on continuing operations		
Bank interest income	**347**	352
Exchange gain, net	**871**	2,983
Gain on disposal of property, plant and equipment	**57**	360
Government grants	**47,733**	37,115
Gain on extinguishment of non-current borrowings	**3,004**	12,198
Sundry income	**5,877**	172
	57,889	53,180

Government grants mainly represented unconditional grants from the local government in the PRC to the Group to compensate its selling price of heat energy supplied to the local central heat transmit station.

5. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to management of the Group for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to management of the Group are determined based on the Group's major product and service lines. The Group has identified the following reportable segments.

(a) the Supply of Electricity and Heat segment represents the business of generation and supplying of electricity and heat; and

(b) the Oil Production segment represents the business of oil production.

There was no inter-segment sale and transfer during the year (2011: Nil).

	Supply of Electricity and Heat		Oil Production		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue: From external customers	**122,700**	103,844	**184,431**	127,544	**307,131**	231,388
Reportable segment (loss)/profit	**(69,180)**	(72,537)	**(325,949)**	30,594	**(395,129)**	(41,943)
Bank interest income	**238**	227	**108**	122	**346**	349
Gain on extinguishment of non-current borrowings	**183**	1,838	**2,821**	10,360	**3,004**	12,198
Depreciation	**29,038**	28,430	**25,112**	19,114	**54,150**	47,544
Amortisation of prepaid land lease payments	**679**	668	**–**	–	**679**	668
Amortisation of intangible assets	**3,343**	16,459	**20,464**	15,822	**23,807**	32,281
Impairment loss of goodwill	**68,385**	64,674	**–**	–	**68,385**	64,674
Impairment loss of intangible assets	**–**	–	**323,367**	–	**323,367**	–
Impairment loss of property, plant and equipment	**–**	–	**48,939**	–	**48,939**	–
Reportable segment assets	**601,178**	696,669	**2,113,197**	2,441,802	**2,714,375**	3,138,471
Additions to non-current segment assets during the year	**4,033**	4,529	**99,091**	119,350	**103,124**	123,879
Reportable segment liabilities	**70,483**	110,704	**621,981**	688,599	**692,464**	799,303

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

Group	2012 *HK$'000*	2011 *HK$'000*
Reportable segment revenue and consolidated revenue	**307,131**	231,388
Reportable segment loss	**(395,129)**	(41,943)
Finance costs	**(13,427)**	(13,096)
Other unallocated income	**1**	3
Elimination of inter-companies' transaction	**2,460**	–
Other unallocated expenses	**(10,794)**	(10,778)
Loss before income tax and discontinued operations	**(416,889)**	(65,814)

	2012 *HK$'000*	2011 *HK$'000*
Reportable segment assets	**2,714,375**	3,138,471
Property, plant and equipment	**223**	316
Cash at banks and in hand	**1,415**	5,599
Other corporate assets	**1,414**	1,328
Group assets	**2,717,427**	3,145,714
Reportable segment liabilities	**692,464**	799,303
Convertible bonds	**394**	14,484
Promissory notes	**–**	28,707
Other corporate liabilities	**58,485**	37,400
Group liabilities	**751,343**	879,894

All revenues from external customers are located in the PRC (domicile). Geographical location of customers is based on the location at which the goods are delivered. No geographical location of non-current assets is presented as substantial non-current assets are physically based in the PRC.

Revenue from the major customers is as follows:

	2012 *HK$'000*	2011 *HK$'000*
Customer A (derived from the Oil Production segment)	**184,431**	127,544
Customer B (derived from the Supply of Electricity and Heat segment)	**38,875**	24,058
	223,306	151,602

6. IMPAIRMENT LOSS OF GOODWILL

The impairment loss of goodwill represent the impairment of goodwill which arose from the acquisition of Sunlight Rise Limited ("Sunlight") which holds 100% equity interest in both Pride Treasure Limited and Ontop Finance Limited and 60% equity interest in Shanxi Zhong Kai Group Lingshi Heat and Power Company Limited ("Shanxi Zhong Kai Group Lingshi") (the "Sunlight Group") in 2010. The recoverable amount for the cash generating unit ("CGU") of which the goodwill being allocated was determined based on value-in-use calculations, performed by an independent firm of professional valuers, LCH (Asia-Pacific) Surveyors Limited ("LCH").

For the year ended 31 December 2012, provision for impairment loss of HK$68,385,000 (2011: HK$64,674,000) was recognised in profit or loss to write down to its recoverable amounts in light of the persistent low profitability for this CGU.

7. IMPAIRMENT LOSSES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2012, impairment loss of the amount of approximately HK$323,367,000 and approximately HK$48,939,000 was recognised in respect of the intangible assets and property, plant and equipment, respectively. These assets were being used in the Group's oil production operations in the Songliao Basin, Jilin, the PRC.

The impairment losses are recognised as expenses immediately for the amounts by which the assets carrying amounts exceeds its recoverable amount. During the year, the management assessed the recoverable amount of the Group's oil production CGU by using the value-in-use calculations. In order to determine the recoverable amount of the oil production CGU, the management made reference to the valuation report, issued by LCH on the Group's oil production sharing contract together with other variables and assumptions related to the operations.

A total impairment loss of approximately HK$372,306,000 was being identified for the oil production CGU. The impairment loss is charged pro rata to the assets in the CGU related to the oil production.

The reason for the impairment loss in oil production is mainly due to the decrease in the projected oil price, adjustments to the production costs and amendment to the drilling and extraction schedules.

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Interest on bank and other borrowings due within one year	**1,117**	6,011
Imputed interest on promissory notes	**2,518**	2,459
Imputed interest on convertible bonds	**1,198**	1,851
Imputed interest on amounts due to non-controlling shareholder	**822**	392
Imputed interest on non-current borrowings	**7,772**	–
Loss on redemption of promissory notes	**–**	2,383
	13,427	13,096

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the following:

	2012	2011
	HK$'000	*HK$'000*
Continuing operations:		
Cost of inventories recognised as expense	**112,044**	66,245
Depreciation	**54,256**	47,649
Amortisation of prepaid land lease payments	**679**	668
Amortisation of intangible assets*	**23,807**	32,281
Auditor's remuneration	**966**	954
Exchange gain, net	**(871)**	(2,983)
Impairment loss of goodwill	**68,385**	64,674
Impairment loss of intangible assets	**323,367**	–
Impairment loss of property, plant and equipment	**48,939**	–
Operating lease charges on land and buildings	**4,571**	2,536
Staff costs, including directors' emoluments	**25,541**	25,036

* *Included in "Other operating expenses" on the face of the consolidated income statement.*

Depreciation expenses of HK$49,436,000 (2011: HK$43,225,000) and HK$4,820,000 (2011: HK$4,424,000) were included in cost of sales and administrative expenses respectively.

10. INCOME TAX CREDIT

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for both years.

	2012	2011
	HK$'000	*HK$'000*
Current tax – the PRC		
– Current year	**9,943**	221
Deferred tax – the PRC		
– Current year	**(93,203)**	(2,102)
Income tax credit	**(83,260)**	(1,881)

11. DIVIDENDS

The Board did not recommend any payment of dividends during the year (2011: Nil).

12. DISCONTINUED OPERATIONS

As mentioned in note 1, trading of carpet business was presented as discontinued operations in accordance with HKFRS 5 for the year ended 31 December 2011.

An analysis of the results and cash flows of discontinued operations included in the consolidated income statement and the consolidated statement of cash flows for the year ended 31 December 2011 was as follows:

	2011 Trading of Carpet Business *HK$'000*
Revenue	–
Expenses	(1,457)
Loss before income tax	(1,457)
Income tax expense	–
Loss for the year from discontinued operations and attributable to the owners of the Company	(1,457)
Operating cash outflows	(311)
Net cash outflows	(311)

13. LOSS PER SHARE

The calculations of basic and diluted loss per share attributable to the owners of the Company are based on the following data:

	2012 ***HK$'000***	2011 *HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	**(332,719)**	(61,750)
Loss for the year attributable to the owners of the Company from discontinued operations	**–**	(1,457)
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share from continuing operations	**(332,719)**	(60,293)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**26,659,168**	20,055,353

From continuing and discontinued operations:

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to the owners of the Company of HK$332,719,000 (2011: HK$61,750,000) and the weighted average number of ordinary shares of 26,659,168,000 (2011: 20,055,353,000) in issue during the year.

No diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is presented for the years ended 31 December 2011 and 2012 as there were no dilutive potential shares.

The denominators and numerators used are the same as those details above for both basic and diluted loss per share.

From continuing operations:

The calculation of basic loss per share from continuing operations is based on the loss attributable to the owners of the Company of HK$332,719,000 (2011: HK$60,293,000) and the weighted average number of ordinary shares of 26,659,168,000 (2011: 20,055,353,000) in issue during the year.

No diluted loss per share from continuing operations attributable to the owners of the Company is presented for the years ended 31 December 2011 and 2012 as there were no dilutive potential shares.

The denominators and numerators used are the same as those details above for both basic and diluted loss per share.

From discontinued operations:

For the year ended 31 December 2012, there was no basic loss per share from discontinued operations attributable to the owners of the Company.

For the year ended 31 December 2011, the calculation of basic loss per share from discontinued operations was based on the loss attributable to the owners of the Company of HK$1,457,000 and the weighted average number of ordinary shares of 20,055,353,000 in issue during the year.

No diluted loss per share from discontinued operations attributable to the owners of the Company is presented for the years ended 31 December 2011 and 2012 as there were no dilutive potential shares.

14. TRADE RECEIVABLES

The Group normally allows trading credit terms ranging from 30 to 120 days, (2011: 30 to 120 days) to its established customers. Each customer has a maximum credit limit. Trade debtors with balances aged over 120 days are required to settle all outstanding balances before any further credit is granted. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables, based on the invoice date, is as follows:

	2012 ***HK$'000***	2011 *HK$'000*
1 – 90 days	**51,912**	31,326
91 – 120 days	**632**	–
121 – 365 days	**20**	–
	52,564	31,326

At 31 December 2012 and 2011, there were no trade receivables that were individually determined to be impaired. The Group did not hold any collateral over these balances.

Ageing analysis of trade receivables that are past due but not impaired is as follows:

	2012	2011
	HK$'000	*HK$'000*
1 – 60 days past due but not impaired	**20**	–

As at 31 December 2012, trade receivables of HK$52,544,000 (2011: HK$31,326,000) were neither past due nor impaired. These related to different customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a customer that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered to be fully recoverable. The Group did not hold any collateral in respect of this balance.

15. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on 60-day (2011: 60-day) terms.

Ageing analysis of trade payables, based on the invoice date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
1 – 90 days	**15,084**	6,436
91 – 120 days	**318**	474
121 – 365 days	**2,374**	2,907
Over 1 year	**2,703**	2,200
	20,479	12,017

16. FINANCIAL GUARANTEE CONTRACT

In relation to the share purchase agreement dated 5 November 2009 for the acquisition of Sunlight, the directors of the Company was informed in January 2013 that Shanxi Zhong Kai Group Lingshi has given guarantee to a bank in relation to a loan borrowed by a company named 晉中市瑞汪工貿有限公司 (Jinzhong City Ruiwang Industrial and Trading Company Limited*), with the principal amount of RMB13,500,000 for the period from 23 March 2009 to 22 March 2014 and the guarantee period from 23 March 2009 to 15 March 2017. The guarantee continues to be effective as at the date of this announcement. In the opinion of the directors, it is in breach to the clause of the share purchase agreement whereby the vendor, Maycrown Capital Limited ("Maycrown"), has warranted that except as disclosed to the Group, no other obligations or liabilities (actual or contingent) of the acquired companies owing to any other party at the time of completion of the acquisition.

The Group has sought legal opinion in respect of the breach. The legal advisor opined that the guarantee given to a bank constituted to a potential breach of the share purchase agreement and the directors consider to seek counsel opinion for further advice. As at 31 December 2011 and 2012, no provision for the Group's obligation under the guarantee contract has been made as the directors of the Company consider that the probability for the repayment of any loan or interest would be in default is remote and the fair value of financial guarantee is estimated as minimal.

* *For identification purpose only*

17. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Up to the date of this announcement, the Group has not yet settled other borrowing of HK$37,514,000 as at 31 December 2012, which is repayable on or before 31 January 2013, to Maycrown. Due to the negotiation undergoing with Maycrown in respect of the financial guarantee contract as mentioned in note 16 to this announcement, the directors of the Company consider it as a non-adjusting event after the reporting period.

18. EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group’s loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 3(a)(i) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2012, the Group had net current liabilities of approximately HK$19,604,000 and the Group also incurred a loss of approximately HK$333,629,000 for the year then ended. The Company also had net current liabilities of approximately HK$62,000 as at 31 December 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s and the Company’s ability to continue as a going concern.

The aforesaid “note 3(a)(i) to the consolidated financial statements” in the extract of the independent auditor’s report is disclosed in note 2(i) to this announcement.

BUSINESS REVIEW

For the year ended 31 December 2012, the Group record revenue was approximately HK$307 million (2011: HK$231 million). The Group's revenue is mainly contributed from the supply of electricity and heat segment and oil production segment.

The loss attributable to the owners of the Company for the year ended 31 December 2012 was approximately HK$333 million (2011: HK$62 million). The loss of the Group was significantly increase by approximately HK$271 million as compared to the last corresponding year due to provision for impairment losses of intangible assets and property, plant and equipment.

ELECTRICITY AND HEAT BUSINESS

For the year ended 31 December 2012, Shanxi Zhong Kai Group Lingshi, in which the Company owns a 60% equity interest, generated revenue of approximately HK$123 million (2011: HK$104 million), an increase of approximately 18% as compared to the last corresponding year. The increase in revenue was mainly due to the carry over effect of the upward tariff adjustments as announced by the National Development and Reform Commission in the months of June and December 2011. The new tariff increase was effective from 1 December 2011.

Shanxi Zhong Kai Group Lingshi recorded a loss of approximately HK$69 million (2011: HK$73 million). The decrease in loss was mainly due to the increase in revenue as a result of the carry over effect of the electricity tariff adjustments effective from 1 December 2011.

During the year, impairment loss of goodwill of approximately HK$68 million (2011: HK$65 million) is recognised. The reasons attributable to the impairment loss of goodwill are mainly due to the significant increase in the cost of raw materials, government restriction on the pricing policy on the provision of heat to the local residents and the limited demand of electricity by local customers.

In 2012, Shanxi Zhong Kai Group Lingshi focused on improving operational efficiency and strengthening its environmental protection facilities. During the year, it commenced the construction work of sewage treatment with an aim of achieving zero-emissions.

Finance costs on bank and other borrowings decreased from approximately HK$6 million in 2011 to approximately HK$1 million in 2012. It was mainly due to the repayment and assignment of interest-bearing borrowings during 2011 and 2012. In the first quarter of 2012, a bank loan in the amount of RMB10 million was unconditionally assigned to a non-controlling shareholder. The loan was waived by the non-controlling shareholder and then credited to capital reserve in equity accordingly.

The management will continue to review our collaboration with the local government for the heat supply in Lingshi county to ensure that our heat business remains commercially sound.

OIL BUSINESS

In 2012, global economic recovery was slow and the growth rate of China's economy has slowed down. The growth rate in demand in the oil market has decreased. In the face of the complicated and harsh economic environment, the Group focused on the quality and efficiency of its growth. In 2012, the Group achieved a turnover of approximately HK$184 million (2011: HK$128 million), representing an increase of 44% as compared with last year. The reportable segment results of oil production before impairment losses of intangible assets and property, plant and equipment in 2012 record a profit of approximately HK$46 million (2011: HK$31 million), representing an increase of 48% as compared with last year. This was primarily due to the combined impact of the increase in sales volume of crude oil and lower special petroleum revenue tax rate, the inverse relationship between the selling price of the crude oil. The management expects that the oil business will continue to generate revenue and contribute operating cash flows to the Group in the year of 2013.

The results of operations in oil business are detailed below.

Results of operations

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Net sales to customers	**184,431**	127,544
Other income	**17,849**	13,465
Operating expenses	**(104,890)**	(65,264)
Depreciation	**(25,112)**	(19,114)
Special petroleum revenue tax	**(25,921)**	(26,037)
Impairment loss of intangible assets	**(323,367)**	–
Impairment loss of property, plant and equipment	**(48,939)**	–
Results of operations before income tax expenses	**(325,949)**	30,594

EXPLORATION AND MINING BUSINESS

As disclosed in the Company's announcements dated 26 and 27 August 2010 and the Company's 2010 interim report, the Board, to its astonishment, found out that as from 31 January 2010 the exploration licence held by QHFSMI, an indirect wholly-owned subsidiary of the Company incorporated in the PRC, had been transferred to a company known as 內蒙古小紅山源森礦業有限公司 (in English, for identification purpose only, Inner Mongolia Xiao Hong Shan Yuen Xian Mining Industry Company Limited), which is wholly-owned by Ms. Margaret Lai Ching Leung ("Ms. Leung") beneficially through a company known as Yuenxian Mining Industry Holding Company Limited, without the Company's knowledge, consent or approval. Due to the loss of the exploration licence, it is the Board's current intention to suspend the Group's exploration and mining business until the Group regains control of QHFSMI and the exploration licence.

As disclosed in the Company's announcement dated 10 January 2013, in April 2012, a legal proceeding was commenced by Hong Kong Forest Source Mining Industry Holding Company Limited ("Hong Kong Subsidiary"), against Ms. Leung, 內蒙古小紅山源森礦業開發有限公司 (In English, for identification purpose only, Inner Mongolia Xiao Hong Shan Yuen Xian Mining Industry Developing Company Limited) ("Yuen Xian Company") and Qinghai Forest Source Mining Industry Developing Company Limited ("Qinghai Subsidiary") (the "Legal Proceeding"). Hong Kong Subsidiary has sought to invalidate the Change of Exploration Right Agreement signed between Qinghai Subsidiary and Yuen Xian Company. Under the Change of Exploration Right Agreement, the exploration licence held by Qinghai Subsidiary was transferred to Yuen Xian Company. The judgment of Xining City Intermediate People's Court of Qinghai Province of the PRC are summarised as follows:–

(1) The Change of Exploration Right Agreement signed between Qinghai Subsidiary and Yuen Xian Company dated 11 November 2009 is invalid; and

(2) The request for proceedings of the Hong Kong Subsidiary against Ms. Leung be dismissed. Qinghai Subsidiary and Yuen Xian Company each bear half of the fees for entertaining the case.

The Company will take further legal action in the PRC and continue to seek advice from its PRC legal advisers. Further announcement(s) will be issued by the Company as and when necessary to comply with the requirements of the Listing Rules.

FUTURE PLAN AND PROSPECTS

(i) Electricity and heat business

In 2012, we renewed the heat supply contract with the Central Heat Transmit Station of Lingshi County, the local government authority, for the new winter season this year. The management will review our collaboration with the Central Heat Transmit Station of Lingshi County for the heat supply services to ensure that our heat supply business remains cost effective and commercially sound.

Due to the global economic crisis, the Chinese economy showed signs of slowdown during 2012. This unfavorable economic climate will create a challenging operating environment for our electricity and heat business. Going forward, we remain cautious about the prevailing uncertain economic condition. The management will continue to take measures to improve productivity in order to mitigate the impact of the unfavorable economic conditions.

(ii) Oil business

In 2013, the world economy is expected to recover and demand for energy with continue to grow. The Group will continue oil production activities, aiming to increase its production capacity. On the other hand, the Group will also continue to improve extraction techniques in order to increase the overall efficiency. The Group will continue to place great emphasis on its scientific and geological researches, increase efforts to make breakthroughs on key techniques, strengthen the meticulous exploration of mature oil field, actively push forward venture exploration in oil field.

Capital expenditures for the oil production segment for 2012 amounted to approximately HK$99 million, which were primarily related to the drillings and facilities construction for the oil field. The Group anticipates that 60 more production wells would be drilled in 2013 and the related capital expenditures would amount to approximately HK$157 million. These 60 new wells are expected to contribute to the oil production during the year of 2013. Taking into accounts the production capacity of other existing wells and facilities, it is estimated that the annual oil production of the oil field of the Lower Cretaceous System Quantou Formation Third Member Yangdachengzi Layer which is situated at Liangjing Block of Songliao Basin at Jilin Province of the PRC in 2013 would be approximately 71,000 metric tonnes (equivalent to 517,000 barrels of oil).

FINANCIAL SUMMARY

The Group's revenue for the year ended 31 December 2012 was approximately HK$307 million. The administrative expenses for the year ended 31 December 2012 were approximately HK$31 million, which represented an increase of 5% compared to the administrative expenses incurred last year.

The loss attributable to the owners of the Company for the year ended 31 December 2012 was approximately HK$333 million record a significant increase in loss, as compared to last corresponding year. The loss was mainly resulted from the provision for impairment losses of goodwill, intangible assets and property, plant and equipment amounted to approximately HK$68 million, HK$323 million and HK$49 million respectively.

As a significant portion of the Group's sales and purchases were denominated in Hong Kong dollars and Renminbi, the directors considered the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Hong Kong dollars and Renminbi. During the year under review, the Group did not use any hedging instrument.

CURRENT AND GEARING RATIOS

As at 31 December 2012, the Group had total assets of approximately HK$2,717 million (2011: HK$3,146 million), total liabilities of approximately HK$751 million (2011: HK$880 million), indicating a gearing ratio of 0.28 (2011: 0.28) on the basis of total liabilities over total assets. The current ratio of the Group for the year was 0.90 (2011: 0.96) on basis of current assets over current liabilities.

CHARGES ON ASSETS

As at 31 December 2012, the Group did not have any interest-bearing bank borrowings (2011: HK$12 million) and pledged bank deposits amounted to approximately HK$995,000 (2011: HK$976,000).

EMPLOYEE INFORMATION

As at 31 December 2012, the Group employed 445 full-time employees (2011: 450). The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually in line with industry practice. The Group also provides provident fund schemes (as the case may be) to its employees depending on the location of such employees.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the audited financial statements of the Company for the year ended 31 December 2012. The audit committee comprises three independent non-executive directors of the Company. During the year, two regular meetings of the audit committee have been held.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary results announcement.

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 Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Code on Corporate Code (the "CG Code") (effective form 1 April 2012)) contained in Appendix 14 of the Listing Rules for the year ended 31 December 2012 except for:

(i) A.2.1 of the CG Code, the roles of chairman and chief executive officer (the "CEO") should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Since the positions of the chairman and CEO are vacated, the Company is still looking for a suitable candidate to fill the vacancy of chairman and CEO;

(ii) A.4.1 and A.4.2 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. For the year under review, all independent non-executive directors of the Company have not been appointed for a specific term but they are subject to retirement by rotation in accordance with the Company's Articles of Association;

(iii) E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting (the "AGM"). However, the Chairman is vacated. Ms. Wang Meiyan as the executive director will attend the AGM and will be available to answer questions at the AGM; and

(iv) A.6.7 of the CG Code, Mr. Wong Jinghua, the independent non-executive director, was unable to attend the annual general meeting of the Company held on 7 June 2012 as he was out of town for other businesses.

REMUNERATION COMMITTEE

The remuneration committee was established for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The written terms of reference have described the authority and duties of the remuneration committee which in line with the CG Code were prepared and adopted. The remuneration committee comprises three independent non-executive directors, namely Mr. Choi Chi Fai, Mr. Wang Jinghua and Mr. Chan Wai Cheung Admiral.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each directors and each of them confirmed that he had complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.energyintl.todayir.com). The annual report of the Company for 2012 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

APPRECIATION

I take this opportunity to express our gratitude to the shareholders of the Company for their continued support and our Directors and our staff for their contribution to the Company.

By order of the Board
Energy International Investments Holdings Limited
Wang Meiyan
Executive Director

Hong Kong, 28 March 2013

As at the date of this announcement, the executive directors are Mr. Luo Nianru, Mr. Chan Kwok Wing, Mr. Wang Donghai, Ms. Wang Meiyan and Mr. Yang Guangming; and the independent non-executive directors are Mr. Choi Chi Fai, Mr. Wang Jinghua and Mr. Chan Wai Cheung Admiral.