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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 353)

ANNOUNCEMENT OF 2018 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 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	4	**152,328**	30,338
Cost of sales		**(26,801)**	(21,532)
Gross profit		**125,527**	8,806
Other income and gains	4	**9,685**	7,095
Selling and distribution expenses		**(6,790)**	(6,219)
Administrative expenses		**(37,955)**	(36,248)
Other operating expenses		**(2,116)**	(20,207)
Fair value loss on investment properties	13	**(5,986)**	–
Impairment loss on property, plant and equipment	11	**(526)**	(5,469)
Impairment loss on intangible assets	12	**(62,801)**	(170,710)
Finance costs	6	**(64,155)**	(8,587)
Loss before income tax	7	**(45,117)**	(231,539)
Income tax (expenses)/credit	8	**(28,730)**	39,679
Loss for the year from continuing operations		**(73,847)**	(191,860)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Discontinued operation			
Loss for the year from discontinued operation		–	(9,570)
Loss for the year		**(73,847)**	(201,430)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– from continuing operations		**(76,478)**	(178,056)
– from discontinued operation		–	(9,065)
		(76,478)	(187,121)
Non-controlling interests			
– from continuing operations		**2,631**	(13,804)
– from discontinued operation		–	(505)
		2,631	(14,309)
		(73,847)	(201,430)
Loss per share for loss attributable to the owners of the Company			(Restated)
Basic and diluted	*10*		
– from continuing operations		**(HK cent 1.2)**	(HK cents 4.5)
– from discontinued operation		**N/A**	(HK cent 0.2)
– from continuing and discontinued operations		**(HK cent 1.2)**	(HK cents 4.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(73,847)**	(201,430)
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 (loss)/gain on translation of financial statements of foreign operations	**(26,621)**	28,842
Release of exchange reserve upon disposal of subsidiaries	–	(10,888)
Other comprehensive income for the year, net of tax	**(26,621)**	84,356
Total comprehensive income for the year	**(100,468)**	(117,074)
Total comprehensive income attributable to:		
– Owners of the Company	**(99,016)**	(146,258)
– Non-controlling interests	**(1,452)**	29,184
	(100,468)	(117,074)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**6,519**	9,650
Prepaid land lease payments		**–**	–
Sea area use rights		**–**	–
Intangible assets	*12*	**154,141**	217,769
Goodwill		**1,440**	–
Investment properties	*13*	**1,425,000**	1,500,000
Deposits and other receivables		**57,204**	66,116
Deferred tax assets		**43,189**	50,384
		1,687,493	1,843,919
Current assets			
Trade receivables	*14*	**15,211**	8,372
Prepayments, deposits and other receivables		**150,791**	68,087
Loan receivables		**72,098**	–
Financial assets at fair value through profit or loss		**14,407**	15,809
Pledged bank deposits		**–**	51,360
Cash and bank balances		**276,531**	5,699
		529,038	149,327
Current liabilities			
Bills and other payables and accruals		**389,097**	542,976
Amounts due to non-controlling shareholders		**–**	101,600
Bank borrowings		**157,320**	68,984
Other borrowings		**126,877**	158,956
Finance lease liabilities		**39,584**	146,863
Convertible bonds		**35,258**	195,400
Tax payables		**9,828**	10,325
		757,964	1,225,104
Net current liabilities		**(228,926)**	(1,075,777)
Total assets less current liabilities		**1,458,567**	768,142

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Amount due to a non-controlling shareholder	**259,418**	–
Bank borrowings	**77,520**	225,600
Other borrowings	**44,649**	1,036
Finance lease liabilities	**2,459**	68,994
Convertible bonds	**25,250**	–
Deferred tax liabilities	**120,000**	101,772
	529,296	397,402
Net assets	**929,271**	370,740
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**544,484**	304,970
Reserves	**218,841**	(101,440)
	763,325	203,530
Non-controlling interests	**165,946**	167,210
Total equity	**929,271**	370,740

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 changed from Unit 1508, 15th Floor, The Center, 99 Queen's Road Central, Hong Kong to Units 4307-08, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong with effect from 7 December 2018. The Company's shares are listed on the Main Board of 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

– insurance brokerage service representing the business of providing insurance brokerage service (new segment during the year and acquired on 31 August 2018).

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 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 2018

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property

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

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.

The adoption of these amendments has no impact on the financial statements as the periods to which the transition provision exemptions related have passed.

B. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated 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 ("FVTPL"), 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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies would be applied to the Group's financial assets as follows:

At FVTPL	These are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
At amortised cost	These are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original classification and measurement categories under HKAS 39 and the new classification and measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39	Carrying amount as at 1 January 2018 under HKFRS 9
			HK$'000	*HK$'000*
Listed equity securities	Financial assets at fair value through profit or loss *(note 2(a)B(i)(a))*	At FVTPL	15,809	15,809
Trade receivables	Loans and receivables *(note 2(a)B(ii))*	At amortised cost	8,372	8,372
Deposits and other receivables	Loans and receivables *(note 2(a)B(ii))*	At amortised cost	52,002	52,002
Pledged bank deposits	Loans and receivables *(note 2(a)B(ii))*	At amortised cost	51,360	51,360
Cash and bank balances	Loans and receivables *(note 2(a)B(ii))*	At amortised cost	5,699	5,699

(a) As of 1 January 2018, certain investment in listed equity securities were classified as FVTPL. The Group intends to hold these equity investments for short-term trading purpose. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVTPL.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39.

Under HKFRS 9, loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

The Group's financial assets which are subject to the new ECLs model include trade receivables, deposits and other receivables, loan receivables, pledged bank deposits and cash and bank balances. The Group is required to revise its impairment methodology under HKFRS 9 for these financial assets.

ECLs are a probability-weighted estimate of credit losses and are measures as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other financial assets are measured as 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Impact of the ECLs model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises a lifetime ECLs for trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Other financial assets at amortised cost of the Group includes deposits and other receivables, loan receivables, pledged bank deposits and cash and bank balances. Since there is no increase in credit risk, the loss allowance recognised during the year was therefore limited to 12-months ECLs. Management considers the probability of default is low on deposits and other receivables and loan receivables since the counterparties are in good credit quality and no historical default is noted. Besides, management considers the probability of default is low on pledged bank deposits and bank balances since they are placed at the financial institutions with good credit rating. The Group has assessed and concluded that impact of ECLs on trade receivables, deposits and other receivables, loan receivables and pledged bank deposits and cash and bank balances are insignificant as at 1 January 2018 and 31 December 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are, if any, therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The assessments of the determination of the business model within which a financial asset is held, have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9.

C. HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition of sale of crude oil and agency income and the revenue recognition of interest income and rental income are not within the scope of HKFRS 15.

The Group has adopted HKFRS 15 using cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 is not restated.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Notes	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Sale of crude oil	Customer obtains control of crude oil when the crude oil is delivered to and have been accepted. Revenue is thus recognised from the Group's share of income (including cost recovery oil, investment recovery oil and share oil) according to the terms stipulated in the contract. There is generally only one performance obligation. Invoices are usually payable within 30 days. In the comparative period, revenue from sale of crude oil is recognised on its transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer. Right of return Customer has no right of return under the contract terms. Volume rebate There is no rebate under the contract terms.	HKFRS 15 did not result in significant impact on the Group's accounting policies.
(b)	Insurance brokerage service	Agency income is recognised point in time as contracts are signed with the ultimate customers. Invoices for brokerage service usually payable within 30 days.	HKFRS 15 did not result in significant impact on the Group's accounting policies.

Upon the adoption of the HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset and contract liabilities is recognised upon transition and at the end of the reporting period.

D. Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on the financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this its first year.

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

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 adoption of these amendments has no impact on the financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

(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.

HKFRS 16 – Leases

This 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 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.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

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.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying assets is of low value.

Transition of HKFRS 16

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$20,347,000. Of these commitments, an amount of approximately HK$621,000 relates to short-term leases which will be recognised on straight-line method as an expense in profit or loss.

During the year, the Group has performed a detailed impact assessment of HKFRS 16. In summary of the impact of the adoption HKFRS 16 is expected to be, as follows:

Impact on consolidated statement of financial position (increase/(decrease)) for the year ending 31 December 2019:

	2019
	HK$'000
Assets	
Property, plant and equipment (right-of-use assets)	**11,354**
Liabilities	
Lease liabilities	**12,549**
Other payables	**(877)**
Net impact on equity	**(318)**

Impact on the consolidated income statement (increase/(decrease)) for the year ending 31 December 2019:

	2019
	HK$'000
Lease-related depreciation	**6,802**
Operating lease expenses	**(7,345)**
Operating profit	**543**
Finance costs	**861**
Net impact of results for the year	**(318)**

As a result of adoption of HKFRS 16, the Group's operating profit and finance costs will increase for the year ending 31 December 2019. This is due to the change in the accounting for expenses of leases that were reclassified as operating lease under HKAS 17.

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.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

These amendments are effective for accounting periods beginning on or after 1 January 2019. 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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

These amendments are effective for accounting periods beginning on or after 1 January 2019. The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

These amendments are effective for accounting periods beginning on or after 1 January 2019. The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 3 – Definition of a Business

These amendments are effective for accounting periods beginning on or after 1 January 2020. Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

These amendments are effective for accounting periods beginning on or after 1 January 2020. Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Save as disclose in the foregoing paragraphs about the impact of HKFRS 16 to the Group’s financial statements, the directors of the Company have also performed an preliminary 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

Significant accounting policies that have been used in the preparation of these financial statements. 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 FVTPL, which are measured at fair value.

(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 as the "State-owned Enterprise" throughout the notes to the financial statements in this announcement and in our 2018 annual report) on 13 August 2007 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 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). In May 2018, a consent order was granted by the Cayman Count regarding the discontinuation of the litigation and the discharge of the injunction order.

Included in the consolidated statement of financial position as at 31 December 2018 are property, plant and equipment and intangible assets with carrying amounts of approximately HK$1,237,000 (2017: HK$6,977,000) and HK$154,141,000 (2017: HK$217,769,000) respectively. 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 2018, 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 loss of approximately HK$62,801,000 (2017:HK$170,710,000) and HK$526,000 (2017: HK$5,469,000) were recognised for the year ended 31 December 2018 on intangible assets and property, plant and equipment respectively.

In estimating the recoverable amount of Oil Production CGU, having taken into account of the legal letter from Mr. A's representative lawyer in December 2017, 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 executed as planned since there is no longer any charge by any prosecution authority that would lead to the Stated-owned Enterprise to impose any potential claim or to question the validity of the Songliao Contract since the adjudication of the Charge.

(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$73,847,000 (2017: HK$201,430,000) during the year; (ii) as at 31 December 2018, the Group had net current liabilities of HK$228,926,000 (2017: HK$1,075,777,000); (iii) as at 31 December 2018, included in current liabilities were total outstanding construction costs of HK$344,955,000 (2017: HK$484,044,000), that are repayable within one year after the reporting date, in which amounts of HK$307,223,000 (2017:HK$403,946,000) and HK$37,732,000 (2017: HK$80,098,000) were recognised under other payables and other borrowings respectively and capital commitments for construction costs were HK$2,452,000 (2017: HK$3,078,000); and (iv) as at 31 December 2018, included in current liabilities were other borrowings of HK$42,795,000 (2017: HK$30,054,000) that have been overdue for repayments. These conditions indicate that a material uncertainty exists that may cast significant doubts about 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 with the assumptions and measures that:

(a) Subsequent to the reporting date, on 28 February 2019, the Group has successfully obtained a new long-term credit facility from a financial institution in the PRC amounted to RMB150,000,000 (approximately HK$171,000,000), to repay the outstanding construction costs and bank and other borrowings that are required to repay within one year after the reporting date, in which an amount of RMB90,000,000 (approximately HK$102,600,000) is expected to be drawdown in the first quarter of 2019, if necessary, and repayable in February 2022. On 8 March 2019, the Group has further obtained a new long-term credit facility from another financial institution in the PRC amounted to RMB300,000,000 (approximately HK$342,000,000), with a credit period of 36 months;

(b) In light of the above new credit facilities, the Group will repay the outstanding construction costs amounting to HK$232,903,000 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, it is assumed that the contractors will extend the repayment dates over twelve months after 31 December 2018;

(c) The directors of the Company are of the view that the Oil and Liquefied Chemical Terminal segment since fully operated in May 2018, is able to contribute and generate a significant and consistent operating cash inflow to the Group in the coming twelve months after the reporting date which mainly derived from rental income receipt amounting to RMB125,000,000 before value-added tax ("VAT") (approximately HK$142,500,000) as stipulated in the lease agreement;

(d) The directors of the Company are of the view that the loan receivables amounted to HK$72,098,000 will be recovered without default in the coming twelve months after the reporting date under the loan agreements and the management assessment of its recoverability; and

(e) During the year ended 31 December 2018, the Company paid an amount of RMB100,000,000 (approximately HK$114,000,000) as refundable deposits under the terms of memorandum of understanding, which entered between the Company and the potential vendors, pursuant to which the Company proposed to invest in not less than 45% issued shares in a target company. The directors of the Company are of the view that the investment is still under preliminary negotiation and uncertain of the completion of the transaction with the potential vendors before the lapse date of the memorandum of understanding (i.e. 30 April 2019), therefore, the balance will be recovered in the coming twelve months.

The directors of the Company have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2018. After taking into account the above assumptions and measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2018 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:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Continuing operations		
Sale of crude oil	**37,247**	20,192
Rental income from investment properties	**115,080**	10,146
Agency income from insurance brokerage service	**1**	–
	152,328	30,338
Other income and gains		
Continuing operations		
Interest income		
– Bank deposits	**1,276**	826
– Loan receivables	**618**	–
	1,894	826
Other tax refunds	**–**	1,002
Fair value gain on financial assets through profit or loss	**–**	2,290
Exchange gain, net	**–**	2,757
Gain on disposal of property, plant and equipment	**19**	65
Gain on disposal of financial assets through profit or loss	**76**	–
Rental income from sub-letting of leased assets	**164**	–
Government grants *(note)*	**6,914**	–
Sundry income	**618**	155
	9,685	7,095

Note: In April 2018, the Company has been granted from the Ministry of Transport a subsidy of RMB5,810,000 (approximately HK$6,914,000) in respect of usage of clean energy in the operations of the oil and liquefied chemical terminal in the PRC.

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) Oil Production segment represents the business of oil production;

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

(c) Insurance Brokerage Service segment represents the business of providing insurance brokerage service (new segment during the year and acquired on 31 August 2018); and

(d) Supply of electricity and heat segment (discontinued in 2017 in connection with the disposal of subsidiaries).

Revenue from contracts with customer within the scope of HKFRS 15:

	2018	2017
	HK$'000	*HK$'000*
Sale of crude oil from Oil Production	**37,247**	20,192
Agency income from Insurance Brokerage Service	**1**	–
	37,248	20,192

Revenue from other source:		
Rental income from Oil and Liquefied Chemical Terminal	**115,080**	10,146

Note:

The Group has applied HKFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

Sale of crude oil from Oil Production is recognised at point in time when there is evidence that the control of crude oil has been transferred to the customer, the customer has adequate control over crude oil and the Group has no unfulfilled obligations that affect customer accepting the crude oil.

Agency income from Insurance Brokerage Service is recognised at point in time as contracts are signed with the ultimate customers.

There was no inter-segment sale and transfer during the year (2017: Nil).

	Continuing operations						Discontinued operation			
	Oil Production		Oil and Liquefied Chemical Terminal		Insurance Brokerage Service		Supply of Electricity and Heat		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:										
From external customers	**37,247**	20,192	**115,080**	10,146	**1**	–	**–**	–	**152,328**	30,338
Reportable segment (loss)/profit	**(59,635)**	(210,906)	**94,629**	(2,261)	**(290)**	–	**–**	(449)	**34,704**	(213,616)
Interest income	**6**	6	**1,133**	820	**–**	–	**–**	5	**1,139**	831
Depreciation	**(2,633)**	(5,097)	**(746)**	(509)	**(6)**	–	**–**	–	**(3,385)**	(5,606)
Amortisation of sea area use rights	**–**	–	**–**	(1,824)	**–**	–	**–**	–	**–**	(1,824)
Amortisation of intangible assets	**(870)**	(1,023)	**–**	–	**–**	–	**–**	–	**(870)**	(1,023)
Write-off of property, plant and equipment	**(1,559)**	(13,051)	**–**	–	**–**	–	**–**	–	**(1,559)**	(13,051)
Impairment loss of property, plant and equipment	**(526)**	(5,469)	**–**	–	**–**	–	**–**	–	**(526)**	(5,469)
Impairment loss of intangible assets	**(62,801)**	(170,710)	**–**	–	**–**	–	**–**	–	**(62,801)**	(170,710)
Fair value loss of investment properties	**–**	–	**(5,986)**	–	**–**	–	**–**		**(5,986)**	–
Reportable segment assets	**203,633**	279,993	**1,522,475**	1,695,735	**2,721**	–	**–**	–	**1,728,829**	1,975,728
Additions to non-current segment assets during the year	**2,622**	–	**–**	510,091	**19**	–	**–**	–	**2,641**	510,091
Reportable segment liabilities	**(195,359)**	(247,908)	**(977,763)**	(1,144,879)	**(630)**	–	**–**	–	**(1,173,752)**	(1,392,787)

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue and consolidated revenue	**152,328**	30,338
Loss before income tax		
Reportable segment profit/(loss)	**34,704**	(213,616)
Segment loss before income tax from discontinued operation	**–**	449
Finance costs	**(64,155)**	(8,587)
Other unallocated income	**833**	2,378
Other unallocated expenses *(note a)*	**(16,499)**	(12,163)
Consolidated loss before income tax from continuing operations	**(45,117)**	(231,539)

	2018	2017
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,728,829**	1,975,728
Property, plant and equipment	**3,538**	59
Cash and bank balances	**274,824**	575
Other corporate assets *(note b)*	**209,340**	16,884
Group assets	**2,216,531**	1,993,246
Liabilities		
Reportable segment liabilities	**1,173,752**	1,392,787
Convertible bonds	**60,508**	195,400
Other corporate liabilities	**53,000**	34,319
Group liabilities	**1,287,260**	1,622,506

Notes:

(a) Other unallocated expenses mainly included unallocated administrative expenses.

(b) Other corporate assets mainly included unallocated financial assets at FVTPL, loan receivables and refundable deposits for a potential investment.

Customers from Oil Production and the Oil and Liquefied Chemical Terminal segment are all located in the PRC (domicile) whereas those from Insurance Brokerage Service are located in Hong Kong. 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:

	2018	2017
	HK$'000	*HK$'000*
Customer A (derived from the Oil and Liquefied Chemical Terminal segment)	**115,080**	10,146
Customer B (derived from the Oil Production segment)	**37,247**	20,192
	152,327	30,338

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Imputed interest on convertible bonds	**17,414**	30,924
Interest on bank and other borrowings	**30,966**	23,391
Finance lease charges	**4,675**	28,839
Interest on amounts due to non-controlling shareholders	**11,100**	4,034
	64,155	87,188
Less: Amount capitalised*	**–**	(78,601)
	64,155	8,587

* Borrowing costs capitalised in 2017 arose on the specific borrowings and general borrowing pool which were calculated by applying a capitalisation rate of 10.88%, to expenditure on qualifying assets.

7. LOSS BEFORE INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Depreciation^	**3,498**	5,624
Amortisation of sea area use rights*	**–**	1,824
Amortisation of intangible assets*	**870**	1,023
Direct operating expenses arising from investment properties that generated rental income#	**4,906**	4,525
Fair value loss on financial assets at FVTPL*	**920**	–
Auditor's remuneration	**1,075**	1,178
Write-off of property, plant and equipment	**1,559**	13,051
Exchange loss, net	**1,071**	–
Operating lease charges on land and buildings	**4,923**	5,453
Employee costs, including directors' emoluments	**23,509**	17,003

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

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

^ Depreciation expenses of approximately HK$2,633,000 (2017: HK$3,623,000) and approximately HK$865,000 (2017: HK$2,001,000) were included in cost of sales and administrative expenses respectively for the year ended 31 December 2018.

8. INCOME TAX EXPENSES/(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.

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Current tax – PRC		
– Current year	**45**	12
– PRC withholding tax	**925**	1,395
Deferred tax – PRC		
– Current year	**27,760**	(41,086)
Income tax expenses/(credit)	**28,730**	(39,679)

The Group's PRC subsidiaries and branches are subject to PRC enterprise income tax at the tax rate of 25% (2017: 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, VAT and other taxes for PRC withholding tax purpose during the year ended 31 December 2018.

9. DIVIDENDS

The board of directors did not recommend any payment of dividends during the year (2017: Nil).

10. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share		
– From continuing operations	**(76,478)**	(178,056)
– From discontinued operation	**–**	(9,065)
	(76,478)	(187,121)

Number of shares	***'000***	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**6,309,686**	3,982,817

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

For the year ended 31 December 2017, the weighted average number of ordinary shares in issue was restated, after adjusting for the bonus elements in share issued under the placing.

For the years ended 31 December 2018 and 2017, no adjustment has been made to the basic loss per share amount presented in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

11. PROPERTY, PLANT AND EQUIPMENT

Oil Production:

During the year, provision of impairment loss of the property, plant and equipment relating to the Oil Production CGU of approximately HK$526,000 (2017: HK$5,469,000) was recognised in profit or loss to write down to its recoverable amount due to the accumulative decrease in the projected volume of drilling and extraction and decrease in the projected crude oil prices (note 12).

12. INTANGIBLE ASSETS

For the purpose of impairment testing as at 31 December 2018, 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 calculation, which are derived by using discounted cash flow analysis which adopts cash flow projection for a period of 13 years up to 2031 (2017: 14 years up to 2031) with a growth rate of 3% (2017: 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. Having reflected specific risk relating to the Oil Production CGU, the pre-tax discount rate used to determine the value-in-use in 2018 is 15% (2017: 18%).

During the year, impairment loss of approximately HK$63,327,000 (2017: HK$176,179,000) has been identified for the Oil Production CGU and is charged pro rata to the assets related to the Oil Production CGU. Impairment losses in respect of property, plant and equipment, exploration and evaluation assets and interests in oil production sharing contract of approximately HK$526,000 (2017: HK$5,469,000) (note 11), HK$107,000 (2017: HK$266,000) and HK$62,694,000 (2017: HK$170,444,000) respectively, are recognised as expenses in profit or loss as the assets' carrying amounts exceed their recoverable amounts.

As a result of the accumulative decrease in the projected volume of drilling and extraction and decrease in the projected crude oil price, the carrying amount of the Oil Production CGU has been reduced to its recoverable amount of HK$155,378,000 (after impairment) (2017: HK$224,746,000) as at 31 December 2018. Any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment loss.

13. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
Fair value		
At 1 January	**1,500,000**	–
Additions	**5,732**	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
Fair value loss recognised in profit or loss	**(5,986)**	–
Exchange difference	**(74,746)**	–
At 31 December	**1,425,000**	1,500,000

In 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 before VAT is RMB125,000,000 (approximately HK$148,750,000) per annum. Initial terms of the lease were for five years running from 1 April 2017 to 31 March 2022 (subject to further renewals).

The change of application procedures of permits in second half of 2017 resulted in further postpone of the 5-years lease period. Nevertheless, certain portion of the port was able to rent out under trial permit for operation of port in late September 2017. The Group obtained the formal permit for operation of port in late March 2018 to replace its trial one.

In May 2018, all leasing conditions were fulfilled and the Company has received a full rental income stipulated in the lease agreement.

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 fair value model and are classified and accounted for as investment properties. In light of the commencement of the lease of the oil and liquefied chemical terminal, the oil and liquefied chemical terminal were 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 were of opinion that the change in the fair values of the investment properties between the Date of Transfer and year ended date of 31 December 2017 was considered as minimal.

The fair value measurement of the Group's investment properties as at reporting date have been determined by income approach carried out by APAC Asset Valuation and Consulting Limited, an independent professional valuer who holds recognised and relevant professional qualifications.

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:

	2018	2017
	HK$'000	*HK$'000*
Opening balance (level 3 recurring fair value)	**1,500,000**	–
Initial recognition	**–**	1,500,000
Addition	**5,732**	–
Fair value change	**(5,986)**	–
Exchange difference	**(74,746)**	–
Closing balance (level 3 recurring fair value)	**1,425,000**	1,500,000

As at 31 December 2018, fair value is determined by applying the income approach, using the discounted cash flow method, based on the contractual rental value of the properties. The fair value measurement also includes the estimated terminal value at the end of the projection period.

Except the rental value derived from the lease agreement mentioned above, other significant unobservable inputs are disclosed as follow:

	2018	2017
Rent growth rate per annum	**0% to 6%**	Nil
Discount rate	**8%**	8%
Capitalisation rate	**4.5%**	4.5%

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 capitalisation rate 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 and capitalisation 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.

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 2018.

14. TRADE RECEIVABLES

The Group normally allows trading credit terms ranging from 30 days (2017: 30 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:

	2018	2017
	HK$'000	*HK$'000*
1 – 90 days	**15,211**	8,372

As at 31 December 2018, trade receivables approximately HK$11,874,000 (2017: Nil) have been pledged to secure the finance lease liabilities.

At 31 December 2018 and 2017, there were no trade receivables that were individually determined to be impaired. The Group did not hold any collateral over these balances.

15. LITIGATIONS

Transfer of the exploration licence

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

16. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Group has successfully obtained two credit facilities of RMB300,000,000 (approximately HK$342,000,000) and RMB150,000,000 (approximately HK$171,000,000), which are guaranteed by a related party and an independent third party respectively. These credit facilities are generally due for repayments in 2022 and 2024 respectively. In light of these, the directors of the Company consider that the Group will have sufficient working capital to meet the liabilities as and when they fall due within the next twelve months. Details are set out in note 3(ii)(a).

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2018:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3(ii) to the consolidated financial statements, which indicates that (i) the Group incurred a loss of HK$73,847,000 during the year; (ii) as at 31 December 2018, the Group had net current liabilities of HK$228,926,000; (iii) as at 31 December 2018, included in current liabilities were total outstanding construction costs of HK$344,955,000, that are repayable within one year after the reporting date, in which amounts of HK$307,223,000 and HK$37,732,000 were recognised under other payables and other borrowings respectively and the capital commitments for construction costs were HK$2,452,000; and (iv) as at 31 December 2018, included in current liabilities were other borrowings of HK$42,795,000 that have been overdue for repayments. As stated in note 3(ii), these conditions indicate that a material uncertainty exists that may cast significant doubts about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 insurance brokerage service.

(i) Revenue

For the year ended 31 December 2018, the Group's record revenue from continuing operations was approximately HK$152 million (2017: HK$30 million), representing an increase of approximately HK$122 million or approximately 407% as compared to last year. The Group's revenue is mainly contributed from the sale of crude oil of the oil production business and rental income of the oil and liquefied chemical terminal.

(ii) Gross profit

As compared to gross profit made in 2017 of less than HK$9 million, the Group enhanced the gross profit position during the year, representing a significant improvement of approximately HK$117 million. The improvement of gross profit is mainly attributable to the increase in oil selling 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 the stable rental income generated from the leasing of oil and liquefied chemical terminal, couples with the continuation of the cost saving measures, enable the Group to maintain 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 2018 was approximately HK$76 million (2017: HK$187 million). The loss of the Group has decreased by approximately HK$111 million or approximately 59% 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$63 million in total; and (2) the finance costs amounted to approximately HK$64 million.

Business Review

Oil business

The international crude oil market has fluctuated significantly during the year. The price increased significantly in most of the time in 2018 due to factors such as crude oil price was at low level for certain years, decline in global oil production and growth in demand for crude oil in India and China. The crude oil price for NYMEX WTI reached a four-year high of US$75 per barrel in October 2018. As compared with 2017, average oil selling price of the Group increased by approximately 40% in 2018. However, due to the uncertainty of trade frictions and geopolitical, the oil price in late 2018 underwent a downward plunge. The oil selling price of the Group in December month end dropped significantly to a similar level as in late December 2017. Overall, benefit from the increased average selling price, the Group has extracted approximately 11,306 metric tonnes (2017: 8,932 metric tonnes) of oil during 2018.

The results from operations and costs incurred in oil business are detailed as below. In 2018, the Group achieved a turnover of approximately HK$37 million (2017: HK$20 million), representing an increase of approximately 85% as compared with last year. The reportable segment profit of oil production before write-off of PPE and impairment losses on intangible assets and PPE for 2018 amounted to approximately HK$5 million (2017: loss of HK$22 million). The significant improvement is primarily due to the increase in the average oil selling price and sale volume.

Results from operations

	2018	2017
	HK$'000	*HK$'000*
Net sales to a customer	**37,247**	20,192
Other income	**6**	42
Operating expenses	**(29,369)**	(36,813)
Depreciation	**(2,633)**	(5,097)
Write-off of property, plant and equipment	**(1,559)**	(13,051)
Impairment loss on property, plant and equipment	**(526)**	(5,469)
Impairment loss on intangible assets	**(62,801)**	(170,710)
Results from operations before income tax	**(59,635)**	(210,906)

Songliao Contract impairment

As at 31 December 2018, 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 accumulative decrease in the projected volume of drilling and extraction and decrease in the projected crude oil prices. The planned drilling and extraction schedules were adjusted mainly due to the following factors:

- The drop in projected crude oil price based on the rate of change in the forecast from the NYMEX WTI;
- 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; and
- Environmental concern near the site areas by the local authority.

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 2018, 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 PRC oil field for the remaining terms of the Songliao Contract;

- The discount rate by reference to market comparable; and

- The crude oil price projection basis by reference to market price of New York Mercantile Exchange WTI ("NYMEX WTI") at the end of 2018 and the selling price of the Group. The oil price projections between the years 2019 and 2021 were based on the rate of change in the forecast from the NYMEX WTI. For the years from 2022 to 2031, an annual growth rate for the oil price of 3% was assumed, reflecting the long-term average growth rate for China, being the country in which the Oil Production CGU operates.

The review on the carrying amounts of the Oil Production CGU resulted in total impairment losses of approximately HK$63 million (2017: HK$176 million). The impairment losses have been recorded 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) 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.

(ii) The average of the next five years' projected crude oil price based on the rate of change in the forecast from the NYMEX WTI and adopted in the cash flow projection of the Oil Production CGU has dropped from US$70.0 as at 31 December 2017 to US$64.4 as at 31 December 2018.

(iii) 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% (2017: 3%) was being adopted, which reflected the long-term average growth rate for China, being the country in which the Oil Production CGU operates;

(iv) The exchange rates used for conversion between (a) Hong Kong dollars ("HK$") and Renminbi ("RMB") is RMB1.00 = HK$1.14 (2017: RMB1.00 = HK$1.20); and (b) United States dollars ("US$") and RMB is approximately US$1.00 = RMB6.88 (2017: US$1.00 = RMB6.51).

(v) The discounted cash flow analysis on the Oil Production CGU was based on cash flow projection for a period of 13 years up to 2031, being the year of expiry under the fixed contractual term of the Songliao Contract unless extended.

(vi) 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**
2018	(actual) –	(actual) 0.011	18	0.015
2019	–	0.011	20	0.113
2020 to 2031	64	0.510	76	0.686
Total	64	0.532*	114	0.814

* For the current year projection, as compared with previous year projection and having considered the production capacity, approximately 282,000 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:

– Cost effective consideration as the projected crude oil price based on the rate of change in the forecast from the NYMEX WTI dropped;

– 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; and

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

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

Years	Capital expenditure Variables used in current year projection *HK$' million*	 Variables used in previous year projection *HK$' million*
2018	(actual) –	51
2019	–	57
2020 to 2031	197	215
Total	197	323

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$76 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 15.4% (2017: 17.7%). The pre-tax discount rate was used to discount the free cash flows to the Oil Production CGU, by reference to the weighted-average-cost-of-capital derived from the cost of equity and the cost of debt. The cost of equity is calculated using the Capital Assets Pricing Model based on the risk-free rate of 3.31% (2017: 3.9%) per annum (by reference to China sovereignty bond yield), the expected market return (by reference to the internal rate of return of China stock markets), the equity risk premium (being the difference between the expected market return and the risk-free rate), the small company risk premium (by reference to research results of international consulting firms), the relevered beta (by reference to the average unlevered beta and average debt to equity ratio of market comparable companies listed in Hong Kong engaging in similar industries) and the tax rate of 25% (2017: 25%) in China. The cost of debt is calculated using the standard long-term (for loans with a term of over five years lending rate quoted by the People's Bank of China of 4.90% (2017: 4.9%) per annum, after 25% tax (2017: 25%).

The review on the carrying amounts of the Oil Production CGU resulted in total impairment losses of approximately HK$63 million (2017: HK$176 million), which is mainly due to the accumulative decrease in the projected volume of drilling and extraction and decrease in the projected crude oil prices.

Information of oil reserves

Changes in estimated quantities of proved crude oil reserves for the years ended 31 December 2017 and 2018 are indicated as follows:

	Crude oil *(million metric tonnes)*
Reserves as at 1 January 2017	3.648
Changes resulted from: Production	(0.009)
Changes resulted from: Loss of reserves	(0.708)
Reserves as at 31 December 2017	2.931
Changes resulted from: Production	(0.011)
Reserves as at 31 December 2018	2.920

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 (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. Shundong Port has completed the construction and commenced leasing of its terminal and facilities during 2017. Full commercial operation has been achieved in May 2018 and approximately HK$115 million rental income is generated during the year.

Financial Review

Liquidity, financial resources and capital structure

As at 31 December 2018, the Group had total assets of approximately HK$2,217 million (2017: HK$1,993 million), total liabilities of approximately HK$1,287 million (2017: HK$1,622 million), indicating a gearing ratio of 0.58 (2017: 0.81) on the basis of total liabilities over total assets. The current ratio of the Group for the year was 0.70 (2017: 0.12) on basis of current assets over current liabilities.

Loan receivables amounted to approximately HK$72 million represented loans to independent third parties which bear fixed interest rate ranging from 4% to 10% annually. Deposits amounted to approximately RMB100 million (approximately HK$114 million), which is included in prepayments, deposits and other receivables, relating to the deposit paid for the proposed investment in a fintech project in the PRC. Details of which can be referred to the announcement of the Company dated 30 October 2018.

As at 31 December 2018, the Group had bank and other borrowings of approximately HK$235 million and HK$172 million respectively (2017: HK$295 million and HK$160 million respectively). The aggregate bank deposits and cash in hand of the Group were approximately HK$277 million (2017: HK$57 million), represented an increase by approximately 385%, due primarily to the issuance of convertible bonds during the year.

Movement of convertible bonds during the year is as follows:

As at 31 December 2017, the convertible bonds outstanding principal amount of approximately HK$628 million, 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. During the year, full conversion of these convertible bonds to 785,200,000 ordinary shares of the Company has been made.

As at 31 December 2018, the convertible bonds outstanding principal amount of HK$32 million are 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 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, convertible bonds with principal amount of HK$158 million were converted to 999,999,996 ordinary shares of the Company.

On 17 September 2018, the Company completed and issued convertible bonds ("CB9") with the principal amount of HK$200 million and HK$249 million to Giant Crystal Limited and independent third parties respectively, both carrying interest of 3% per annum with right to convert the convertible bonds into ordinary shares of the Company. The conversion price of these convertible bonds is HK$0.255 per share (subject to adjustments) and a maximum number of 784,313,725 and 976,470,588 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full to Giant Crystal Limited and independent third parties respectively. During the year, no CB9 were converted into the ordinary shares of the Company.

Contingent liabilities

As at 31 December 2018, 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$2 million (2017: HK$3 million) and HK$43 million (2017: HK$47 million) respectively as at 31 December 2018.

Charges on assets

As at 31 December 2018, entire investment properties of approximately HK$1,425 million, entire paid up capital of Shundong Port and certain trade receivables of approximately HK$12 million were pledged for the Group's bank and other borrowings and finance lease liabilities.

As at 31 December 2017, entire investment properties of approximately HK$1,500 million and bank deposits of approximately HK$51 million were pledged for the Group's bills payables, bank borrowings 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 2018, the Group employed 132 full-time employees (2017: 149). 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 2018 (2017: Nil).

Future Plan and Prospects

Oil business

In 2019, since the international crude oil price is highly sensitive to the economic condition and market sentiment, the trade war between China and the United States of America loomed in early 2018 and getting fierce since late 2018, resulting a negative expectation on the economy as well as worsening the oil price. Even though China's GDP hit RMB90 trillion for the first time, the growth rate slowing down to 6.6%. Given that China is one of the key consumers of the global oil, a downturn of the economy could hamper its demand for crude oil, which may causes oil price to fall. Despite the complicated operation environment, the Group will continue to improve extraction techniques as well as adopt a stringent standard on its internal control to enhance production efficiency.

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 2019 would be approximately 11,000 metric tonnes (equivalent to 80,300 barrels of oil).

In the meantime, the Group had also explored the possibility of disposing the oil business so as to focus on other businesses with brighter prospect. During the year, the Company has entered into a non-legally binding memorandum of understanding with a third party purchaser in relation to the proposed disposal of, either entirely or partially, the oil production business. No formal agreement has been signed as at the date of this announcement.

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 in late September 2017 and the terminal had commenced operation partially in late September 2017 and fully in May 2018.

On 24 October 2016, Shundong Port entered into a lease agreement (the "Lease Agreement") to lease the port and storage facilities of Shundong Port (the "Port and Storage Facilities") to an independent third party (the "Lessee"). The rent payable by the Lessee to Shundong Port for the Port and Storage Facilities under the Lease Agreement before value-added tax is RMB125 million (approximately HK$145 million) per annum, which shall be payable in twelve equal instalments on monthly basis in advance. The Lease Agreement became effective in May 2018. Details of the Lease Agreement can be referred to the circular of the Company dated 17 February 2017.

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.

Insurance brokerage business

Following the completion of the acquisition of an insurance brokerage entity (as detailed in the Company's announcement dated 7 May 2018), the Group creates an independent business segment in August 2018. The Board believes that the Group can benefit from the diversification of its operations into this industry and through better deployment of available resources, can bring values to the Group and the shareholders of the Company (the "Shareholders") as a whole.

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 2018 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 2018 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 PRACTICES

The Company and the Board have applied the principles in the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules by adopting the code provisions of the CG Code.

During the year, the Board has adopted and complied with the code provisions of the CG Code in so far they are applicable with the exception of the deviation from 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 CEO is vacated, the Company is still looking for a suitable candidate to fill the vacancy of the CEO.

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.

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 annual general meeting and the extraordinary general meeting of the Company held on 11 June 2018 and 17 August 2018 respectively due to his other prior engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each director 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 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://website.energyintinv.wisdomir.com). The annual report of the Company for 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

APPRECIATION

I take this opportunity to express our gratitude to the Shareholders 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, 28 March 2019

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. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan.