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 2018

The Board of Directors (the "**Board**") of Energy International Investments Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Period**"). The unaudited consolidated interim results have not been 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 2018

		(Unaudited) Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*4*	**66,903**	7,895
Cost of sales		**(10,577)**	(7,418)
Gross profit		**56,326**	477
Other income	*4*	**784**	1,414
Selling and distribution expenses		**(4,656)**	(164)
Administrative expenses		**(16,992)**	(14,096)
Other operating expenses		**(4,069)**	(3,887)
Finance costs	*6*	**(40,652)**	–
Loss before income tax	*7*	**(9,259)**	(16,256)
Income tax (expense)/credit	*8*	**(396)**	336
Loss for the period from continuing operations		**(9,655)**	(15,920)
Discontinued operation			
Loss for the period from discontinued operation	*10*	**–**	(9,570)
Loss for the period		**(9,655)**	(25,490)

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2018

	Notes	(Unaudited) Six months ended 30 June **2018** ***HK$'000***	2017 *HK$'000*
(Loss)/profit for the period attributable to:			
Owners of the Company		**(14,714)**	(23,033)
Non-controlling interests		**5,059**	(2,457)
		(9,655)	(25,490)
Loss per share for loss attributable to the owners of the Company	*11*		
Basic and diluted			
– from continuing operations		**(HK cent 0.33)**	(HK cent 0.36)
– from discontinued operation		**N/A**	(HK cent 0.24)
– from continuing and discontinued operations		**(HK cent 0.33)**	(HK cent 0.60)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period	**(9,655)**	(25,490)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (losses)/gains on translation of financial statements of foreign operations	**(7,690)**	23,613
Release of exchange reserve upon disposal of subsidiaries	**–**	(10,888)
Other comprehensive income for the period, net of tax	**(7,690)**	12,725
Total comprehensive income for the period	**(17,345)**	(12,765)
Total comprehensive income attributable to:		
Owners of the Company	**(20,794)**	(15,776)
Non-controlling interests	**3,449**	3,011
	(17,345)	(12,765)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,041**	9,650
Intangible assets		**217,351**	217,769
Investment properties	*12*	**1,482,743**	1,500,000
Deposits and other receivables		**64,081**	66,116
Deferred tax assets		**50,997**	50,384
		1,818,213	1,843,919
Current assets			
Trade receivables	*13*	**11,247**	8,372
Prepayments, deposits and other receivables		**60,034**	68,087
Financial assets at fair value through profit or loss		**12,190**	15,809
Pledged bank deposits		**8,449**	51,360
Cash and bank balances		**42,798**	5,699
		134,718	149,327
Current liabilities			
Bills and other payables and accruals		**416,973**	542,976
Amounts due to non-controlling shareholders		**–**	101,600
Bank borrowings		**131,489**	68,984
Other borrowings		**184,645**	158,956
Finance lease liabilities		**57,298**	146,863
Convertible bonds		**148,522**	195,400
Tax payables		**10,147**	10,325
		949,074	1,225,104
Net current liabilities		**(814,356)**	(1,075,777)
Total assets less current liabilities		**1,003,857**	768,142

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2018

	Notes	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
Non-current liabilities			
Amounts due to a non-controlling shareholder		**212,543**	–
Bank borrowings		**151,040**	225,600
Other borrowings		**23,274**	1,036
Finance lease liabilities		**13,210**	68,994
Deferred tax liabilities		**101,297**	101,772
		501,364	397,402
Net assets		**502,493**	370,740
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**502,712**	304,970
Reserves		**(170,878)**	(101,440)
		331,834	203,530
Non-controlling interests		**170,659**	167,210
Total equity		**502,493**	370,740

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

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

During the Period, the principal activities of the Group include:

– oil production representing the business of oil production; and

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

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**").

These unaudited condensed consolidated interim 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. CHANGES IN ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2017 (the "**2017 FS**"). Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements are the same as those followed in the preparation of the 2017 FS.

In the Period, the Group has applied for the first time the following new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the accounting 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
- Amendments to HKAS 40, Investment Property – Transfers of Investment Property
- HKFRS 9 – Financial Instruments
- HKFRS 15 – Revenue from Contracts with Customer

The adoption of these new standards and amendments has no material impact on these condensed consolidated interim financial statements.

The Group has not early adopted any new and amended HKFRSs, which have been issued but are not yet effective, in these condensed consolidated interim financial statements.

3. BASIS OF PREPARATION

(a) Oil production sharing 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 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 ("**CNPC**"), on 13 August 2007 (the "**Songliao Contract**") from the vendor, Greater China Limited ("**Greater China**"), details of which are set out in note 35 to the 2017 FS. 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 (the "**Directors**") was informed that Mr. A was formally charged by prosecution authorities in the People's Republic of China (the "**PRC**") for illegal crime (the "**Charge**"), possibly involved allegations about improper conduct in obtaining the Songliao Contract.

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

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

In March 2017, the Group obtained the legal opinion from the Company's lawyers in the PRC stating that under the laws prevailing in the PRC, all entities are innocent unless found guilty by the Municipal Court. However, if the Songliao Contract is found to be used to conduct illegal trade by top management, the Songliao Contract can be invalidated through the Supreme People's Court. According to the Contract Laws of the PRC, when a contract becomes invalid or is rescinded, any property obtained under the contract shall be returned. In the circumstances when the return of properties is impossible, compensation shall be made at an estimated price for the loss caused by the defaulted parties. As a party of the Songliao Contract, the Group is entitled to either enter into arbitration or to file civil legal action to rescind or invalidate the Songliao Contract and seek compensation from the defaulted parties.

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 the foreseeable 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). On 10 May 2018, a consent order was granted by the Cayman Court regarding the discontinuation of the litigation and the discharge of the injunction order.

(b) Going concern basis

The condensed consolidated financial statements have been prepared on a going concern basis which notwithstanding that (i) the Group incurred a loss of HK$9,655,000 (six months ended 30 June 2017: HK$25,490,000) during the Period; (ii) as at 30 June 2018, the Group had net current liabilities of HK$814,356,000 (31 December 2017: HK$1,075,777,000); (iii) as at 30 June 2018, included in current liabilities was the total outstanding construction costs of HK$402,271,000 (31 December 2017: HK$484,044,000), that are required to repay within one year after the reporting date, in which amounts of HK$365,017,000 (31 December 2017: HK$403,946,000) and HK$37,254,000 (31 December 2017: HK$80,098,000) are recognised under other payables and other borrowings respectively; and (iv) as at 30 June 2018 included in current liabilities was other borrowings of HK$28,757,000 (31 December 2017: HK$30,054,000) that was overdue for repayments. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharges its liabilities in the normal course of business. The Directors have prepared the condensed consolidated financial statements based on a going concern on the assumptions that:

(i) the Group will settle part of the outstanding construction costs in the coming twelve months after the reporting period. For the remaining balances of total construction costs, the contractors will extend the repayment dates over twelve months after 30 June 2018 based on the view that the Group's Dongying Port project, which accounted for approximately 60% of the Group's outstanding construction costs as at 30 June 2018, has demonstrated (1) higher business viability, due to the listed company background of the Group, the large scale of total asset base of our port project in the amount of HK$1,605 million as at 30 June 2018 and the income stream generated from the lease agreement with the lessee as disclosed in the Company's announcement dated 24 October 2016 and circular dated 17 February 2017; and (2) stronger adaptability amidst tightening policies on construction standard and operational safety, as demonstrated by the obtaining of all requisite licenses and regulatory approvals for operation and the full-scale operation of the project during the Period. Accordingly, the Directors noted that the Group's contractors have shown continuous support to and confidence on the Group and had, overall speaking, maintained good working relationship with us in terms of payment and ongoing project construction. The Directors are of the view that the Group had been managing construction work acceptance and fee payment in line with market practice, with the view to striking a careful balance between different project objectives including responsible work acceptance procedures, treasury management, quality and safety assurance and project timetable and milestones achievement. Given that the Group's key construction contractors had developed a long and stable cooperation and working relationship with the Group and our project and that the construction work had been carrying on throughout the years, it is reasonable for the Directors to believe that the good working relationship with our constructors will continue as usual, especially after the full operation of our Dongying Port project during the Period; and

(ii) new fundings will be obtained from subscription and placing of convertible bonds under specific mandate of which the relevant resolutions have been passed in the extraordinary general meeting of the Company held on 17 August 2018.

After taking into account the above measures, 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 Group will continue as a going concern and consequently have prepared the condensed 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 condensed consolidated financial statements.

(c) 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 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 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, 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

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

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Continuing operations		
Sale of crude oil	**17,836**	7,895
Rental income from investment properties	**49,067**	–
	66,903	7,895
Other income		
Continuing operations		
Bank interest income	**596**	414
Other tax refunds	**–**	904
Exchange gain, net	**161**	–
Sundry income	**27**	96
	784	1,414

5. SEGMENT INFORMATION

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

(a) the Oil Production segment represents the business of oil production;

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

(c) the Supply of Electricity and Heat segment represents the business of generation and supplying of electricity and heat. This segment was discontinued during the correspondence period in 2017.

There was no inter-segment sale and transfer during the Period (six months ended 30 June 2017: Nil).

	Continuing operations				Discontinued operation			
	Oil Production (Unaudited) Six months ended 30 June		Oil and Liquefied Chemical Terminal (Unaudited) Six months ended 30 June		Supply of Electricity and Heat (Unaudited) Six months ended 30 June		Total (Unaudited) Six months ended 30 June	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue:								
From external customers	**17,836**	7,895	**49,067**	–	**–**	–	**66,903**	7,895
Reportable segment profit/(loss)	**3,700**	(5,099)	**36,087**	(2,902)	**–**	(449)	**39,787**	(8,450)
Bank interest income	**2**	3	**593**	411	**–**	–	**595**	414
Depreciation	**(2,457)**	(1,871)	**(410)**	(231)	**–**	–	**(2,867)**	(2,102)
Amortisation of sea area use rights	**–**	–	**–**	(1,151)	**–**	–	**–**	(1,151)
Amortisation of intangible assets	**(326)**	(350)	**–**	–	**–**	–	**(326)**	(350)
Reportable segment assets	**275,735**	481,658	**1,604,897**	1,326,733	**–**	–	**1,880,632**	1,808,391
Additions to non-current segment assets during the Period	**358**	217	**3,511**	236,818	**–**	–	**3,869**	237,035
Reportable segment liabilities	**223,671**	273,226	**1,034,723**	867,427	**–**	–	**1,258,394**	1,140,653

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

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Reportable segment profit/(loss)	**39,787**	(8,450)
Segment loss before income tax from discontinued operation	**–**	449
Finance costs	**(40,652)**	–
Other unallocated income	**1**	12
Other unallocated expenses	**(8,395)**	(8,267)
Consolidated loss before income tax from continuing operations	**(9,259)**	(16,256)

	(Unaudited) 30 June 2018 *HK$'000*	(Audited) 31 December 2017 *HK$'000*
Assets		
Reportable segment assets	**1,880,632**	1,975,728
Property, plant and equipment	**51**	59
Cash and bank balances	**41,914**	575
Other corporate assets	**30,334**	16,884
Group assets	**1,952,931**	1,993,246
Liabilities		
Reportable segment liabilities	**1,258,394**	1,392,787
Convertible bonds	**148,522**	195,400
Other corporate liabilities	**43,522**	34,319
Group liabilities	**1,450,438**	1,622,506

All revenue from external customers are located in the PRC (domicile). Geographical location of customers is based on the location at which the goods are delivered and the contracts are negotiated and entered into 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 the major customers is as follows:

	(Unaudited) Six months ended 30 June	
	2018 *HK$'000*	2017 *HK$'000*
Customer A (derived from the Oil Production segment)	**17,836**	7,895
Customer B (derived from the Oil and Liquefied Chemical Terminal segment)	**49,067**	–
	66,903	7,895

6. FINANCE COSTS

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Imputed interest on convertible bonds	**17,253**	14,846
Interest on bank and other borrowings	**14,573**	7,431
Finance lease charges	**3,985**	7,549
Interest on amounts due to non-controlling shareholders	**4,841**	2,019
	40,652	31,845
Less: Amount capitalised*	**–**	(31,845)
	40,652	–

* *Borrowing costs capitalised during the corresponding period in 2017 arose on the general borrowing pool which are calculated by applying a capitalisation rate of 6.54%, to expenditure on qualifying assets.*

*The construction of the Group's port and storage facilities of the Oil and Liquefied Chemical Terminal segment of the Group (the "**Port and Storage Facilities**") has been completed in September 2017, therefore no finance costs are capitalised for the Period.*

7. LOSS BEFORE INCOME TAX

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

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Depreciation	**2,875**	2,112
Amortisation of sea area use rights*	**–**	1,151
Amortisation of intangible assets*	**326**	350
Direct operating expenses arising from investment properties that generated rental income#	**4,398**	–
Fair value loss on financial assets at fair value through profit or loss*	**3,392**	2,372
Exchange gain, net	**–**	(1,780)
Operating lease charges on land and buildings	**2,125**	3,165
Employee costs, including directors' emoluments	**9,810**	6,037

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

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

Depreciation expenses of approximately HK$1,677,000 (six months ended 30 June 2017: HK$933,000) and approximately HK$1,198,000 (six months ended 30 June 2017: HK$1,179,000) were included in cost of sales and administrative expenses respectively.

8. INCOME TAX EXPENSE/(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	
	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Current tax – the PRC		
– Current year	**3**	2
– PRC withholding tax	**474**	–
Deferred tax – the PRC		
– Current year	**(81)**	(338)
Income tax expense/(credit)	**396**	(336)

Branches of China Era in Beijing and Jilin, the PRC are subject to PRC enterprise income tax at the tax rate of 25% (six months ended 30 June 2017: 25%) for the Period.

9. DIVIDENDS

The Board did not recommend any payment of interim dividends during the Period (six months ended 30 June 2017: Nil).

10. DISCONTINUED OPERATION

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

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

	(Audited) Period from 1 January 2017 to the Disposal Date *HK$'000*
Loss for the period	(449)
Loss on disposal of subsidiaries *(note b)*	(9,121)
	(9,570)
Revenue	–
Cost of sales	–
Gross loss	–
Other income	5
Administrative expenses	(454)
Loss before income tax	(449)
Income tax expense	–
Loss for the period	(449)

(b) Disposal of subsidiaries:

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

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

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

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

11. 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	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share		
– From continuing operations	**(14,714)**	(13,643)
– From discontinued operation	**–**	(9,390)
	(14,714)	(23,033)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,517,706**	3,834,905

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 six months ended 30 June 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 bond outstanding had an anti-dilutive effect on the basic loss per share amount presented.

12. INVESTMENT PROPERTIES

Due to the commencement of the lease of the oil and liquefied chemical terminal, the oil and liquefied chemical terminal under the property, plant and equipment and the sea area use rights transferred to investment properties on 30 September 2017.

During the Period, the additions to investment properties at cost amounted to approximately HK$3,231,000.

As at 30 June 2018, investment properties of approximately HK$1,482,743,000 (31 December 2017: HK$1,500,000,000) have been pledged to secure banking facilities granted to the Group and finance lease liabilities.

13. TRADE RECEIVABLES

The Group normally allows trading credit terms not more than 30 days (31 December 2017: not more than 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 receivables are non-interest bearing.

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

	(Unaudited) **30 June** **2018** ***HK$'000***	(Audited) 31 December 2017 *HK$'000*
1 – 30 days	**10,346**	8,372
31 – 60 days	**901**	–
	11,247	8,372

As at 30 June 2018 and 31 December 2017, there were no trade receivables that were individually determined to be impaired. The Group did not hold any collateral over these balances.

As at 30 June 2018 and 31 December 2017, the entire trade receivables were neither past due nor impaired. These related to customers for whom there were no recent history of default.

14. EVENT AFTER REPORTING DATE

On 14 June 2018, the Company entered into (i) the subscription agreement with Giant Crystal in respect of the issue by the Company of 3% per annum convertible bonds in the principal amount of HK$200,000,000 (the "**GCL CB**") to Giant Crystal under specific mandate; and (ii) the placing agreement with the placing agent in respect of the issue by the Company of 3% per annum convertible bonds in the principal amount of up to HK$500,000,000 (the "**Placing CB**") to not less than six placees under specific mandate. The maturity date of the above convertible bonds is the day falling on the second anniversary of the date of issue of the convertible bonds. The net proceeds expected to be raised from the issue of the GCL CB and the Placing CB are approximately HK$199 million and HK$488 million respectively, if it proceeds to completion on or before the long stop date of 17 September 2018 (being one month after the obtaining of shareholders' approval at the Company's general meeting held on 17 August 2018).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

The Group is principally engaged in the oil production and the leasing of oil and liquefied chemical terminal.

(i) Revenue

For the Period, the Group's record revenue from continuing operations was approximately HK$67 million, representing a significant increase of approximately HK$59 million or over 7 times as compared to the correspondence period in 2017 of approximately HK$8 million. The Group's revenue is contributed from the sales of crude oil of the oil production business and rental income of the oil and liquefied chemical terminal.

(ii) Gross profit

As compared to gross profit made in the correspondence period in 2017 of less than HK$1 million, the Group enhanced the gross profit position during the Period, representing a significant improvement of approximately HK$56 million. The improvement of gross profit is mainly attributable to the increase in average oil price, the result from certain cost saving measures and the commencement of leasing of the Group's oil and liquefied chemical terminal since late September 2017.

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

(iii) Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the Period was approximately HK$15 million (six months ended 30 June 2017: HK$23 million), representing a decrease of approximately HK$8 million or approximately 36%. The improved performance is mainly attributable to (i) a significant increase in the Group's revenue from approximately HK$8 million to approximately HK$67 million, causing the gross profit of the Group increased by approximately HK$56 million; and (ii) the non-recurrence of the loss from discontinued operation and disposal loss of electricity and heat business in the aggregate amount of approximately HK$10 million. The above improvement was partially offset by the increase in finance costs by approximately HK$41 million, due to the completion of construction of the Port and Storage Facilities in September 2017 of which the accounting standard requirement not to capitalise borrowing costs without assets under construction.

Business review

Oil business

Since second half of 2017, the international crude oil price increased gradually. The increase in average oil price during the Period is obvious as compared to the first half of 2017. Besides, the demand in the petroleum market was increasing. During the Period, the Group has extracted approximately 5,653 metric tonnes (six months ended 30 June 2017: 3,263 metric tonnes) of oil.

In the Period, the Group achieved a turnover of approximately HK$18 million (six months ended 30 June 2017: HK$8 million), representing an increase of approximately 126% as compared with the corresponding period in 2017. With the increase in average oil price and efficiency in cost saving measures, as well as increase in sales volume of crude oil in the Period, the Group's oil business turned from loss to profit position. The results from operations and costs incurred in oil business are detailed as below:

	(Unaudited) Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net sales to customers	**17,836**	7,895
Other income	**2**	3
Operating expenses	**(11,674)**	(11,126)
Depreciation	**(2,457)**	(1,871)
Special petroleum revenue tax	**(7)**	–
Profit/(loss) from operations before income tax	**3,700**	(5,099)

Information of oil field and oil reserves

The objective of the Songliao Contract is to develop the petroleum discovery with proved commercial value within the relevant contract area and to produce the petroleum to arrive at the cooperative targets expected by CNPC and China Era. Pursuant to the Songliao Contract, China Era cooperates with CNPC for the development and production of petroleum resources within the relevant contract area.

The production period was commenced in 2011 and will continue for 20 years, which may be extended with the approval of a department or unit authorised by the State Council of the PRC. During the production period, operations and all activities related thereto carried out for petroleum production of any relevant oil field in the relevant contract area, such as extraction, injection, stimulation, treatment, storage, transportation, lifting and abandonment, etc will be carried out.

The annual production of crude oil, after payment for value added tax, royalty, operating costs, investment recovery and costs for additional development projects, shall be allocated to CNPC and China Era in proportion of 51% for CNPC and 49% for China Era.

Changes in estimated quantities of proved crude oil reserves for the Period and the correspondence period in 2017 are indicated as follows:

	Crude oil *(million metric tonnes)*
Reserves as at 1 January 2017	3.648
Changes resulted from production	(0.003)
Reserves as at 30 June 2017	3.645
Reserves as at 1 January 2018	2.931
Changes resulted from production	(0.006)
Reserves as at 30 June 2018	2.925

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

The Group operates its liquid chemical terminal, storage and logistics facilities business through a 51%-owned subsidiary established in the PRC, Shandong Shundong Port Services Company Limited ("**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. In late September 2017, Shundong Port has completed the construction and commenced leasing of its Port and Storage Facilities which generated rental income of approximately HK$49 million during the Period.

Financial Review

Liquidity, financial resources and capital structure

As at 30 June 2018, the Group had total assets of approximately HK$1,953 million (31 December 2017: HK$1,993 million), total liabilities of approximately HK$1,450 million (31 December 2017: HK$1,623 million), indicating a gearing ratio of 0.74 (31 December 2017: 0.81) on the basis of total liabilities over total assets. The current ratio of the Group as at 30 June 2018 was 0.14 (31 December 2017: 0.12) on basis of current assets over current liabilities.

As at 30 June 2018, the Group had bank and other borrowings of approximately HK$283 million and HK$208 million respectively (31 December 2017: HK$295 million and HK$160 million respectively). The aggregate bank deposits and cash in hand of the Group were approximately HK$51 million (31 December 2017: HK$57 million).

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 Period, full conversion of these convertible bonds to 785,200,000 ordinary shares of the Company has been made.

As at 30 June 2018, the convertible bonds outstanding principal amount of HK$98 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 620,253,164 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full. During the Period, convertible bonds with principal amount of HK$92 million were converted to 582,278,479 ordinary shares of the Company.

Contingent liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

Capital and other commitments

The Group had capital commitments contracted but not provided for of approximately HK$1 million (31 December 2017: HK$3 million) as at 30 June 2018. The Group had other commitments contracted but not provided for of approximately HK$46 million (31 December 2017: HK$47 million) as at 30 June 2018.

Charges on assets

As at 30 June 2018, investment properties of approximately HK$1,483 million (31 December 2017: HK$1,500 million) and certain bank deposits of approximately HK$8 million (31 December 2017: HK$51 million) were pledged for the Group's bills payables, bank borrowings and finance leases 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 Period. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Employee information

As at 30 June 2018, the Group employed 150 full-time employees (30 June 2017: 172). 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 dividends

The Board did not recommend the payment of any interim dividends for the Period (six months ended 30 June 2017: Nil).

Future plan and prospects

Oil business

In the second half of 2018, as affected by the global trade frictions, the prospect of world economic recovery is not optimistic, and the economy in the PRC is facing downward pressure. Due to multiple factors, such as increasing pressure on environmental protection and the development of new energy, the supply and demand of oil is expected to remain basically balanced and the oil price is expected to fluctuate up and down. The Group will closely grasp the macro environment and market trend, and determine the drilling schedule and size of capital investment, so as to ensure the maximisation of profitability from the Group's oil business.

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 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 during the Period 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.

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 the second half of 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 as a whole.

Exploration and mining business

As disclosed in the 2017 FS, the Board found out that in 2010, the exploration licence held by QHFSMI had been transferred to Yuen Xian Company without the Company’s knowledge, consent or approval.

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 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.

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 CORPORATE GOVERNANCE CODE

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 Period, 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 Period, all independent non-executive Directors 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, was unable to attend the annual general meeting of the Company held on 11 June 2018 due to his other prior engagements.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") and the Company has made specific enquiry with each Director and each of them confirmed that he had complied with the required standards set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the suggested terms of reference stated under the Code Provision C.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Hoi Yan. The Audit Committee is responsible for review of the Group's accounting principles, practices internal control procedures and financial reporting matters including the review of the interim and final results of the Group prior to recommending to the Board for approval.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors pursuant to Rule 13.51(B)(1) of the Listing Rules are disclosed below:

Mr. Fung Nam Shan, an independent non-executive Director, was appointed as the company secretary and authorised representative of China Investment Development Limited (listed on Main Board, stock code: 204) on 17 August 2018.

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 (website.energyintinv.wisdomir.com). The interim report of the Company for 2018 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites in due course.

APPRECIATION

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

By order of the Board
Energy International Investments Holdings Limited
Lan Yongqiang
Chairman

Hong Kong, 29 August 2018

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