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EIH

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 2013

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 2013. The unaudited consolidated interim financial statements were not audited but have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		(Unaudited) Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**159,378**	145,920
Cost of sales		**(135,602)**	(140,522)
Gross profit		**23,776**	5,398
Other income	*4*	**7,782**	39,240
Selling and distribution expenses		**(8,622)**	(4,525)
Administrative expenses		**(15,458)**	(14,913)
Other operating expenses		**(6,962)**	(19,733)
Finance costs	*6*	**(1,848)**	(5,221)
(Loss)/profit before income tax	*7*	**(1,332)**	246
Income tax expense	*8*	**(7,987)**	(3,285)
Loss for the period		**(9,319)**	(3,039)

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		(Unaudited) Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Loss for the period attributable to:			
Owners of the Company		**(5,147)**	(3,170)
Non-controlling interests		**(4,172)**	131
Loss for the period		**(9,319)**	(3,039)
Loss per share for loss attributable to the owners of the Company during the period	*10*		
– Basic *(HK cents)*		**(0.03)**	(0.02)
– Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Loss for the period	**(9,319)**	(3,039)
Other comprehensive income for the period		
Exchange gain/(loss) on translation of financial statements of foreign operations	**12,470**	(3,993)
Other comprehensive income for the period	**12,470**	(3,993)
Total comprehensive income for the period	**3,151**	(7,032)
Total comprehensive income attributable to:		
Owners of the Company	**4,799**	(5,827)
Non-controlling interests	**(1,648)**	(1,205)
	3,151	(7,032)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**594,935**	608,819
Prepaid land lease payments		**29,567**	29,436
Goodwill		**141,243**	141,243
Intangible assets		**1,742,835**	1,749,712
Deferred tax assets		**12,439**	14,133
		2,521,019	2,543,343
Current assets			
Inventories		**1,807**	5,224
Trade receivables	*11*	**51,820**	52,564
Prepayments, deposits and other receivables		**49,945**	45,256
Pledged bank deposits		**1,011**	995
Cash at banks and in hand		**95,627**	70,045
		200,210	174,084
Current liabilities			
Trade payables	*12*	**34,621**	20,479
Other payables and accruals		**122,621**	125,309
Other borrowings		**37,603**	37,514
Convertible bonds		**413**	394
Tax payables		**13,913**	9,992
		209,171	193,688
Net current liabilities		**(8,961)**	(19,604)
Total assets less current liabilities		**2,512,058**	2,523,739
Non-current liabilities			
Amount due to substantial shareholder		**20,000**	–
Amounts due to non-controlling shareholder		**2,804**	4,652
Other borrowings		**85,438**	116,686
Deferred tax liabilities		**434,581**	436,317
		542,823	557,655
Net assets		**1,969,235**	1,966,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	(Unaudited) 30 June 2013 HK$'000	(Audited) 31 December 2012 HK$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**174,685**	174,685
Reserves		**1,640,418**	1,635,619
		1,815,103	1,810,304
Non-controlling interests		**154,132**	155,780
Total equity		**1,969,235**	1,966,084

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

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

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 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 consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (the "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) Going concern basis

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group suffered a loss of HK$9,319,000 (six months ended 30 June 2012: HK$3,039,000) for the period and had net current liabilities of HK$8,961,000 (31 December 2012: HK$19,604,000) as at 30 June 2013. The going concern basis has been adopted on the bases that:

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

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

(c) The directors are negotiating with certain suppliers and lenders of other borrowings to delay the repayment of certain other payables and borrowings, respectively. The directors are confident that the counterparties would agree on the revised repayment timetable so as to ease the short term repayment pressure.

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

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

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

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

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

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

Disputes with Ms Leung

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

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

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

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

Ms Leung's legal status as director and legal representative in the PRC subsidiaries remained unchanged during the 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 Company's circular dated 28 June 2010, the respective members of board of directors and legal representative of QHFSMI and IMFSMI had not yet been officially changed as the procedures of changing and updating the official records at the relevant PRC government authority took longer than expected as Ms Leung, being the then legal representative, was not cooperative and failed to provide the requested documents and corporate seals.

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

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

(iii) De-consolidating QHFSMI and IMFSMI

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

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

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

3. Principal accounting policies

These unaudited consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012. Except as described below, the accounting policies and methods of computation used in the unaudited consolidated interim financial statements are the same as those followed in the preparation of the annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the unaudited consolidated interim financial statements. The adoption of these new and revised HKFRSs has no material impact on the unaudited consolidated interim financial statements.

Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government loans
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine
Amendments to HKFRSs 10, 11 and 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
Annual Improvements Project	Annual improvements 2009-2011 cycle

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents net invoiced value of sale of crude 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	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of crude oil	**87,202**	89,279
Supply of electricity and heat	**72,176**	56,641
	159,378	145,920
Other income		
Bank interest income	**130**	173
Sundry income	**349**	166
Gain on disposals of property, plant and equipment	**–**	26
Exchange gains, net	**1,520**	–
Government grants	**5,783**	38,875
	7,782	39,240

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

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

There was no inter-segment sale and transfer during the six months period ended 30 June 2013 (six months ended 30 June 2012: Nil).

	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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:						
From external customers	**72,176**	56,641	**87,202**	89,279	**159,378**	145,920
Reportable segment (loss)/profit	**(10,429)**	(474)	**11,927**	8,863	**1,498**	8,389
Bank interest income	**78**	131	**52**	42	**130**	173
Depreciation	**13,927**	14,478	**9,399**	9,655	**23,326**	24,133
Amortisation of prepaid land lease payments	**348**	339	**–**	–	**348**	339
Amortisation of intangible assets	**–**	3,343	**6,962**	9,678	**6,962**	13,021
Reportable segment assets	**607,115**	686,253	**2,092,348**	2,409,527	**2,699,463**	3,095,780
Additions to non-current segment assets during the period	**1,323**	704	**5,008**	18,773	**6,331**	19,477
Reportable segment liabilities	**80,540**	91,070	**592,754**	658,040	**673,294**	749,110

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	
	2013	2012
	HK$'000	*HK$'000*
Reportable segment profit	**1,498**	8,389
Finance costs	**(864)**	(3,077)
Elimination of inter-companies' transaction	**1,250**	–
Other unallocated expenses	**(3,216)**	(5,066)
(Loss)/profit before income tax	**(1,332)**	246

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
Reportable segment assets	**2,699,463**	2,714,375
Property, plant and equipment	**171**	223
Cash at banks and in hand	**20,921**	1,415
Other corporate assets	**674**	1,414
Group assets	**2,721,229**	2,717,427
Reportable segment liabilities	**673,294**	692,464
Convertible bonds	**413**	394
Other corporate liabilities	**78,287**	58,485
Group liabilities	**751,994**	751,343

6. FINANCE COSTS

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank and other borrowings due within five years	**1,823**	2,821
Imputed interest on promissory notes	**–**	1,254
Imputed interest on convertible bonds	**18**	1,138
Bank charge	**7**	8
	1,848	5,221

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Cost of inventories recognised as expense	**57,728**	61,792
Depreciation*	**23,379**	24,185
Amortisation of prepaid land lease payments	**348**	339
Amortisation of intangible assets**	**6,962**	13,021
Operating lease charges on land and buildings	**3,255**	1,108
Staff costs, including directors' emoluments	**12,588**	11,905

* *Depreciation expenses of approximately HK$20,834,000 (six months ended 30 June 2012: HK$22,042,000) and approximately HK$2,545,000 (six months ended 30 June 2012: HK$2,143,000) were included in cost of sales and administrative expenses respectively.*

** *This item is included in "Other operating expenses" on the face of the consolidated income statement.*

8. INCOME TAX EXPENSE

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	
	2013	2012
	HK$'000	*HK$'000*
Current tax – the PRC	**3,762**	3,018
Deferred tax – the PRC	**4,225**	267
Income tax expense	**7,987**	3,285

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 2013.

9. DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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:

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	**(5,147)**	(3,170)

	(Unaudited) Six months ended 30 June	
	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**26,690,492**	20,068,665

No diluted loss per share for the six months ended 30 June 2013 and 2012 was presented as the potential ordinary shares on convertible bonds were anti-dilutive.

11. TRADE RECEIVABLES

The Group normally allows trading credit terms ranging from 30 to 90 days to its established customers. Each customer has a maximum credit limit. Trade debtors with balances aged over 90 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 2013	(Audited) 31 December 2012
	HK$'000	*HK$'000*
1 – 90 days	**21,535**	51,912
91 – 120 days	**26,319**	632
121 – 365 days	**3,966**	20
	51,820	52,564

At 30 June 2013 and 31 December 2012, there were no trade receivables that were individually determined to be impaired. The Group did not hold any collateral over these balances.

12. 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 2013 *HK$'000*	(Audited) 31 December 2012 *HK$'000*
1 – 90 days	**8,335**	15,084
91 – 120 days	**2,970**	318
121 – 365 days	**23,316**	2,374
Over 1 year	**–**	2,703
	34,621	20,479

13. SUBSEQUENT EVENT

In July 2013, 2,358,491 new ordinary shares were issued, at the conversion price of HK$0.212 (as adjusted) per share to the bond holders upon the conversion of convertible bonds (Tranche 3 Bonds) issued on 3 July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2013 (the "**Period**"), the Group's revenue was approximately HK$159 million (six months ended 30 June 2012: HK$146 million). The Group's revenue is mainly contributed from the supply of electricity and heat segment and oil production segment.

The loss for the period ended 30 June 2013 was approximately HK$9 million (six months ended 30 June 2012: HK$3 million). The loss of the Group increased by approximately HK$6 million as compared to the corresponding period of last year due to decrease in government grants in the supply of electricity and heat business.

Electricity and heat business

For the six months ended 30 June 2013, Shanxi Zhong Kai Group Lingshi Heat and Power Company Limited ("**Shanxi Zhong Kai Lingshi**"), in which the Company owns a 60% equity interest, generated turnover of approximately HK$72 million (six months ended 30 June 2012: HK$57 million), an increase of approximately 26% as compared to the same period last year. The increase in turnover was mainly due to the increase in selling price of heat since October 2012.

Shanxi Zhong Kai Lingshi recorded a loss of approximately HK$10 million (six months ended 30 June 2012: HK$1 million). The increase in loss was mainly due to the significant decrease in coal subsidy provided by Central Heat Transmit Station of Lingshi County ("**CHTS**"), the local government authority.

In the first half of 2013, Shanxi Zhong Kai Lingshi continued focusing on improving operational efficiency and strengthening its environmental protection facilities.

In the remainder of 2013, we strive to renew the heat supply contract with CHTS for the winter season this year. The management will review our collaboration with the CHTS for the heat supply services to ensure that our heat supply business remains cost effective and commercially sound.

Due to the global economic crisis, the Chinese economy showed signs of slowdown during the first half of 2013. This unfavorable economic climate will create a challenging operating environment for our electricity and heat business. Going forward, we remain cautious about the prevailing uncertain economic condition. The management will continue to take measures to improve productivity in order to mitigate the impact of the unfavorable economic conditions.

Oil business

In the first half of 2013, global economic recovery was slow and the growth rate of China's economy has slowed down. The demand for oil remained depressed. In the face of the complicated and harsh economic environment, the Group focused on the quality and efficiency of its growth and maintained steady production and operations as a whole. The operating results for the period continued to improve as compared with the six months ended 30 June 2012.

According to our original planning, we expect that in 2013 we will be able to drill 60 more production wells and extract approximately 71,000 metric tonnes of oil. However, the drilling and extraction schedule was delayed during the period due to several interruptions and unexpected circumstances. For the six months period ended 30 June 2013, we have extracted 19,339 metric tonnes.

Our technician has spent more time to analyse the data received from existing extraction activities in order to determine if new extraction method should be deployed for new wells. We are still negotiating with technical department of our partner, China National Petroleum Corporation, and other local expertise in this study. We are also now adopting the rolling extraction method rather than mass drilling method to minimize the chance for low efficiency wells. Therefore, the number of new production wells to be drilled should be under 60 for 2013.

Furthermore, the Company has yet to raise sufficient external funding to support the construction of the number of wells as original planned. The directors will continue to look for strategic investors and resources from other financial institutions for necessary funding support for the expansion of production facilities.

The results from operations and costs incurred in oil business are detailed as below. The management expect that the oil business will continue to generate revenue and contribute profit to the Group in the second half of 2013.

Results from operations

	(Unaudited) Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Net sales to customers	**87,202**	89,279
Other income	**1,589**	42
Operating expenses	**(55,478)**	(57,071)
Depreciation	**(9,339)**	(9,655)
Special petroleum revenue tax	**(12,047)**	(13,732)
Results from operations before income tax expense	**11,927**	8,863

In the second half of 2013, the Group will continue exploration and production activities, aiming to increase its production capacity and reserves. On the other hand, the Group will also continue to improve extraction techniques in order to increase the overall efficiency. The Group will continue to place great emphasis on its scientific and geological researches, increase efforts to make breakthroughs on key techniques, strengthen the meticulous exploration of mature oil field, actively push forward venture exploration in oil field.

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.

FUTURE PLAN AND PROSPECTS

The management believes that the businesses of electricity and heat and oil production will strengthen the Company and create value for our shareholders. The management will continue to maximize value from inherent potential of the Group's existing assets.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the net assets value of the Group is approximately HK$1,969 million (31 December 2012: HK$1,966 million) and the total cash and bank balance is approximately HK$96 million (31 December 2012: HK$70 million). As at 30 June 2013, the Group had total current assets of approximately HK$200 million (31 December 2012: HK$174 million) and total current liabilities of approximately HK$209 million (31 December 2012: HK$194 million).

CURRENT AND GEARING RATIO

As at 30 June 2013, the Group had total assets of approximately HK$2,721 million (31 December 2012: HK$2,717 million), total liabilities of approximately HK$752 million (31 December 2012: HK$751 million), indicating a gearing ratio of 0.28 (31 December 2012: 0.28) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 0.96 (31 December 2012: 0.90).

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 2013, the Group did not have interest-bearing bank borrowings (31 December 2012: Nil) and had pledged bank deposits of approximately HK$1 million (31 December 2012: HK$1 million).

FINANCIAL GUARANTEE CONTRACT

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

The Group has sought legal opinion in respect of the breach. The legal advisor opined that the guarantee given to a bank constituted to a potential breach of the Share Purchase Agreement and the directors consider to seek counsel opinion for further advice. As at 30 June 2013, no provision for the Group's obligation under the guarantee contract has been made as the directors of the Company consider that the probability for the repayment of any loan or interest would be in default is remote and the fair value of financial guarantee is estimated as minimal.

LITIGATION

Up to the date of this announcement, the Group has not yet settled other borrowings of approximately HK$38 million as at 30 June 2013, which is repayable on or before 31 January 2013, to Maycrown. In April 2013, Maycrown filed a writ of summons to the High Court of the Hong Kong Special Administrative Region (the "**High Court**") against (i) Precious New Limited, a wholly-owned subsidiary of the Company, for the sum of HK$37,603,424.66 being unpaid balance of the price plus interest payable on 31 January 2013 for the sale and purchase of 100% issued shares in Sunlight Rise Limited under the Share Purchase Agreement in writing dated 5 November 2009 and entered into between the Maycrown, Precious New Limited, the Company and Ho Mee Kuen Karen as supplemented and amended by the supplemental agreements in writing dated 10 August 2010, 31 December 2010 and 25 August 2011 respectively (collectively "**the Agreements**") and for interest on the said sum of HK$37,603,424.66; and (ii) the Company for a specific performance/mandatory injunction that the Company to procure Precious New Limited to perform its obligations and to comply with the terms and conditions under the Agreements to make payment of the said sum of HK$37,603,424.66 payable to the Maycrown; and alternatively, damages.

The Group has sought legal opinion in respect of the writ. In July 2013, Precious New Limited and the Company lodged the defence to the High Court and the legal proceedings will proceeded in due course. In the opinion of the directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group as the liabilities has already been recorded on the consolidated statement of financial position.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

EMPLOYEE INFORMATION

As at 30 June 2013, the Group employed approximately 430 full-time employees (As at 30 June 2012: 390). 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 does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange by adopting the code provisions of the CG Code.

During the six months ended 30 June 2013, 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 and the division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Since the positions of the chairman and CEO are vacated, the Company is still looking for a suitable candidate to fill the vacancy of chairman and CEO. 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.

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

E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting (the "**AGM**"). However, the chairman is vacated. Mr. Chan Wai Cheung Admiral as the independent non-executive director chaired the AGM held on 24 June 2013.

A.6.7 of the CG Code, Mr. Choi Chi Fai and Mr. Wang Jinghua, the independent non-executive directors, were unable to attend the AGM of the Company held on 24 June 2013 as they were out of town for other businesses.

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 set out in Appendix 10 of 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 2013.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the CG 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 2013 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.energyintl.todayir.com/en/index.php). The interim report of the Company for 2013 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
Wang Meiyan
Executive Director

Hong Kong, 29 August 2013

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