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)

DISCLOSEABLE TRANSACTION
RELATING TO THE DISPOSAL OF SUBSIDIARY

The Board wishes to announce that on 3 June 2019 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares for the total consideration of HK$52,819,000 which was paid upon signing of the Disposal Agreement by way of Promissory Notes.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 3 June 2019 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares for the total consideration of HK$52,819,000 which was paid upon signing of the Disposal Agreement by way of Promissory Notes (as defined below).

The principal terms of the Disposal Agreement are summarised below:

THE DISPOSAL AGREEMENT

Date

3 June 2019 (after trading hours)

Parties

(1) The Vendor (a wholly-owned subsidiary of the Company);

(2) The Purchaser; and

(3) The Target Company.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital in the Target Company.

As at 30 April 2019, the Target Group did not owe the Remaining Group any shareholder's loan, and the Remaining Group owed the Target Group an amount of HK$41,619,000. It is a condition of the Disposal that the Vendor shall apply the Zero-coupon Promissory Note to settle its outstanding sum owed to the Target Group (the "**Drawing from Target Group**") such that following Completion, no liabilities, obligations and indebtedness will be owed by the Target Group to the Remaining Group or vice versa.

Consideration

The total consideration for the sale and purchase of the Sale Shares is HK$52,819,000 which was paid upon signing of the Disposal Agreement by way of two promissory notes (collectively, the "**Promissory Notes**") comprising: (a) the first promissory note with a face value of HK$41,619,000 carrying no interest and maturing on 31 December 2020 (the "**Zero-coupon Promissory Note**"); and (b) the second promissory note with a face value of HK$11,200,000 carrying interest of 8% per annum and maturing on 31 August 2019 (the "**8%-coupon Promissory Note**").

The Consideration was determined through arm's length negotiations between the Purchaser and the Vendor and on a commercial basis with reference to the loss-making situation of the Target Group, the carrying value of the Sale Shares in the Group's financial statements, the amount of the Drawing from Target Group and the high debt level of the Target Group.

The Board intends to apply the proceeds of the Disposal: (a) as to the Zero-coupon Promissory Note, for repaying the Drawing from Target Group as explained above; and (b) as to the 8%-coupon Promissory Note, for partially repaying the Earnest Money owed to the Other Interested Purchaser under the MOU as explained below.

Waiver on exclusivity under MOU

Reference is made to the Company's announcement dated 31 December 2018 regarding the signing of a memorandum of understanding (the "**MOU**") between the Company and another interested purchaser (the "**Other Interested Purchaser**"), who is also an Independent Third Party to the Company, regarding the disposal of the Target Group and the receipt by the Company from the Other Interested Purchaser of a refundable earnest money of HK$29 million (the "**Earnest Money**"), pursuant to which the Company entered into exclusive negotiation with the Other Interested Purchaser for a period of six months until 30 June 2019.

The Company's negotiation with the Purchaser and the signing of the Disposal Agreement were consented in writing by the Other Interested Purchaser. The Company was further notified by the Other Interested Purchaser that if the Disposal Agreement proceeds to Completion prior to the lapse of exclusivity of the MOU on 30 June 2019, the Other Interested Purchaser is minded to give consent to the Completion and to waive the application of the exclusivity clause under the MOU.

Completion

Completion of the Disposal is not subject to any conditions precedent.

It is currently expected that Completion shall take place by 30 June 2019 (or any later date as the Purchaser may extend) (the "**Long Stop Date**"). If the Vendor does not proceed to Completion on or before the Long Stop Date, then unless the Purchaser agrees to extend the Long Stop Date, the Vendor shall be liable to damages for breaches of the Disposal Agreement.

INFORMATION ON THE TARGET GROUP

The Company is an investment holding company and the principal activities of the Company's subsidiaries include oil production, oil and liquefied chemical terminal, storage and logistics facilities, and insurance brokerage services. The Target Company is the holding company of the oil production segment of the Group.

The only revenue-generating company within the Target Group is China Era Energy Power Investment Limited ("**China Era**"), a company incorporated in Hong Kong with limited liability whose principal business activity is investment holding and its sole asset being the participation right under the cooperation contract dated 13 August 2007 (the "**Songliao Contract**") signed by it with a state-owned petroleum corporation (the "**SOE**"). Under the terms of the Songliao Contract, China Era bears all costs required for the evaluation operations and development operations and applies its technology and managerial experience to cooperate with the SOE for the development and production of crude oil in Liangjing Block on Songliao Basin in Jilin, the PRC. The operating costs are borne by the SOE and China Era in the ratio of 51% and 49%, respectively. However, the SOE's portion of operating costs are advanced by China Era and recovered from the production of crude oil. The evaluation costs, development costs and operating costs are to be recovered according to a mechanism of cost recovery oil and investment recovery oil. The remaining oil, after cost recovery, all applicable taxes and royalty that might apply in the PRC, is shared in the proportion of 51% and 49% by the SOE and China Era, respectively. The Songliao Contract will expire in 2031, unless extended.

As at 31 December 2018, the total assets and the net assets of the Target Group amounted to HK$247,006,000 and HK$51,647,000, respectively, and the Remaining Group owed the Target Group in the amount of HK$43,373,000. Set out below is the financial information of the Target Group for the two years ended 31 December 2017 and 2018:

	2018	**2017**
	HK$'000	*HK$'000*
Revenue	37,247	20,192
Loss before tax	59,635	210,906
Loss after tax	49,830	170,214

REASONS FOR THE DISPOSAL

The Target Group has been loss-making due to the generally low price level of crude oil for many years as compared to the oil price level at the time of the Group's acquisition of the Target Group. In recent years, impairment losses were required to be made to the carrying value of the Target Group in the Group's financial statements, mainly due to the decrease in the projected crude oil prices, the accumulative decrease in the projected volume of drilling and extraction, insufficient funding to expand the production, and the tightened environmental concerns near the oil extraction site expressed by the local authority resulting in reductions of the project area and proved oil reserves as disclosed in the Company's announcements dated 2 February 2018 and 17 August 2018.

The Disposal will enable the Group to realise the carrying value of the Sale Shares and to reduce the debt level of the Group. Through the Disposal, the Company no longer needs to commit further capital investment to the Target Group for its general maintenance (including loan repayment, salaries and other operating expenses). After the Disposal, the Group can lower its gearing level, streamline its businesses and focus its management efforts on the port, storage and logistics business which is expected to generate more stable income to the Group and is of higher growth potential and profitability. In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal (including the Consideration) is fair and reasonable, the Disposal is on normal commercial terms and is fair and reasonable, and the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole. No Director has any material interest in the Disposal or is otherwise required by the Listing Rules, the Company's Articles of Association, company law or otherwise to abstain from voting on the resolution approving the Disposal on board level.

Following Completion, the Group will cease to hold any interest in the Target Group. The Target Group, including the Target Company and China Era, will cease to be subsidiaries of the Company and the results of the Target Group will no longer be consolidated into the Group's financial statements after Completion.

The Group is expected to record a gain on disposal in the amount of approximately HK$9.3 million. However, this expected gain on disposal was merely calculated from the excess of the Consideration of approximately HK$52.8 million over the unaudited consolidated net assets of the Target Group of approximately HK$50.6 million as at 30 April 2019, and adjusted by the exchange reserve as at 30 April 2019 to be released upon Completion. The actual gain/loss on the disposal is subject to the finalisation of the completion accounts of the Target Group and further review and adjustments and may be materially different from the above estimation.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors
"Company"	Energy International Investments Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and whose shares are listed on the Main Board of the Stock Exchange with stock code 353

"Completion"	completion of the Disposal pursuant to the Disposal Agreement
"connected person(s)"	having the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Disposal as stipulated in the Disposal Agreement
"Director(s)"	the directors of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser under the Disposal Agreement
"Disposal Agreement"	the sale and purchase agreement dated 3 June 2019 (after trading hours) and entered into between the Vendor, the Purchaser and the Target Company, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Mission Tycoon Group Limited (領亨集團有限公司), a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party
"Remaining Group"	the Group, excluding the Target Group
"Sale Shares"	the entire issued share capital in the Target Company

"Shareholders"	holders of the Shares
"Shares"	shares of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	China International Energy Investments (Hong Kong) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor prior to the entering into of the Disposal Agreement
"Target Group"	collectively, the Target Company and its subsidiaries
"Vendor"	Cheerful Dragon Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent

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

Hong Kong, 3 June 2019

As at the date of this announcement, the executive Directors 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 are Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan.

* *For identification purpose only*