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 2017 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 2017 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000 (Re-presented)
Continuing operations			
Revenue	*4*	**30,338**	18,762
Cost of sales		**(21,532)**	(24,523)
Gross profit/(loss)		**8,806**	(5,761)
Other income and gains	*4*	**7,095**	739
Selling and distribution expenses		**(6,219)**	(2,120)
Administrative expenses		**(36,248)**	(46,072)
Other operating expenses		**(20,207)**	(14,480)
Impairment loss on property, plant and equipment	*12*	**(5,469)**	(11,024)
Impairment loss on intangible assets	*13*	**(170,710)**	(166,938)
Finance costs	*6*	**(8,587)**	–
Loss before income tax	*7*	**(231,539)**	(245,656)
Income tax credit	*8*	**39,679**	39,860
Loss for the year from continuing operations		**(191,860)**	(205,796)

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	9	**(9,570)**	4,832
Loss for the year		**(201,430)**	(200,964)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– from continuing operations		**(178,056)**	(198,909)
– from discontinued operation		**(9,065)**	8,938
		(187,121)	(189,971)
Non-controlling interests			
– from continuing operations		**(13,804)**	(6,887)
– from discontinued operation		**(505)**	(4,106)
		(14,309)	(10,993)
		(201,430)	(200,964)
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company	11		
Basic and diluted			
– from continuing operations		**(HK cents 4.6)**	(HK cents 5.2)
– from discontinued operation		**(HK cent 0.2)**	HK cent 0.2
– from continuing and discontinued operations		**(HK cents 4.8)**	(HK cents 5.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year	**(201,430)**	(200,964)
Other comprehensive income, net of tax		
Item that will not be reclassified to profit or loss:		
Fair value adjustment upon transfer from owner-occupied properties to investment properties	**66,402**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange gains/(losses) on translation of financial statements of foreign operations	**28,842**	(20,965)
Release of exchange reserve upon disposal of subsidiaries	**(10,888)**	–
Other comprehensive income for the year, net of tax	**84,356**	(20,965)
Total comprehensive income for the year	**(117,074)**	(221,929)
Total comprehensive income attributable to:		
– Owners of the Company	**(146,258)**	(203,012)
– Non-controlling interests	**29,184**	(18,917)
	(117,074)	(221,929)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**9,650**	919,260
Prepaid land lease payments		**–**	4,453
Sea area use rights		**–**	103,987
Intangible assets	*13*	**217,769**	389,084
Investment properties	*14*	**1,500,000**	–
Deposits and other receivables		**66,116**	17,041
Deferred tax assets		**50,384**	49,724
		1,843,919	1,483,549
Current assets			
Inventories – raw materials		**–**	1,993
Trade and bills receivables	*15*	**8,372**	28,704
Prepayments, deposits and other receivables		**68,087**	78,763
Financial assets at fair value through profit or loss		**15,809**	14,607
Pledged bank deposits		**51,360**	42,921
Cash and bank balances		**5,699**	195,893
		149,327	362,881
Current liabilities			
Trade payables	*16*	**–**	10,467
Bills and other payables and accruals		**542,976**	448,709
Amounts due to non-controlling shareholders		**101,600**	22,032
Bank borrowings		**68,984**	49,370
Other borrowings		**158,956**	127,774
Finance lease liabilities		**146,863**	37,960
Convertible bonds		**195,400**	10,232
Tax payables		**10,325**	9,464
		1,225,104	716,008
Net current liabilities		**(1,075,777)**	(353,127)
Total assets less current liabilities		**768,142**	1,130,422

	Notes	2017 HK$'000	2016 HK$'000 (Re-presented)
Non-current liabilities			
Other payables		**–**	8,405
Amount due to non-controlling shareholders		**–**	78,039
Bank borrowings		**225,600**	165,257
Other borrowings		**1,036**	43,644
Finance lease liabilities		**68,994**	94,040
Convertible bonds		**–**	155,244
Deferred tax liabilities		**101,772**	120,511
		397,402	665,140
Net assets		**370,740**	465,282
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**304,970**	304,970
Reserves		**(101,440)**	44,818
		203,530	349,788
Non-controlling interests		**167,210**	115,494
Total equity		**370,740**	465,282

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Energy International Investments Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in the Cayman Islands. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands 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:

– oil production representing the business of oil production;

– oil and liquefied chemical terminal representing the business of leasing of oil and liquefied chemical terminal together with its storage and logistics facilities; and

– supply of electricity and heat representing the business of generation and supplying of electricity and heat (discontinued on 17 March 2017 (note 9)).

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") 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 comparative consolidated income statement, consolidated statement of cash flows and their corresponding notes have been re-presented in accordance with HKFRS 5 "Non-current Asset Held For Sale and Discontinued Operations" as if operations discontinued during the current year had been discontinued at the beginning of the comparative period.

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new or amended HKFRSs – first effective on 1 January 2017

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 Group's financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the financial statements in the annual report.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

These relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on the financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

This is effective for accounting periods beginning on or after 1 January 2018. The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2015-2017 Cycle

This is effective for accounting periods beginning on or after 1 January 2019. The amendments issued under the annual improvements process include (i) amendments to HKFRS 3 Business Combinations to clarifies that a company remeasures its previously held interest in a joint operation that is a business when it obtains control of the business; (ii) amendments to HKFRS 11 Joint Arrangements to clarifies that a company that participates in but does not have joint control over a joint operation, does not remeasure its previously held interest in the joint operation which is a business when it obtains joint control of the business; (iii) amendments to HKAS 12 Income Taxes to clarifies that a company accounts for all income tax consequences of dividend payments in the same way as the entity recognised the originating transaction or event that generated the distributable profit giving rise to the dividend and (iv) amendments to HKAS 23 Borrowing Costs to clarifies that when a qualifying asset is ready for its intended use or sale and (some of) the related specific borrowing remains outstanding, that borrowing is treated as general borrowings.

Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures

This is effective for accounting periods beginning on or after 1 January 2019. The amendments clarify that an entity shall apply HKFRS 9 including its impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

This is effective for accounting periods beginning on or after 1 January 2018. The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The directors of the Company anticipate that the application of these amendments will result in early recognition of such transfers on the Group's financial statements in future periods should there be a change in use of any of its properties.

HKFRS 9 – Financial Instruments

This is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company made a preliminary assessment on the financial impact of the Group's financial statements resulting from the adoption of HKFRS 9. The directors of the Company do not expect the adoption of HKFRS 9 to have a significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

Based on analysis of the Group's financial instruments as at 31 December 2017, the directors of the Company considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 may result in early and additional provision of credit losses on the Group's financial assets measured at amortised costs including trade, bills and other receivables. The credit losses will be recognised in profit or loss. The directors of the Company concluded that the impact is not significant under the assessment of probability-weighted estimate of credit losses over the expected life of the Group's financial assets measured at amortised costs, with reference to the historical credit loss experience of trade, bills and other receivables and the estimates of future economic conditions.

HKFRS 15 – Revenue from Contracts with Customers

This is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer
– Step 2: Identify the performance obligations in the contract
– Step 3: Determine the transaction price
– Step 4: Allocate the transaction price to each performance obligation
– Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15) is effective for accounting periods beginning on or after 1 January 2018. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognise revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The directors of the Company has performed an assessment and considered that the new revenue standard is not likely to have significant impact on how it recognises revenue from the sales of crude oil and rental income of oil and liquefied chemical terminal.

HKFRS 16 – Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Future minimum lease payments under non-cancellable operating leases of the Group in respect of land and buildings as at 31 December 2017 amounted to HK$3,017,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of the lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the statement of financial position.

HK(IFRIC)-Int 23 – Uncertainty Over Income Tax Treatments

This interpretation is effective for accounting periods beginning on or after 1 January 2019. The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Save as disclose in the foregoing paragraphs about the impact of Amendments to HKAS 40, HKFRS 9, HKFRS 15 and HKFRS 16 to the Group's financial statements, the directors of the Company have also performed an assessment on other new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's financial statements in subsequent years.

3. BASIS OF PREPARATION

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

(i) Oil production sharing contract (the "Songliao Contract")

In 2010, the Group completed the acquisition of 100% equity interest in China International Energy Investments (Hong Kong) Limited ("China International Energy") which holds the oil production sharing contract entered into between China Era Energy Power Investment Limited ("China Era"), a wholly-owned subsidiary of China International Energy, and a state-owned enterprise engaged in oil exploration industry, namely China National Petroleum Corporation (to be referred to as the "State-owned Enterprise" throughout the notes to the financial statements in this announcement and in our 2017 annual report), on 13 August 2007 (the "Songliao Contract") from the vendor, Greater China Limited ("Greater China"). China International Energy was wholly owned by an individual ("Mr. A") at the time of obtaining the Songliao Contract.

In 2015, the directors of the Company was informed that Mr. A was formally charged by prosecution authorities in the People's Republic of China (the "PRC") for illegal operation (the "Charge"), possibly involved allegations about improper conduct in obtaining of the Songliao Contract.

As soon as the directors of the Company found the Charge, the Group commenced legal proceedings in the Cayman Islands against various parties including Mr. A, Greater China, Mr. Li Weijun (Greater China's warrantor) and Giant Crystal Limited ("Giant Crystal") (which was nominated by Greater China as the allottee of the promissory notes, consideration shares and convertible bonds for the consideration of the Songliao Contract) (the "Defendants") on the basis that (a) the Greater China's warranties and/or representations given in the acquisition were false and misleading and knowing that the Group entered into the acquisition agreement in reliance thereon; and (b) the Defendants of the litigation wrongly conspired and combined together to defraud the Group to pay the consideration.

In the litigation, the Group sought (1) a declaration that they are entitled to validly rescind the acquisition agreement; (2) an order that the consideration be repaid, a declaration that the promissory notes and convertible bonds are at all material times null and void and of no legal effect; (3) a declaration that Giant Crystal held and continue to hold the consideration shares and any shares issued upon exercise of the convertible bonds on trust for the Company; (4) an injunction against all Defendants that they be restrained from disposing of, encumbering or otherwise dealing with or diminishing the value of, and/or exercising any rights or powers (including but not limited to voting rights in general and/or extraordinary meeting(s) in respect of, and/or entering into any agreement to effect any transaction in relation to, the consideration shares and the converted shares; (5) an injunction against all Defendants from completing and/or procuring the conversion and/or transferring of the convertible bonds; (6) damages for fraud and/or deceit; and (7) an order that the Defendants compensate the Group in equity.

In March 2017, the Group obtained the legal opinion from the Company's lawyer in the PRC stating that under the laws prevailing in the PRC, all entities are innocent unless found guilty by the Municipal Court. However, if the Songliao Contract is found to be used to conduct illegal trade by top management, the Songliao Contract can be invalidated through the Supreme People's Court. According to the Contract Laws of the PRC, when a contract becomes invalid or is rescinded, any property obtained under the contract shall be returned. In the circumstances when the return of properties is impossible, compensation shall be made at an estimated price for the loss caused by the defaulted parties. As a party of the Songliao Contract, the Group is entitled to either enter into arbitration or to file civil legal action to rescind or invalidate the Songliao Contract and seek compensation from the defaulted parties. As there was no progress before the date of authorisation for issue of the Group's financial statements for the year ended 31 December 2016, and there was no adjudication in respect of the Charge, it was not possible to estimate the outcome on the Group's oil production business and financial position, arising from the Charge for the year ended 31 December 2016.

In December 2017, the Group received a legal letter from the representative lawyer of Mr. A that the Charge was acquitted after the Municipal Court had issued the first adjudication of the Charge. As Mr. A is not found guilty in respect of the Charge, the Songliao Contract should continue to be valid to the Group and the Group is able to carry out business relating to the oil production as stipulated under the Songliao Contract without the questioning of its validity. On that basis, after taking the legal advice from the Company's legal advisers, on 4 January 2018, the Company reached a settlement with the Defendants pursuant to which the Company will apply to the Grand Court of the Cayman Islands (the "Cayman Court") for discontinuance of the litigation, as a result of which the injunction order and the Company's undertaking are expected to be discharged in forseeable future such that the Defendants should no longer be restrained from disposing of, encumbering or otherwise dealing with or diminishing the value of, and/or exercising any rights or powers (including but not limited to voting rights in general and/or extraordinary meeting(s) in respect of, and/or entering into any agreement to effect any transaction in relation to, the consideration shares and the converted shares). Up to the date of authorisation for issue of the Group's financial statements, the application of discontinuance of the litigation to the Cayman Court is still in progress.

Included in the consolidated statement of financial position as at 31 December 2017 are property, plant and equipment, intangible assets and net deferred tax liabilities with carrying amounts of approximately HK$6,977,000 (2016: HK$25,696,000), HK$217,769,000 (2016: HK$389,084,000) and HK$3,974,000 (2016: HK$47,497,000) respectively. The property, plant and equipment and intangible assets are collectively referred to as the "Oil Production Assets". The Oil Production Assets relate to the operation of oil production business, pursuant to the Songliao Contract, entered into with the State-owned Enterprise to develop and produce crude oil in Liangjing Block on Songliao Basin in Jilin, the PRC.

As at 31 December 2017, the directors of the Company estimated the recoverable amount of the cash-generating unit to which the Oil Production Assets belong (the "Oil Production CGU"). As the carrying amounts of the Oil Production CGU exceeded its recoverable amount, impairment losses of approximately HK$170,710,000 (2016: HK$166,938,000) and HK$5,469,000 (2016: HK$11,024,000) were recognised for the year ended 31 December 2017 on intangible assets and property, plant and equipment respectively.

In estimate the recoverable amount of Oil Production CGU, having taken into account of the legal letter from Mr. A's representative lawyer, (2016: legal opinion from Company's lawyer in the PRC), the directors of the Company consider that the Songliao Contract continues valid, thus the Group's oil production business will continue in operation throughout the Songliao Contract period and will be executed as planned since as at the date of authorisation for issue of the Group's financial statements, there is no longer any charge by any prosecution authority that would lead to the State-owned Enterprise to impose any potential claim or to question on the validity of the Songliao Contract.

(ii) Going concern basis

The consolidated financial statements have been prepared on a going concern basis which notwithstanding that (i) the Group incurred a loss of HK$201,430,000 (2016: HK$200,964,000) during the year; (ii) as at 31 December 2017, the Group had net current liabilities of HK$1,075,777,000 (2016: HK$353,127,000); (iii) as at 31 December 2017, included in current liabilities was the total outstanding construction costs of HK$484,044,000 (2016: HK$420,716,000), that are required to repay within one year after the reporting date, in which amounts of HK$403,946,000 (2016: HK$319,177,000) and HK$80,098,000 (2016: HK$101,539,000) are recognised under other payables and other borrowings respectively and the capital commitment for construction costs was HK$3,078,000 (2016: HK$154,466,000); and (iv) as at 31 December 2017, included in current liabilities was other borrowings of HK$30,054,000 (2016: bank and other borrowings of HK$49,370,000 and HK$28,169,000 respectively) that was overdue for repayments. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company have prepared the consolidated financial statements based on a going concern on the assumptions that:

(a) the Group will settle the outstanding construction costs of HK$198,408,000 in the coming twelve months after the reporting period. For the remaining balances of total construction costs, based on the good relationship with the contractors, the contractors will extend the repayment dates over twelve months after 31 December 2017; and

(b) the lease of oil and liquefied chemical terminal is expected to be fully executed in the first half of 2018 in accordance with the terms and conditions of the lease agreement. The Group obtained the formal permit for operation of port in late March 2018 to replace its trail operation permit.

As disclosed in note 18(b), on 22 January 2018, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to place, up to an aggregate of 609,940,000 new placing shares to not less than six placees at a price of HK$0.143 per placing share (the "Placing"). The Placing was completed on 14 February 2018 and net proceeds from the Placing, after deducting the related expenses incurred during the Placing, are approximately HK$85,100,000. As stated in the Company's announcement dated 14 February 2018, an amount of approximately HK$63,300,000 out of the above net proceeds will be used to repay liabilities of the Group.

After taking into account the above measures, the directors of the Company consider that the Group can meet its financial obligations as and when they fall due in the foreseeable future and believe that the Group will continue as a going concern and consequently have prepared the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the consolidated financial statements to reduce the values of the assets to their estimated realisable values, to provide for any further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(iii) 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") and de-consolidating QHFSMI and IMFSMI

Ms Leung Lai Ching ("Ms Leung")'s legal status as director and legal representative in QHFSMI and IMFSMI remained unchanged in the absence of her cooperation

Ms Leung was a director and legal representative of both QHFSMI and IMFSMI. In September 2009, the sole shareholder of QHFSMI and IMFSMI (i.e. a wholly-owned subsidiary of the Company) resolved to remove Ms Leung's capacity as director and legal representative of both QHFSMI and IMFSMI with immediate effect. However, the respective members of the board of directors and legal representative of QHFSMI and IMFSMI were not officially changed up to the date of authorisation for issue of the Group's financial statements as Ms Leung, being the 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 in the titanium mine at Xiao Hong Shan in Inner Mongolia, the PRC. In 2010, the board of directors discovered that the exploration licence held by QHFSMI was 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") at a consideration of RMB8,000,000 (the "Change of Exploration Right Agreement") without the Company's knowledge, consent or approval. Ms Leung is one of the directors and the legal representative of Yuen Xian Company. Without the exploration licence, QHFSMI no longer had 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.

Final decision on the Change of Exploration Right Agreement

As soon as the Group had discovered the loss of QHFSMI's exploration licence, the Group commenced the legal proceedings against Ms Leung for getting back the exploration licence. In March 2016, the Company received the final decision letter from the Qinghai Procuratorate that the Change of Exploration Right Agreement was invalid. As Yuen Xian Company had already obtained the mining licence on the titanium mine at Xiao Hong Shan in Inner Mongolia, the PRC, the Group is now seeking for the legal advices to resolve this matter.

De-consolidating QHFSMI and IMFSMI

Given that (i) the discovery of the loss of significant assets of QHFSMI; (ii) Ms Leung's legal status as director and legal representative in QHFSMI and IMFSMI remained unchanged; and (iii) the Group was unable to obtain the financial information of QHFSMI and IMFSMI, the directors of the Company considered that the Group had no power over QHFSMI and IMFSMI, exposure, or rights, to variable returns from QHFSMI and IMFSMI and the ability to use its power to affect those variable returns. The Group appointed the PRC lawyers to handle the matters in regaining its controlling power over QHFSMI and IMFSMI. In the opinion of the directors of the Company, the aforesaid legal proceedings have no material impact on the financial position and operations of the Group as the Group is still in the process of regaining the controlling power over QHFSMI and IMFSMI which had already been de-consolidated since 2010.

4. REVENUE AND OTHER INCOME AND GAINS

The Group's principal activities are disclosed in note 1 to the financial statements. Revenue from the Group's principal activities and other income and gains recognised are as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Revenue		
Continuing operations		
Sale of crude oil	**20,192**	18,762
Rental income from investment properties	**10,146**	–
	30,338	18,762
Discontinued operation		
Supply of electricity and heat	**–**	22,164
Other income and gains		
Continuing operations		
Bank interest income	**826**	242
Other tax refunds	**1,002**	392
Fair value gain on financial assets through profit or loss	**2,290**	–
Exchange gain, net	**2,757**	–
Gains on disposal of property, plant and equipment	**65**	–
Sundry income	**155**	105
	7,095	739

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 Oil Production segment represents the business of oil production;

(b) the Oil and Liquefied Chemical Terminal segment represents the business of leasing of oil and liquefied chemical terminal, together with its storage and logistics facilities; and

(c) the Supply of Electricity and Heat segment represents the business of generation and supplying of electricity and heat. This segment was discontinued during the year.

There was no inter-segment sale and transfer during the year (2016: Nil).

	Continuing operations				Discontinued operation			
	Oil Production		Oil and Liquefied Chemical Terminal		Supply of Electricity and Heat		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:								
From external customers	**20,192**	18,762	**10,146**	–	**–**	22,164	**30,338**	40,926
Reportable segment (loss)/profit	**(210,906)**	(207,784)	**(2,261)**	(6,397)	**(449)**	1,299	**(213,616)**	(212,882)
Bank interest income	**6**	12	**820**	222	**5**	2	**831**	236
Reversal of impairment loss on property, plant and equipment	**–**	–	**–**	–	**–**	15,349	**–**	15,349
Reversal of impairment loss on prepaid land lease payments	**–**	–	**–**	–	**–**	2,179	**–**	2,179
Depreciation	**(5,097)**	(5,544)	**(509)**	(426)	**–**	(8,737)	**(5,606)**	(14,707)
Amortisation of prepaid land lease payments	**–**	–	**–**	–	**–**	(646)	**–**	(646)
Amortisation of sea area use rights	**–**	–	**(1,824)**	(2,446)	**–**	–	**(1,824)**	(2,446)
Amortisation of intangible assets	**(1,023)**	(1,463)	**–**	–	**–**	–	**(1,023)**	(1,463)
Write-off of property, plant and equipment	**(13,051)**	–	**–**	–	**–**	–	**(13,051)**	–
Impairment loss of property, plant and equipment	**(5,469)**	(11,024)	**–**	–	**–**	–	**(5,469)**	(11,024)
Impairment loss of intangible assets	**(170,710)**	(166,938)	**–**	–	**–**	–	**(170,710)**	(166,938)
Reportable segment assets	**279,993**	475,448	**1,695,735**	1,239,197	**–**	108,566	**1,975,728**	1,823,211
Additions to non-current segment assets during the year	**–**	–	**510,091**	617,260	**–**	754	**510,091**	618,014
Reportable segment liabilities	**247,908**	267,706	**1,144,879**	810,551	**–**	107,915	**1,392,787**	1,186,172

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

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Revenue		
Reportable segment revenue and consolidated revenue	**30,338**	40,926
Loss before income tax		
Reportable segment loss	**(213,616)**	(212,882)
Segment loss before income tax from discontinued operation	**449**	(1,299)
Finance costs	**(8,587)**	–
Other unallocated income	**2,378**	35
Other unallocated expenses *(note a)*	**(12,163)**	(31,510)
Consolidated loss before income tax from continuing operations	**(231,539)**	(245,656)

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Assets		
Reportable segment assets		
– From continuing operations	**1,975,728**	1,714,645
– From discontinued operation	**–**	108,566
	1,975,728	1,823,211
Property, plant and equipment	**59**	49
Cash and bank balances	**575**	7,520
Other corporate assets *(note b)*	**16,884**	15,650
Group assets	**1,993,246**	1,846,430
Liabilities		
Reportable segment liabilities		
– From continuing operations	**1,392,787**	1,078,257
– From discontinued operation	**–**	107,915
	1,392,787	1,186,172
Convertible bonds	**195,400**	165,476
Other corporate liabilities	**34,319**	29,500
Group liabilities	**1,622,506**	1,381,148

Notes:

(a) Unallocated expenses mainly included unallocated administrative expenses.

(b) Other corporate assets mainly included unallocated financial assets at fair value through profit or loss.

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

Revenue from major customers is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A (derived from the Oil Production segment)	**20,192**	18,762
Customer B (derived from the Oil and Liquefied Chemical Terminal segment)	**10,146**	–
Customer C (derived from the discontinued operation)	**–**	7,581
Customer D (derived from the discontinued operation)	**–**	9,221
	30,338	35,564

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Imputed interest on convertible bonds	**30,924**	26,634
Interest on bank and other borrowings	**23,391**	14,657
Finance lease charges	**28,839**	1,041
Interest on amounts due to non-controlling shareholders	**4,034**	2,771
Imputed interest on other borrowings	**–**	2,411
	87,188	47,514
Less: Amount capitalised*	**(78,601)**	(47,514)
	8,587	–

* *Borrowing costs capitalised during the year arose on the specific borrowings and general borrowing pool which are calculated by applying a capitalisation rate of 10.88% (2016: 9.54%), to expenditure on qualifying assets.*

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following:

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Depreciation	**5,624**	5,988
Amortisation of sea area use rights*	**1,824**	2,446
Amortisation of intangible assets*	**1,023**	1,463
Direct operating expenses arising from investment properties that generated rental income#	**4,525**	–
Fair value loss on financial assets at fair value through profit or loss*	**–**	10,560
Auditor's remuneration	**1,178**	1,093
Write-off of property, plant and equipment*	**13,051**	–
Loss on disposals of property, plant and equipment	**–**	28
Exchange loss, net	**–**	3,509
Operating lease charges on land and buildings	**5,453**	4,720
Employee costs, including directors' emoluments	**17,003**	20,824

* *Included in "other operating expenses" in the consolidated income statement.*

Included in "selling and distribution expenses" in the consolidated income statement.

Depreciation expenses of HK$3,623,000 (2016: HK$4,866,000 (re-presented)) and HK$2,001,000 (2016: HK$1,122,000 (re-presented)) were included in cost of sales and administrative expenses respectively.

8. INCOME TAX CREDIT

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

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Current tax – the PRC		
– Current year	**12**	17
– PRC withholding tax	**1,395**	–
Deferred tax – the PRC		
– Current year	**(41,086)**	(39,877)
Income tax credit	**(39,679)**	(39,860)

Branches of China Era in Beijing and Jilin, the PRC are subject to PRC enterprise income tax at the tax rate of 25% (2016: 25%) for the year.

Pursuant to the PRC Corporate Income Tax Law, PRC Value-added Tax Law and other related regulations, non-PRC-resident enterprises are levied withholding tax at 10%, 6% and various tax rate (unless reduced by tax treaties/arrangements) respectively on interest receivable from PRC enterprises for income earned since 1 January 2008. The Group has adopted withholding tax rate of 10%, 6% and various tax rate on corporate income tax, value-added tax and other taxes for PRC withholding tax purpose during the year ended 31 December 2017.

9. DISCONTINUED OPERATION

On 30 December 2015, the Group entered into the sale and purchase agreement with the independent third party (the "Purchaser"), pursuant to which the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to sell the issued shares and the sale loan of Sunlight Rise Limited (together with its subsidiaries referred to as the "Sunlight Group" engaged in the supply of electricity and heat) which holds 60% equity interests in Shanxi Zhong Kai Group Lingshi Heat and Power Limited at a consideration of HK$1,500,000 (the "Disposal"), details of which are set out in the Company's announcements dated 30 December 2015, 29 March 2016 and 12 October 2016 and the Company's circular dated 17 February 2017. The Disposal was completed on 17 March 2017 (the "Disposal Date") and constitutes a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the supply of electricity and heat represented one of the major line of business of the Group. Sales, results, cash flows and net assets of the Sunlight Group were as follows:

(a) Analysis of the results of the discontinued operation:

	Period from 1 January 2017 to the Disposal Date *HK$'000*	2016 *HK$'000*
(Loss)/profit for the period/year	**(449)**	4,832
Loss on disposal of subsidiaries *(note b)*	**(9,121)**	–
	(9,570)	4,832
Revenue	**–**	22,164
Cost of sales	**–**	(37,434)
Gross loss	**–**	(15,270)
Other income	**5**	19,805
Administrative expenses	**(454)**	(6,384)
Other operating expenses	**–**	(807)
Loss before income tax	**(449)**	(2,656)
Income tax credit	**–**	7,488
(Loss)/profit for the period/year	**(449)**	4,832

(b) Disposal of subsidiaries:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	31,796
Prepaid land lease payments	4,516
Inventories	2,047
Trade and other receivables	71,122
Cash and cash equivalents	322
Trade and other payables	(42,776)
Bank borrowings	(51,531)
Amount due to the Group	(81,388)
Amounts due to a non-controlling shareholder	(16,519)
Non-controlling interests	22,532
	(59,879)
Disposal of amount due to the Group (the "Sale Loan")	81,388
Release of exchange reserve upon disposal	(10,888)
Loss on disposal of subsidiaries	(9,121)
Total consideration	1,500

An analysis of the net cash flow arising on disposal of the discontinued operation was as follows:

	HK$'000
Cash consideration	1,500
Cash and cash equivalents disposed of	(322)
Net cash inflows arising from the disposal of subsidiaries	1,178

The carrying amounts of the assets and liabilities of the Sunlight Group at the Disposal Date are approximately HK$109,803,000 and HK$192,214,000 respectively. A loss of approximately HK$9,121,000 arose on the Disposal, being the proceeds of Disposal of HK$1,500,000 less net asset value disposed of in the amount of approximately HK$10,621,000, being the net amount of (i) the Sale Loan of approximately HK$81,388,000; (ii) the equity attributable to the owners of the Sunlight Group of approximately HK$59,879,000 (in negative); and (iii) the release of the exchange reserve upon Disposal of approximately HK$10,888,000. No tax charge or credit arose from the Disposal.

For the purpose of presenting the discontinued operation, certain comparative information on consolidated income statement, consolidated statement of cash flows and the related notes have been re-presented as if the discontinued operation during the year had been discontinued at the beginning of the comparative period.

10. DIVIDENDS

The board of directors did not recommend any payment of dividends during the year (2016: Nil).

11. (LOSS)/EARNINGS PER SHARE

The calculations of basic (loss)/earnings per share attributable to the owners of the Company are based on the following data:

	2017	2016
	HK$'000	*HK$'000*
		(Re-presented)
(Loss)/profit for the year attributable to the owners of the Company for the purpose of basic (loss)/earnings per share		
– From continuing operations	**(178,056)**	(198,909)
– From discontinued operation	**(9,065)**	8,938
	(187,121)	(189,971)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**3,834,905**	3,834,905

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to the owners of the Company and the weighted average number of ordinary shares.

For the years ended 31 December 2017 and 2016, no adjustment has been made to the basic (loss)/earnings per share amount presented in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amount presented.

12. PROPERTY, PLANT AND EQUIPMENT

Oil Production:

As a result of the closure of certain oil wells at the request of the municipal government to protect the natural environment, property, plant and equipment relating to the infrastructure of the affected oil wells, of approximately HK$13,051,000 were written off during the year. During the year, provision for impairment loss of oil properties, furniture, office equipment and motor vehicles and construction in progress ("CIP") relating to the Oil Production CGU of approximately HK$4,789,000 (2016: HK$10,641,000), HK$212,000 (2016: HK$278,000) and HK$468,000 (2016: HK$105,000) respectively, were recognised in profit or loss to write down to their recoverable amounts due to the accumulative decrease in the projected volume of drilling and extraction and sales of crude oil, totaling approximately HK$5,469,000 (2016: HK$11,024,000) (note 13).

Oil and Liquefied Chemical Terminal:

During the year ended 31 December 2017, the carrying amount of CIP consists of an amount of approximately HK$1,291,826,000 (2016: HK$860,373,000 were under construction) relating to the Group's oil and liquefied chemical terminal facilities located in the PRC, which together with all necessary land-forming and reclamation construction and facilities installation, were completed in late September 2017 and transferred to oil and liquefied chemical terminal in property, plant and equipment which is located in the PRC. On the same date, this amount was transferred to investment properties due to the change of actual use at the time of commencement of the lease. Additions during the year ended 31 December 2017 include capitalised interest of approximately HK$78,601,000 (2016: HK$55,165,000).

As at 31 December 2016, property, plant and equipment of approximately HK$169,921,000 were held under finance leases.

Supply of Electricity and Heat (Discontinued operation):

For the purpose of impairment testing as at 31 December 2016, the recoverable amount of property, plant and equipment and prepaid land lease payments relating to the supply of electricity and heat business (the "Electricity and Heat CGU") was determined based on fair value less costs of disposal. It was a non-recurring fair value which has been determined by income approach, and was therefore within level 3 of the fair value hierarchy. The key assumption used by management to determine the fair value less costs of disposal was that sales of the Sunlight Group (i.e. the Electricity and Heat CGU) at a cash consideration of HK$1,500,000.

As a result, reversal of impairment loss of buildings, plant and machinery, furniture and office equipment, CIP and prepaid land lease payments of HK$6,536,000, HK$8,128,000, HK$584,000, HK$101,000 and HK$2,179,000 respectively were recognised in profit or loss to reflect their recoverable amounts.

As at 31 December 2016, the carrying amount of property, plant and equipment of approximately HK$31,796,000 was under the Electricity and Heat CGU and was sold in March 2017.

13. INTANGIBLE ASSETS

For the purpose of impairment testing as at 31 December 2017, the recoverable amount of property, plant and equipment, exploration and evaluation assets and interests in oil production sharing contract relating to the Oil Production CGU was determined based on value-in-use calculations, which are derived by using discounted cash flow analysis which adopts cash flow projection for a period of 14 years up to 2031 (2016: 15 years up to 2031) with a growth rate of 3% (2016: 3%) for direct cost and cash expenses. The growth rate reflects the long-term average growth rate for the country in which the entity of the Oil Production CGU operates. The pre-tax discount rate used to determine the value-in-use in 2017 is 18% (2016: 18%).

During the year, total impairment loss of approximately HK$176,179,000 (2016: HK$177,962,000) has been identified for the Oil Production CGU and is charged pro rata to the assets related to the Oil Production CGU. Impairment loss in respect of property, plant and equipment, exploration and evaluation assets and interests in oil production sharing contract of approximately HK$5,469,000 (2016: HK$11,024,000) (note 12), HK$266,000 (2016: HK$85,000) and HK$170,444,000 (2016: HK$166,853,000) respectively, are recognised as expenses in profit or loss as the assets' carrying amounts exceed their recoverable amounts.

As results of the accumulative decrease in the projected volume of drilling and extraction and sales of crude oil, the carrying amount of the Oil Production CGU has been reduced to its recoverable amount of HK$224,746,000 (after impairment) (2016: HK$414,780,000) as at 31 December 2017. Any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

14. INVESTMENT PROPERTIES

	2017 ***HK$'000***	2016 *HK$'000*
Fair value		
At 1 January	**–**	–
Additions	**3,049**	–
Transferred from property, plant and equipment	**1,294,491**	–
Transferred from sea area use rights	**113,924**	–
Fair value adjustment upon the transfer recognised in other comprehensive income	**88,536**	–
At 31 December	**1,500,000**	–

On 24 October 2016, the Group entered into a conditional lease agreement relating to oil and liquefied chemical terminal with an independent third party, in which the rent payable by the lessee to the Group is RMB125,000,000 (equivalent to approximately HK$145,000,000) per annum and the initial term of the lease is for five years running from 1 April 2017 to 31 March 2022 (subject to further renewals).

As a result of a delay in license applications of parts of the oil and liquefied chemical terminal resulted from the new license application procedures which came into effect in the second half of 2017, the commercial operation of the oil and liquefied chemical terminal by the tenant was commenced partially from late September 2017. In opinion of the directors of the Company, there will be no legal impediment for obtaining of the outstanding permits and licenses and it is expected that full commercial operation of oil and liquefied chemical terminal will start in the first half of 2018, subject to the grant of the outstanding permits and licenses by then. The Group obtained the formal permit for operation of port in late March 2018 to replace its trail operation permit.

All of the Group's property interests held under operating leases (i.e. sea area use rights) to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. Due to the commencement of the lease of the oil and liquefied chemical terminal, the oil and liquefied chemical terminal transferred to investment properties on 30 September 2017 (the "Date of transfer").

With respect of the passage of a short period of time, the directors of the Company are of opinion that the change in the fair values of the investment properties between the Date of transfer and year ended date is considered as minimal.

The fair value of the Group's investment properties as at 31 December 2017 have been arrived at income approach carried out by APAC Asset Valuation and Consulting Limited, an independent professional valuer who holds a recognised and relevant professional qualification.

The fair value of investment properties is a level 3 recurring fair value measurement. During the year, there were no transfers into or out of level 3 or any other level. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur. A reconciliation of the opening and closing fair value balances is provided below:

	2017 ***HK$'000***
Opening balance (level 3 recurring fair value)	**–**
Initial recognition	**1,500,000**
Fair value change	**–**
Closing balance (level 3 recurring fair value)	**1,500,000**

Fair value as at 31 December 2017 is determined by applying the income approach, using the discounted cash flow method, based on the contractual rental value of the properties. The valuation also includes the estimated terminal value at the end of the projection period.

Significant unobservable inputs	**2017**
Discount rate	**8%**
Terminal yield	**3%**

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The terminal yield is separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by the lease period of the lease agreement signed on 24 October 2016. The periodic cash flow is estimated as gross income less non-recoverable expenses, collection losses, lease incentives, maintenance costs and other operating and management expenses if any. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/decrease in the rental value would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the discount rate in isolation would result in a significant decrease/increase in the fair value of the investment properties. Generally, a change in the assumption made for the rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

All investment properties have been pledged to secure banking facilities granted to the Group and finance lease liabilities as at 31 December 2017.

15. TRADE AND BILLS RECEIVABLES

The Group normally allows trading credit terms ranging from 30 days (2016: 30 to 120 days) to its established customers. Each customer has a maximum credit limit. For certain customers with long established relationship and good past repayment history, a longer credit period may be granted. Trade and bills receivables are non-interest bearing.

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

	2017	2016
	HK$'000	*HK$'000*
1 – 90 days	**8,372**	10,418
91 – 120 days	**–**	47
121 – 365 days	**–**	80
Over 365 days	**–**	18,159
	8,372	28,704

At 31 December 2017 and 2016, there were no trade and bills receivables that were individually determined to be impaired. The Group did not hold any collateral over these balances.

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

	2017	2016
	HK$'000	*HK$'000*
Over 60 days past due but not impaired	**–**	18,239

As at 31 December 2017, trade and bills receivables of HK$8,372,000 (2016: HK$10,465,000) were neither past due nor impaired. These related to customers for whom there was no recent history of default.

As at 31 December 2016, all trade and bills receivables that were past due but not impaired related to the local government and were under the Electricity and Heat CGU (discontinued operation). Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

16. TRADE PAYABLES

Trade payables were non-interest bearing and are normally settled on 60 days (2016: 60 days) terms.

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

	2017	2016
	HK$'000	*HK$'000*
1 – 90 days	**–**	2,068
121 – 365 days	**–**	1,174
Over 365 days	**–**	7,225
	–	10,467

As at 31 December 2016, all trade payables were under the Electricity and Heat CGU which was disposed in March 2017.

17. LITIGATIONS

(a) Transfer of the exploration licence

Details of litigations are set out in note 3(iii).

(b) Injunction order to the holder of CB6 and CB7

Details of litigation are set out in note 3(i) and note 18(a).

18. EVENTS AFTER THE REPORTING DATE

(a) In December 2017, the Group received a legal letter from the representative lawyer of Mr. A that the Charge was acquitted after the Municipal Court issued the first adjudication. As Mr. A is not guilty in respect of the Charge, Songliao Contract should continue to be valid to the Group and the Group is able to carry out business relating to oil production as stipulated under the Songliao Contract without the questioning of its validity.

On that basis, after taking the legal advice from the Company's legal advisers, on 4 January 2018, the Company reached a settlement with the Defendants pursuant to which the Company will apply to the Cayman Court for discontinuance of the litigation, as a result of which the injunction order and the Company's undertaking are expected to be discharged in the forseeable future such that the Defendants should no longer be restrained from disposing of, encumbering or otherwise dealing with or diminishing the value of, and/or exercising any rights or powers (including but not limited to voting rights in general and/or extraordinary meeting(s) in respect of, and/or entering into any agreement to effect any transaction in relation to, the consideration shares and the converted shares). Up to the date of authorisation for issue of the Group's financial statements, the application of discontinuance of the litigation to the Cayman Court is still in progress.

(b) On 22 January 2018, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent has conditionally agreed to place, on a best effort basis, up to an aggregate of 609,940,000 new placing shares to not less than six placees at a price of HK$0.143 per placing share.

The Placing was completed on 14 February 2018. Gross proceeds from the Placing are approximately HK$87,200,000 and its net proceeds, after deducting the related expenses incurred during the Placing, are approximately HK$85,100,000. As stated in the Company's announcement dated on 14 February 2018, approximately HK$63,300,000 from the net proceeds will be used to repay the debts and liabilities of the Group.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2017. Because of the significance of the matter described below in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

During the year ended 31 December 2017, the Group incurred a loss of HK$201,430,000 (2016: HK$200,964,000) and net current liabilities of HK$1,075,777,000 (2016: HK$353,127,000) as at 31 December 2017. The total outstanding construction costs of HK$484,044,000 (2016: HK$420,716,000), that are required to repay within one year after the reporting date, in which amounts of HK$403,946,000 (2016: HK$319,177,000) and HK$80,098,000 (2016: HK$101,539,000) are recognised under other payables and other borrowings respectively, were included in current liabilities and the capital commitment for construction costs was HK$3,078,000 (2016: HK$154,466,000) as at 31 December 2017. In addition, other borrowings included in current liabilities of HK$30,054,000 (2016: bank and other borrowings of HK$49,370,000 and HK$28,169,000 respectively) was overdue for repayments as at 31 December 2017. These conditions, in the current year, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the foregoing, the directors of the Company have prepared the consolidated financial statements on a going concern basis, the appropriateness of which depends upon the outcome of the underlying assumptions as detailed in note 3(a)(ii) to the consolidated financial statements. One of the assumptions is the Group will settle the outstanding construction costs of HK$198,408,000 in the coming twelve months after the year ended 31 December 2017. For the remaining balances of total construction costs, based on the good relationship with the contractors, the contractors will extend the repayment dates over twelve months after the year ended 31 December 2017.

In respect of the Group's settlement of the outstanding construction costs, up to the date of approval of these consolidated financial statements, the Group has not obtained any written confirmations on the delayed payment dates from the contractors. There were no alternative audit procedures that we can perform to obtain relevant audit evidence to assess the likelihood that these contractors would extend the repayment dates over twelve months after the year ended 31 December 2017.

Accordingly, we were unable to satisfy ourselves that whether it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2017 on a going concern basis. Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their estimated realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

The directors of the Company also prepared the consolidated financial statements for the year ended 31 December 2016 (the "2016 Consolidated Financial Statements") on a going concern basis. In our audit of the 2016 Consolidated Financial Statements, we were unable to obtain sufficient appropriate audit evidence to assess whether it is appropriate to prepare the 2016 Consolidated Financial Statements on a going concern basis. Together with another limitation that existed in our audit of the 2016 Consolidated Financial Statements, we did not express an opinion on the 2016 Consolidated Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Energy International Investments Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") is principally engaged in the oil production, the leasing of oil and liquefied chemical terminal and the supply of electricity and heat (which was disposed on 17 March 2017).

(i) Revenue

For the year ended 31 December 2017, the Group's record revenue from continuing operations was approximately HK$30 million (2016: HK$19 million), representing an increase of approximately HK$11 million or approximately 58% as compared to the last year. The Group's revenue is contributed from the sales of crude oil of the oil production business and rental income of the oil and liquefied chemical terminal.

(ii) Gross profit/loss

As compared to gross loss made in the 2016 of approximately HK$6 million, the Group turned to gross profit position during the year, representing a significant improvement of approximately HK$15 million. The turnaround from gross loss to gross profit is mainly attributable to the increase in average oil price, the result from certain cost saving measures and the commencement of leasing of the Group's oil and liquefied chemical terminal since late September 2017.

The board of directors of the Company (the "Board") believes that (1) under the stability with slight increment in the crude oil price, together with the continuation of the cost saving measures; and (2) the commencement of generating rental income from the leasing of Group's oil and liquefied chemical terminal, the Group is able to further improve the gross profit position.

(iii) Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK$187 million (2016: HK$190 million). The loss of the Group has decreased by approximately HK$3 million or approximately 2% as compared to last year. The loss was mainly resulted from (1) the impairment losses on property, plant and equipment ("PPE") and intangible assets relating to the cash generating unit to which the PPE and intangible assets of the Group's oil production business belong (the "Oil Production CGU") amounted to approximately HK$5 million and HK$171 million respectively.

Business Review

Oil business

In early 2017, the international crude oil price maintained at a similar level as that in late 2016, which is almost a double as compared to early 2016. However, after February 2017, the oil price fluctuated on a downstream trend for almost half years. After that, the oil price had been rising significant. As a result, the increase in average oil price during the year is obvious as compared to the 2016. On the other hand, the demand in the petroleum market was still weak. During the year, the Group have extracted approximately 8,392 metric tonnes (2016: 10,098 metric tonnes) of oil.

The results from operations and costs incurred in oil business are detailed as below. In 2017, the Group achieved a turnover of approximately HK$20 million (2016: HK$19 million), representing an increase of approximately 5% as compared with last year. The reportable segment loss of oil production before write-off of PPE and impairment losses on intangible assets and PPE for 2017 amounted to approximately HK$22 million (2016: HK$30 million). The decrease in such loss was primarily due to the increase in the selling price and the cost saving measures, which was partially offset by the drop in the sales volume of crude oil.

Results from operations

	2017 ***HK$'000***	2016 *HK$'000*
Net sales to customers	**20,192**	18,762
Other income	**42**	12
Operating expenses	**(36,813)**	(43,052)
Depreciation	**(5,097)**	(5,544)
Write-off of property, plant and equipment	**(13,051)**	–
Impairment loss on property, plant and equipment	**(5,469)**	(11,024)
Impairment loss on intangible assets	**(170,710)**	(166,938)
Results from operations before income tax	**(210,906)**	(207,784)

Songliao Contract impairment

As at 31 December 2017, the Company reviewed the carrying amounts of its assets related to the petroleum contract entered into between China Era Energy Power Investment Limited, a wholly-owned subsidiary of the Company, and China National Petroleum Corporation on 13 August 2007 (the "Songliao Contract"), and determined that impairment would be necessary. The impairment losses were mainly due to the significant adjustments in the drilling and extraction schedules. The planned drilling and extraction schedules were adjusted mainly due to the following factors:

- More time spent on the research on the detail structure of underground oil reserve;
- Further determination of the type of wells to be drilled;
- Insufficient funding to expand the production;

- Environmental concern near the site area by the local authority, of which the Company was recently informed that, for the comprehensive implementation of the integrated ecology improvement work in Chagan Lake Nature Reserve Area, the Administration of Jilin Chagan Lake National Nature Reserve has made the decision (the "Decision") to extend the area of the Chagan Lake National Nature Reserve Area, which includes an area of approximately 24.7 square kilometers (the "Affected Area") out of the contract area of the Songliao Contract of approximately 77.2 square kilometers; and.

- More future capital investment to fullfil environmental protection requirements.

Accordingly, the Company determined that the carrying amounts of the assets related to the Songliao Contract would likely not be recoverable based on the revised timing of future cash flows projected from the Songliao Contract.

In assessing the recoverable amount of the Oil Production CGU at 31 December 2017, the Company calculated the value-in-use derived by the discounted cash flow analysis to reflect deferral of development of the property by the revised price and cost considerations. The projected cash flows are based on the following key assumptions:

- Total estimated operating and construction costs of wells of the People's Republic of China (the "PRC") oil field for the remaining terms of the Songliao Contract;

- The crude oil price projection basis by reference to market price of New York Mercantile Exchange WTI ("NYMEX WTI") at the end of 2017; and

- The discount rate by reference to market comparable.

The review on the carrying amounts of the Oil Production CGU resulted in total impairment losses of approximately HK$176,179,000 (2015: HK$177,962,000). The impairment losses have been recorded within operating expenses on the face of the consolidated income statement and relates to the Company's segment information in oil production segment.

For the purpose of calculating the recoverable amount of the Oil Production CGU, the following major variables and assumptions were adopted:

(i) The estimated operating costs of the PRC oil field for the remaining terms of the Songliao Contract would increase and a growth rate of 3% (2016: 3%) was being adopted;

(ii) According to the terms of the Songliao Contract, when determining the oil price, reference should be made to the transaction prices in the world's major oil markets. Same as last year, the Company has adopted crude oil prices with reference to the rate of change of the NYMEX WTI forecast on crude oil prices.

(iii) The exchange rates used for conversion between (a) Hong Kong dollars ("HK$") and Renminbi ("RMB") is RMB1.00 = HK$1.20 (2016: RMB1.00 = HK$1.10); and (b) United States dollars ("US$") and RMB is US$1.00 = RMB6.51 (2016: US$1.00 = RMB6.95).

(iv) As compared with last year's calculation, the management has adopted an adjusted drilling and extraction schedules as detailed below:

	Drilling and extraction schedules			
	Variables used in current year projection		Variables used in previous year projection	
Years	New wells	Million metric tonnes	New wells	Million metric tonnes
2017	– (actual)	0.009 (actual)	–	0.010
2018	18	0.015	–	0.157
2019 to 2031	96	0.799	791	3.277
Total	114	0.823*	791	3.444

* *For the current year projection, as compared with previous year projection and having considered the production capacity, approximately 2,621,000 metric tonnes of oil production are assumed to be deferred after the Songliao Contract period, i.e., year 2031.*

The adjustments are mainly due to the following factors:

– Additional time spent on the research on the detail structure of the underground oil reserves;

– Additional time required to determine the type of wells to be drilled;

– Insufficient funding to expand the production in the short run;

– Tighten environmental concern near the site area by the local authority;

– The Decision made by the Administrative of Jilin Chagan Lake Nature Reserve to the Affected Area; and

– The estimation on the future capital investments to be spent in fulfilling environmental protection requirements.

(v) The funding requirements for capital expenditure, including well development and well maintenance, on the planned drilling were detailed below:

	Capital expenditure	
	Variables used in current year projection	**Variables used in previous year projection**
Years	*HK$' million*	*HK$' million*
2017	– (actual)	–
2018	51	377
2019 to 2031	272	1,816
Total	323	2,193

The management planned to obtain necessary funding for the capital expenditure from both internal and external sources. In current year, since the net cash used in operating activities of the Group amounted to approximately HK$7 million, the management is of the view that it was not beneficial to the Group to spend significant amount on capital expenditure under the current and forecast oil price. Therefore the management has reduced the capital expenditure for subsequent years.

(vi) The management assumed that the discount rate will be close to market comparable and a pre-tax discount rate used to determine value-in-use is 17.7% (2016: 17.8%).

The review on the carrying amounts of the Oil Production CGU resulted in total impairment losses of approximately HK$176,179,000 (2016: HK$177,962,000), which is mainly due to the delays in the drilling and extraction schedules and increase in estimated future capital investments on environmental measures.

Information of oil reserves

Changes in estimated quantities of proved crude oil reserves for the year ended 31 December 2016 and 2017 are indicated as follows:

	Crude oil *(million metric tonnes)*
Reserves as at 1 January 2016	3.658
Changes resulted from: Production	(0.010)
Reserves as at 31 December 2016	3.648
Changes resulted from: Production	(0.009)
Changes resulted from: Loss of reserves	(0.708)
Reserves as at 31 December 2017	2.931

Note: Based on the Group's share of participated interests in the oil field through jointly controlled operations.

Operation of liquid chemical terminal, storage and logistics facilities business

By end of 2015, the Group has injected RMB115 million (equivalent to approximately HK$136 million) to Shandong Shundong Port Services Company Limited ("Shundong Port") to obtain 51% equity interest in Shundong Port. Shundong Port owns two sea area use rights covering an aggregate area available for land-forming and reclamation construction of approximately 31.59 hectares in Dongying Port, Shandong Province, the PRC and permitting the construction of reclamation and land-forming for use in sea transportation and port facilities for a 50-years' period running from 13 November 2014 to 12 November 2064 and 23 February 2016 to 22 February 2066 respectively. During 2017, Shundong Port has completed the construction and commenced leasing of its terminal and facilities which generated rental income of approximately HK$10 million.

Electricity and heat business

On 17 March 2017, the Group discontinued the electricity and heat business upon the completion of disposal of the Sunlight Group. No revenue was generated from this discontinued operation as compared to approximately HK$22 million in the last year.

Financial Review

Liquidity, financial resources and capital structure

As at 31 December 2017, the Group had total assets of approximately HK$1,993 million (2016: HK$1,846 million), total liabilities of approximately HK$1,622 million (2016: HK$1,381 million), indicating a gearing ratio of 0.81 (2016: 0.75) on the basis of total liabilities over total assets. The current ratio of the Group for the year was 0.12 (2016: 0.51) on basis of current assets over current liabilities.

As at 31 December 2017, the Group had bank and other borrowings of approximately HK$294,584,000 and HK$159,992,000 respectively (2016: HK$214,627,000 and HK$171,418,000 respectively). The aggregate bank deposits and cash in hand of the Group were approximately HK$57,059,000 (2016: HK$238,814,000).

As at 31 December 2017, the convertible bonds outstanding principal amount of (i) HK$628,160,000, had been due on 31 December 2015 not carrying any interest with right to convert the convertible bonds into ordinary shares of the Company. The adjusted conversion price is HK$0.8 per share (subject to adjustments) and a maximum number of 785,200,000 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full; and (ii) HK$190,000,000 due on 15 September 2018 carrying interest of 5% per annum with right to convert the convertible bonds into ordinary shares of the Company. The conversion price is HK$0.158 per share (subject to adjustments) and a maximum number of 1,202,531,645 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. During the year, no convertible bond was converted to ordinary shares of the Company.

In July 2015, the Group commenced legal actions against the holder(s) of the convertible bonds which were due on 31 December 2015. Details of the litigation can be referred to the Company's announcements dated 4 July 2015, 14 August 2015, 24 November 2015 and 4 January 2018 respectively. On 4 January 2018, the Company reached settlement with the defendents of the litigation pursuant to which the Company is applying to the Grand Court of the Caymen Islands for discontinuance of the litigation.

Contingent liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Capital and other commitments

The Group had capital and other commitments contracted but not provided for of approximately HK$3,078,000 (2016: HK$155,167,000) and HK$46,919,000 (2016: HK$48,164,000) respectively as at 31 December 2017.

Charges on assets

As at 31 December 2017, entire investment properties of HK$1,500,000,000 (2016: Nil) and certain bank deposits of approximately HK$51,360,000 (2016: HK$42,921,000) were pledged for the Group's bills payables, bank borrowings and finance lease liabilities. As at 31 December 2016, PPE of approximately HK$169,921,000 and sea area use rights of approximately HK$106,367,000 were pledged for the Group's bills payables and finance lease liabilities.

Exchange exposure

The Group mainly operates in Hong Kong and PRC and the exposure in exchange rate risks mainly arises from fluctuations in the HK$ and RMB exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. The policy of the Group for its operating entities operates in their corresponding local currencies to minimise currency risks. The Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Employee information

As at 31 December 2017, the Group employed 149 full-time employees (2016: 421). 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.

Dividend

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

Future Plan and Prospects

Oil business

In 2018, the recovery of the global economy will remain highly uncertain. After the rapid growth in the last quarter of 2017, the crude oil price is likely to be stablised at the current levels. The Group will 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.

Taking into accounts the production capacity of existing wells and facilities and the demand in oil market, 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 the Songliao Basin at Jilin Province of the PRC in 2018 would be approximately 15,000 metric tonnes (equivalent to 109,500 barrels of oil).

Operation of liquid chemical terminal, storage and logistics facilities business

Since the completion of the acquisition of 51% effective interest in Shundong Port by the Group in December 2015, the Group had been proactively promoting the continual construction of the Port and Storage Facilities. The original design of the Port and Storage Facilities anticipated four berths for chemical tankers of 10,000 tonnage and two berths for chemical tankers of 5,000 tonnage. The construction was completed during the year and the terminal had commenced operation partially in late September 2017.

On 24 October 2016, Shundong Port entered into a lease agreement (the "Lease Agreement") to lease the port and storage facilities of Shundong Port to Dongying Haike Ruilin Chemical Co., Ltd. (the "Lessee") for the annual rent of RMB125 million. The rent payable by the Lessee to Shundong Port for the Port and Storage Facilities under the Lease Agreement is RMB125 million (approximately HK$145 million) per annum, which shall be payable in twelve equal instalments on monthly basis in advance. Details of the Lease Agreement can be referred to the circular of the Company dated 17 February 2017.

The commencement of the rental term under the Lease Agreement, which was originally scheduled to start from 1 April 2017, was postponed in order to satisfy the terms and conditions of the Lease Agreement. At the date of this announcement, the Company expects to achieve full commercial operation of Shundong Port in the first half of 2018, subject to the obtaining of the outstanding permits and licenses by then.

The Lease Agreement provides an opportunity for the Company to generate a stable rental income from the Port and Storage Facilities, which is expected to expedite the Group's recovery of investment costs and to deliver reasonable return on capital to the Group on this project. In addition, the Lease Agreement is expected to improve the Group's asset and liabilities position in the long run, and to enhance the fund-raising capabilities of Shundong Port in the short run. It is currently expected that any cash derived from the rental income of the Lease Agreement will be retained by Shundong Port for its settlement of indebtedness, ongoing expansion and development plans.

Exploration and mining business

As disclosed in the Company's 2015 annual report, the Board found out that in 2010, the exploration licence held by Qinghai Forest Source Mining Industry Developing Company Limited ("QHFSMI") had been transferred to Inner Mongolia Xiao Hong Shan Yuen Xian Mining Industry Company Limited (內蒙古小紅山源森礦業有限公司) ("Yuen Xian Company") without the Company's knowledge, consent or approval (the "Change of Exploration Right Agreement").

Since then, the Group had commenced legal proceedings (the "Mining Litigations") against Yuen Xian Company with the view to invalidating the Change of Exploration Right Agreement dated 11 November 2009 (which caused the loss of the exploration license by QHFSMI) and seeking to regain the control of QHFSMI and the exploration license. In the past few years, the Group suspended its exploration and mining business pending the outcome of the Mining Litigations.

As announced by the Company on 11 June 2015, 12 June 2015 and 9 March 2016, the Higher People's Court of Qinghai Province had made a final judgment that the change of exploration right agreement was between QHFSMI and Yuen Xian Company was invalid and the Qinghai Province People's Procuratorate had expressed its "no-support" as to the review of the abovementioned final judgement, respectively. Following the conclusion of the Mining Litigations, the Company has appointed the legal advisers in the PRC to enforce the judgement to uphold the Group's right. In the event that the Group could regain the control of QHFSMI, the Group will be in the position to have access to the relevant exploration and mining license and thereafter the Group will perform due diligence review on the mining site. The Group is conducting regular re-assessment on the progress made by its legal advisers and the prospect of the Group's mining segment from time to time.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group, and the risk management and internal control systems of the Group and discussed the financial reporting matters including review of the audited consolidated financial statements of the Group for the year ended 31 December 2017 with the management and the Company's auditor, BDO Limited. The audit committee comprises three independent non-executive directors of the Company.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company'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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed 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 Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2017 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. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Since the position of the chairman was vacated during 2017 and until 15 March 2018, and the position of the CEO is vacated, the Company is still looking for a suitable candidate to fill the vacancy of the CEO;

(ii) A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. 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 at least once every three years in accordance with the Company's Articles of Association; and

(iii) A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders, Mr. Wang Jinghua, the independent non-executive director of the Company, was unable to attend the extraordinary general meeting of the Company held on 7 March 2017 and Mr. Wang Jinghua and Mr. Fung Nam Shan, the independent non-executive director of the Company, were unable to attend the annual general meeting of the Company held on 15 May 2017 due to their other prior engagements.

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 2017.

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 2017 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
Lan Yongqiang
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Lan Yongqiang (Chairman), Ms. Wang Meiyan, Mr. Chan Wai Cheung Admiral, Ms. Jin Yuping, Mr. Cao Sheng and Mr. Yu Zhiyong; and the independent non-executive directors of the Company are Mr. Lee Hoi Yan, Mr. Wang Jinghua and Mr. Fung Nam Shan.