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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors (the "**Board**") of Energy International Investments Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 June 2011. The unaudited condensed consolidated interim financial statements were not audited but have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		(Unaudited)	
		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Continuing operations:			
Revenue	*4*	**101,981**	–
Cost of sales		**(79,695)**	–
Gross profit		**22,286**	–
Other income	*4*	**3,213**	51
Selling and distribution expenses		**(968)**	–
Administrative expenses		**(15,018)**	(9,640)
Other operating expenses		**(18,491)**	–
Finance costs	*6*	**(5,402)**	(1,028)
Loss before income tax	*7*	**(14,380)**	(10,617)
Income tax credit	*8*	**1,037**	–
Loss after income tax from continuing operations		**(13,343)**	(10,617)
Discontinued operations:			
Loss for the period	*10*	**–**	(348,966)
Loss for the period		**(13,343)**	(359,583)

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	(Unaudited) Six months ended 30 June 2011 HK$'000	2010 HK$'000
Loss for the period attributable to:			
Owners of the Company			
– from continuing operations		**(9,999)**	(10,617)
– from discontinued operations		**–**	(348,966)
		(9,999)	(359,583)
Non-controlling interests			
– from continuing operations		**(3,344)**	–
– from discontinued operations		**–**	–
		(3,344)	–
Loss for the period		**(13,343)**	(359,583)
Loss per share for loss attributable to the owners of the Company during the period	*11*		
– Basic *(HK cents)*			
From continuing and discontinued operations		**(0.07)**	(4.88)
From continuing operations		**(0.07)**	(0.14)
From discontinued operations		**–**	(4.74)
– Diluted *(HK cents)*			
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A
From discontinued operations		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		(Unaudited) Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Loss for the period		**(13,343)**	(359,583)
Other comprehensive income for the period			
Exchange gain on translation of financial statements of foreign operations		**3,157**	–
Release of exchange reserve upon de-consolidating subsidiaries	*14*	**–**	(972)
Other comprehensive income for the period		**3,157**	(972)
Total comprehensive income for the period		**(10,186)**	(360,555)
Total comprehensive income attributable to:			
Owners of the Company		**(7,918)**	(360,555)
Non-controlling interests		**(2,268)**	–
		(10,186)	(360,555)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	(Unaudited) 30 June 2011 HK$'000	(Audited) 31 December 2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**508,377**	510,460
Prepaid land lease payments		**29,472**	29,569
Goodwill		**274,302**	274,302
Intangible assets		**2,111,912**	2,127,962
Deferred tax assets		**10,284**	13,064
		2,934,347	2,955,357
Current assets			
Indemnification assets		**5,000**	5,000
Inventories		**1,566**	4,800
Trade receivables	*12*	**16,174**	16,617
Prepayments, deposits and other receivables		**38,586**	40,614
Amount due from non-controlling shareholder		**–**	6,080
Pledged bank deposits		**952**	945
Cash at banks and in hand		**118,558**	146,135
Tax prepaid		**34**	34
		180,870	220,225
Current liabilities			
Trade payables	*13*	**14,536**	18,851
Other payables and accruals		**116,088**	124,687
Amount due to non-controlling shareholder		**4,165**	11,570
Provision for legal claim		**5,000**	5,000
Bank borrowings		**21,301**	21,133
Other borrowings		**8,092**	8,394
Tax payables		**3**	–
		169,185	189,635
Net current assets		**11,685**	30,590
Total assets less current liabilities		**2,946,032**	2,985,947
Non-current liabilities			
Bank borrowings		**–**	11,806
Other borrowings		**78,909**	87,010
Amount due to non-controlling shareholder		**9,520**	–
Promissory notes		**27,510**	43,865
Convertible bonds		**21,327**	20,292
Deferred tax liabilities		**526,685**	530,707
		663,951	693,680
Net assets		**2,282,081**	2,292,267

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	(Unaudited) 30 June 2011 HK$'000	(Audited) 31 December 2010 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**134,626**	134,626
Reserves		**2,007,391**	2,015,309
		2,142,017	2,149,935
Non-controlling interests		**140,064**	142,332
Total equity		**2,282,081**	2,292,267

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (together referred to as the "Group") include:

– the trading of carpets representing the trading of carpets of other renowned brand names;

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

– the oil production representing the business of oil production.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

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

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

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

Disputes with Ms Leung

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

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

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

The interim injunction order was subsequently discharged on 30 March 2010. Details of the interim injunction order have been set out in the 2009 annual financial statements of the Company dated 14 May 2010 ("2009 Annual Financial Statements").

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

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

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

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

As soon as the Company had discovered the loss of QHFSMI's exploration licence, the Company sought advice from its legal advisers. Given the discovery of the loss of significant assets of QHFSMI, the board of directors is no longer in the position of maintaining controls over QHFSMI and IMFSMI by the Group. As a consequence, the directors of the Company consider that the Group no longer has the power to exercise its right as the shareholder and thus has lost its control over the assets and operations and is unable to exercise control over the financial and operating policy decisions of QHFSMI and IMFSMI. Accordingly, the directors of the Company consider that it is inappropriate to consolidate the financial statements of QHFSMI and IMFSMI into the Group and these two wholly-owned subsidiaries are de-consolidated and classified as discontinued operations in the six months period ended 30 June 2010.

(ii) Financial impact on de-consolidating QHFSMI and IMFSMI

The directors of the Company consider that the Group had lost its control to govern the financial and operating policies of QHFSMI and IMFSMI with effect from 1 January 2010 and unable to obtain the financial information of QHFSMI and IMFSMI thereafter. Accordingly, in the consolidated financial statements for the six months period ended 30 June 2010, the financial information of QHFSMI and IMFSMI was de-consolidated with effect from 1 January 2010, and the loss arising from loss of controls over QHFSMI and IMFSMI amounting to approximately HK$348,966,000 was recognised based on the latest available financial information of QHFSMI and IMFSMI as at 31 December 2009.

(iii) Further action

The Company has engaged PRC lawyer to take legal action to claim for recovery of the exploration licence right in Inner Mongolia in PRC and may consider to report the matter to relevant government authority for investigation.

3. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 with addition for the following amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which have become effective.

HKFRS 1 (Amendments)	Improvements of HKFRSs issued in 2010
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK Interpretation 4 Amendment	Amendment of HK Interpretation 4 Leases – Determination of the Length of the Lease Term in respect of Hong Kong Land Leases

The adoption of the new and revised HKFRSs had no material impact on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting period.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [1]
HKFRS 9	Financial Instruments [2]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [3]
HKAS 19 (Revised 2011)	Employee Benefits [2]
HKAS 27 (Revised 2011)	Separate Financial Statements [2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [2]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 January 2012*
[4] *Effective for annual periods beginning on or after 1 July 2012*

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in change in the future as to how the results and financial position are prepared and presented.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents net invoiced value of sales of oil and supply of electricity and heat attributable to the interests of the Group.

An analysis of the Group's revenue and other income are as follows:

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sale of oil	**51,932**	–
Supply of electricity and heat	**50,049**	–
	101,981	–
Other income		
Bank interest income	**144**	51
Sundry income	**148**	–
Gain on disposals of property, plant and equipment	**182**	–
Exchange gains, net	**886**	–
Government grants	**1,853**	–
	3,213	51

5. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the chief operating decision maker (i.e. the Board of Directors) 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 the chief operating decision maker are determined following the Group's major product and service lines. The Group has identified the following reportable segments.

(a) the Trading of Carpets segment represents the trading of carpets of other renowned brand names;

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

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

There was no inter-segment sale and transfer during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

	Trading of Carpets (Unaudited) Six months ended 30 June		**Supply of Electricity and Heat (Unaudited) Six months ended 30 June**		**Oil Production (Unaudited) Six months ended 30 June**		**Total (Unaudited) Six months ended 30 June**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue: From external customers	**–**	–	**50,049**	–	**51,932**	–	**101,981**	–
Reportable segment (loss)/profit	**(1,045)**	(981)	**(7,799)**	–	**7,934**	–	**(910)**	(981)
Bank interest income	**–**	19	**91**	–	**51**	–	**142**	19
Depreciation	**3**	–	**13,602**	–	**7,040**	–	**20,645**	–
Amortisation of prepaid land lease payments	**–**	–	**328**	–	**–**	–	**328**	–
Amortisation of intangible assets	**–**	–	**8,092**	–	**8,016**	–	**16,108**	–
Gain on disposals of property, plant and equipment	**–**	–	**182**	–	**–**	–	**182**	–
Reportable segment assets	**326**	429	**759,173**	–	**2,349,619**	–	**3,109,118**	429
Additions to non-current segment assets during the period	**–**	–	**36**	–	**14,538**	–	**14,574**	–
Reportable segment liabilities	**5**	3	**134,712**	–	**613,095**	–	**747,812**	3

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

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Reportable segment loss	**(910)**	(981)
Finance costs	**(5,402)**	(1,028)
Other unallocated income	**2**	51
Other unallocated expenses	**(8,070)**	(8,659)
Loss before income tax	**(14,380)**	(10,617)
Discontinued operations:		
Loss on de-consolidating subsidiaries	**–**	(348,966)

	(Unaudited)	(Audited)
	30 June	31 December
	2011	2010
	HK$'000	*HK$'000*
Reportable segment assets	**3,109,118**	3,157,525
Property, plant and equipment	**368**	418
Cash at banks and in hand	**5,033**	16,366
Other corporate assets	**698**	1,273
Group assets	**3,115,217**	3,175,582
Reportable segment liabilities	**747,812**	779,885
Convertible bonds	**21,327**	20,292
Promissory notes	**27,510**	43,865
Other corporate liabilities	**36,487**	39,273
Group liabilities	**833,136**	883,315

6. FINANCE COSTS

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank and other borrowing due within five years	**3,105**	–
Imputed interest on promissory notes	**1,262**	–
Imputed interest on convertible bonds	**1,035**	1,028
	5,402	1,028

7. LOSS BEFORE INCOME TAX

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

	(Unaudited) Continuing operations Six months ended 30 June		(Unaudited) Discontinued operations Six months ended 30 June		(Unaudited) Consolidated Six months ended 30 June	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Charging:						
Cost of inventories recognised as expense	**19,434**	–	**–**	–	**19,434**	–
Depreciation*	**20,698**	63	**–**	–	**20,698**	63
Amortisation of prepaid land lease payments	**328**	–	**–**	–	**328**	–
Amortisation of intangible assets**	**16,108**	–	**–**	–	**16,108**	–
Operating lease charges on land and buildings	**1,896**	–	**–**	–	**1,896**	–
Outgoings in respect of leasing properties	**248**	–	**–**	–	**248**	–
Staff costs, including directors' emoluments	**11,707**	2,479	**–**	–	**11,707**	2,479
Loss on early redemption of promissory notes**	**2,383**	–	**–**	–	**2,383**	–

* *Depreciation expenses of approximately HK$18,561,000 (six months ended 30 June 2010: Nil) and approximately HK$2,137,000 (six months ended 30 June 2010: HK$63,000) were included in cost of sales and administrative expenses respectively.*

** *These items included in "Other operating expenses" on the face of the condensed consolidated income statement.*

8. INCOME TAX CREDIT

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

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax – the PRC	**80**	–
Deferred tax – the PRC	**(1,117)**	–
Income tax credit	**(1,037)**	–

Income tax of subsidiaries of the Company in the PRC, is subject to PRC enterprise income tax at the tax rate of 25% for the six months ended 30 June 2011.

9. DIVIDEND

The Board do not recommend any payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

10. DISCONTINUED OPERATIONS

As mentioned in note 2, exploration of mine business was presented as discontinued operations in accordance with HKFRS 5 during the six months ended 30 June 2010.

An analysis of the results of the discontinued operations included in the condensed consolidated income statement was as follows:

	(Unaudited) Six months ended 30 June 2010 Exploration of mine business *HK$'000*
Revenue	–
Other income	–
Expenses	–
	–
Income tax expense	–
Loss on de-consolidating subsidiaries *(note 14)*	(348,966)
Loss for the period from discontinued operations	(348,966)

11. LOSS PER SHARE

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

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to the owners of the Company from continuing operations for the purpose of basic loss per share	**9,999**	10,617
Loss for the period attributable to the owners of the Company from discontinued operations for the purpose of basic loss per share	**–**	348,966
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	**9,999**	359,583

	(Unaudited) Six months ended 30 June	
	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**13,462,586**	7,364,077

No diluted loss per share for the six months ended 30 June 2011 and 2010 was presented as the potential ordinary shares on convertible bonds were anti-dilutive.

12. TRADE RECEIVABLES

The Group normally allows trading credit terms ranging from 30 to 120 days to its established customers. Each customer has a maximum credit limit. Trade debtors with balances aged over 120 days are required to settle all outstanding balances before any further credit is granted. In view of this, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	(Unaudited) 30 June 2011 ***HK$'000***	(Audited) 31 December 2010 *HK$'000*
1 – 90 days	**16,174**	16,158
121 – 365 days	**–**	459
	16,174	16,617

At 30 June 2011 and 31 December 2010, there were no trade receivables that were individually determined to be impaired. The Group did not hold any collateral over these balances.

13. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

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

	(Unaudited) 30 June 2011 ***HK$'000***	(Audited) 31 December 2010 *HK$'000*
1 – 90 days	**7,627**	12,679
91 – 120 days	**866**	3,324
121 – 365 days	**1,204**	626
Over 1 year	**4,839**	2,222
	14,536	18,851

14. DE-CONSOLIDATING SUBSIDIARIES

As described in notes 2 and 10, the Board of the Company considered that the Group no longer has the power to exercise its rights as the shareholder and thus has lost control over the assets and operations and is unable to exercise control over the financial and operating policy decisions of QHFSMI and IMFSMI. As a consequence, the Group has been unable to obtain the financial information of QHFSMI and IMFSMI since 1 January 2010. The directors of the Company consider that the Group had lost its control to govern the financial and operating policies of QHFSMI and IMFSMI with effect from 1 January 2010. Accordingly, the financial statements of QHFSMI and IMFSMI was de-consolidated with effect from 1 January 2010, and the loss arising from loss of controls over QHFSMI's and IMFSMI's assets amounting to HK$348,966,000 was recognised based on the latest available financial information of QHFSMI and IMFSMI as at 31 December 2009.

Details of net assets attributable to QHFSMI and IMFSMI as at 1 January 2010 are set out below:

	HK$'000
Net assets de-consolidated of:	
Property, plant and equipment	3,578
Exploration and evaluation assets	38,562
Prepayments, deposits and other receivables	71
Cash and cash equivalents	75
Deposits received, other payables and accruals	(19,980)
	22,306
Goodwill	327,632
	349,938
Release of exchange reserve on de-consolidating subsidiaries	(972)
Loss on de-consolidating subsidiaries *(note 10)*	348,966

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2011 (the "**Period**"), the Group's revenue was approximately HK$102 million (six months ended 30 June 2010: Nil). The Group's revenue is mainly contributed from the supply of electricity and heat segment and oil production segment, which are newly acquired during the second half of year 2010.

The loss for the period ended 30 June 2011 was approximately HK$13 million (six months ended 30 June 2010: HK$360 million). The loss of the Group was substantially decreased by approximately HK$347 million as compared to the corresponding period of last year due to the absence of the loss of de-consolidating subsidiaries in discontinued operations of approximately HK$349 million. However, the Group recorded a loss for the six months ended 30 June 2011 as compared to a profit for the year ended 31 December 2010. The substantial decrease in the profit of the Group was mainly attributable to the absence of the gain from the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost amounted to approximately HK$606 million which were recorded in the last year ended 31 December 2010.

Carpet trading business

The market environment of carpet trading continued to be extremely competitive. During the Period, no revenue (six months ended 30 June 2010: Nil) is recorded by the Group and incurred a loss of approximately HK$1 million (six months ended 30 June 2010: HK$1 million) in carpets trading business.

Electricity and heat business

The electricity and heat business generated revenue of approximately HK$50 million for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil). It recorded a loss of approximately HK$8 million (six months ended 30 June 2010: Nil) because of the rising material prices, the increase of depreciation expenses related to additional plant, machinery and equipment purchased in late 2010 and the amortisation of intangible assets. In June 2011, the National Development and Reform Commission issued a notice regarding "Proper Adjustment of Electricity Tariff" (the "**Notice**"). According to the Notice, the PRC government has decided to adjust on-grid tariff by regions in order to compensate a portion of increased costs of coal-fired power generation enterprises as a result of the rising coal prices, and to ensure normal and reasonable power supply. Pursuant to the Notice, Shanxi Provincial Price Control Bureau announced an adjustment of electricity tariff in Shanxi Province and accordingly Shanxi Zhong Kai Group Lingshi Heat and Power Company Limited ("**Shanxi Zhong Kai Lingshi** ") increased its selling price. As a result, the overall average selling price of electricity should be increased in the second half of the year.

Shanxi Zhong Kai Lingshi is conducting a detailed analysis on cost and return of its heat generation for the coming winter season. It strives to renew the heat supply agreement with its major customer in order to secure a commercially viable return and maximize the benefits of the heat supply business.

We anticipate that high and volatile coal prices will continue to bring challenge to our operation in the second half of 2011. To mitigate this impact, the electricity and heat business will continue to implement control measures in order to improve overall efficiency and financial performance.

Oil business

In 2011, the global economy continues to show signs of volatility as concerns over the sovereign debt crisis in Europe, linger and a spate of mixed economic data points to slowing recovery in the United States. Despite of numerous uncertainties including the fluctuations of United States dollars and regional political uncertainties especially in Northern Africa and speculative activities, the PRC's economy is expected to maintain a rapid growth and demand in crude oil and refined products markets is expected to rise accordingly.

The results of operations and costs incurred in oil business are detailed below. The management expects that the oil business will continue to generate revenue and contribute profit to the Group in the second half of 2011.

(a) Results of operations

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Net sales to customers	**51,932**	–
Other income	**937**	–
Operating expenses	**(18,514)**	–
Depreciation	**(15,056)**	–
Special petroleum revenue tax	**(11,365)**	–
Result of operations before income tax expenses	**7,934**	–

(b) Costs incurred in oil exploration and development

	(Unaudited) Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Exploration costs	**–**	–
Development costs	**13,038**	–
Total costs incurred	**13,038**	–

In the coming year, the Group will continue with a high level of exploration and production activities, aiming to increase its production capacity and reserves. The Group will continue to place great emphasis on its scientific and geological researches, increase efforts to make breakthroughs on key techniques, strengthen the meticulous exploration of mature oil field, actively push forward venture exploration in the oil field.

In the meantime, various measures will be deployed for the maintenance of wells in the oil field, including stabilizing and controlling the production rate of aged wells, and implementing the maintenance project for water injections wells. As the key personnel for the operation of oil business were retained despite the completion of acquisition, the operation of oil business shall continue in a substantially same way.

The Group will drill around 46 more production wells in the second half of 2011. These 46 new wells are expected to contribute to the oil production during the second half of 2011. Taking into accounts the production capacity of other existing wells and facilities, it is estimated that the annual oil production of an oil field of the Lower Cretaceous System Quantou Formation Third Member Yangdachengzi Layer which is situated at Liangjing Block of Songliao Basin at Jilin Province of the PRC in 2011 will be approximately 35,000 metric tonnes (equivalent to 256,000 barrels of oil).

FUTURE PLAN AND PROSPECTS

The management believes that the businesses of electricity and heat and oil production will strengthen the Company and create the value for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the net assets value of the Group is approximately HK$2,282 million (31 December 2010: HK$2,292 million) and the total cash and bank balance is approximately HK$119 million (31 December 2010: HK$146 million). As at 30 June 2011, the Group had total current assets of approximately HK$181 million (31 December 2010: HK$220 million) and total current liabilities of approximately HK$169 million (31 December 2010: HK$189 million).

CURRENT AND GEARING RATIO

As at 30 June 2011, the Group had total assets of approximately HK$3,115 million (31 December 2010: HK$3,176 million), total liabilities of approximately HK$833 million (31 December 2010: HK$883 million), indicating a gearing ratio of 0.27 (31 December 2010: 0.28) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 1.07 (31 December 2010: 1.16).

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases are denominated in Renminbi and United States dollars. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

CHARGES ON ASSETS

As at 30 June 2011, the Group had interest-bearing bank borrowings approximately of HK$21 million (31 December 2010: HK$33 million) and pledged bank deposits of approximately HK$1 million (31 December 2010: HK$1 million).

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

EMPLOYEE INFORMATION

As at 30 June 2011, the Group employed approximately 436 full-time employees (six months ended 30 June 2010: 6). The substantial increase in number of employees is mainly due to the acquisition of heat and electricity business and oil business during the second half of 2010. 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.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company and the Board have applied the principles in the code provisions of the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange by adopting the code provisions of the Code.

During the six months ended 30 June 2011, the Board has adopted and complied with the code provisions of the Code in so far they are applicable with the exception of the deviation from the code provision A.2.1 (i.e. the vacancy of chairman of the Company). Since the position of chairman is vacated, the Company is still looking for a suitable candidate to fill the vacancy of chairman and further announcement will be made by the Company upon fulfillment of this requirement under the Listing Rules.

The code provision E.1.2 stipulates that the chairman of the Board shall attend the annual general meeting of the Company. Due to the vacancy of chairman of the Company, Mr. Law Fei Shing (chief executive officer of the Company) chaired the annual general meeting of the Company held on 16 June 2011. This constitutes a deviation from the code provision E.1.2 of the Code.

The code provision A.4.1 stipulates that the non-executive directors should be appointed for a specific term, subject to re-election.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-law of the Company, and the appointment will be reviewed when they are due for re-election.

The Board will review the management structure of the Group from time to time and will adopt appropriate measures as may be desirable for future development of the operating activities or business of the Group.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. The members of the Audit Committee have reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011 and are of the opinion that such statements comply the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.irasia.com/listco/hk/eih). The interim report of the Company for 2011 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

APPRECIATION

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

By order of the board
Energy International Investments Holdings Limited
Law Fei Shing
Chief Executive Officer and Executive Director

Hong Kong, 29 August 2011

As at the date of this announcement, the executive Directors are Mr. Law Fei Shing (chief executive officer), Mr. Chan Kwok Wing, Mr. Wang Donghai, Ms. Wang Meiyan and Mr. Yang Guangming; and the independent non-executive Directors are Mr. Choi Chi Fai, Mr. Sun Tak Keung and Mr. Wang Jinghua.