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**ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED**

**能源國際投資控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 353)**

**DISCLOSEABLE TRANSACTION  
RELATING TO THE CAPITAL INCREASE OF  
A SUBSIDIARY CONSTITUTING A DEEMED DISPOSAL**

The Board wishes to announce that on 3 July 2019 (after trading hours), Shundong Port, Mid-Ocean, the JV Partner and the Investor entered into the Capital Increase Agreement, pursuant to which the Investor agreed to subscribe for the New Equity in the capital of Shundong Port for the Consideration of RMB70 million (HK\$80 million).

On completion of the Capital Increase, the equity holding of Mid-Ocean (an indirect wholly-owned subsidiary of the Company) in Shundong Port will decrease from 51% to 46.67%. Mid-Ocean has entered into a Concert Party Agreement with the JV Partner (which owns 49% and 44.83% of the registered and paid-up capital of Shundong Port prior to and after the Capital Increase, respectively), pursuant to which the JV Partner irrevocably undertakes to vote in accordance with Mid-Ocean's decisions at shareholders' meetings of Shundong Port. Through the Concert Party Agreement, the Group will continue to have control over Shundong Port after the Capital Increase. It is expected that Shundong Port shall remain as a subsidiary of the Company and its results shall continue to be consolidated in the Group's financial statements.

The Capital Increase in Shundong Port is regarded as a deemed disposal under Rule 14.29 of the Listing Rules. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase are more than 5% but less than 25%, the deemed disposal pursuant to the Capital Increase 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 July 2019 (after trading hours), Shundong Port, Mid-Ocean, the JV Partner and the Investor entered into the Capital Increase Agreement, pursuant to which the Investor agreed to subscribe for the New Equity in the capital of Shundong Port for the Consideration of RMB70 million (HK\$80 million).

The principal terms of the Capital Increase Agreement are summarised below:

## THE CAPITAL INCREASE AGREEMENT

### Date

3 July 2019 (after trading hours)

### Parties

- (1) Shundong Port;
- (2) Mid-Ocean;
- (3) the JV Partner; and
- (4) the Investor.

Prior to the entering into of the Capital Increase Agreement, the registered and paid-up capital of Shundong Port was owned as to 51% and 49% by Mid-Ocean (an indirect wholly-owned subsidiary of the Company) and 山東順泰港務有限公司 (Shandong Shuntai Port Services Company Limited\*) (the “**JV Partner**”), respectively. On completion of the Capital Increase, the Investor will subscribe for the New Equity for the Consideration of RMB70 million (HK\$80 million) such that the equity holding of Shundong Port (as enlarged by the Capital Increase) will be owned as to 46.67% by Mid-Ocean, 44.83% by the JV Partner and 8.5% by the Investor.

The Investor is a limited liability company established under the laws of the PRC whose scope of business includes construction materials, building materials, office furniture and chemical products. According to the information provided by the Investor, as at the date of this announcement, the entire equity interest of the Investor was owned by Mr. Liu Kai (劉凱). To the best of the Directors’ knowledge, information and belief after making all reasonable enquiries, each of the Investor and its ultimate beneficial owner (i.e. Mr. Liu Kai) is an Independent Third Party.

## **The Capital Increase in settlement of the Pre-existing Loan**

The Investor is a loan creditor of Shundong Port. Pursuant to a loan agreement dated 19 June 2018, Shundong Port obtained a one-year loan from the Investor for the principal amount of RMB70 million (the “**Pre-existing Loan**”) at the interest rate of 9.6% per annum for the purpose of replenishing the working capital requirement of Shundong Port. The Pre-existing Loan was already due for repayment.

Prior to the entering into of the Capital Increase Agreement, the paid-up capital of Shundong Port was RMB204,081,633 (HK\$231,910,947), of which 51% and 49% were owned by Mid-Ocean and the JV Partner, respectively. Under the Capital Increase, the Investor shall apply the full sum of the Pre-existing Loan for the contribution and paying-up of new registered capital of Shundong Port in the amount of RMB18,958,403 (HK\$21,543,640), such that the paid-up capital of Shundong Port will increase to RMB223,040,036 (HK\$253,454,586) upon the completion of the Capital Increase, of which 46.67%, 44.83% and 8.5% shall be owned by Mid-Ocean, the JV Partner and the Investor, respectively.

## **Concert Party Agreement**

Simultaneously with the signing of the Capital Increase Agreement on 3 July 2019 (after trading hours), Mid-Ocean entered into a concert party agreement (the “**Concert Party Agreement**”) with the JV Partner, pursuant to which the JV Partner irrevocably undertakes to vote in accordance with Mid-Ocean’s decisions at shareholders’ meetings of Shundong Port. The Concert Party Agreement provides that Mid-Ocean and the JV Partner shall act together in directing the business operations and activities of Shundong Port and if a consensus cannot be reached, Mid-Ocean shall have the final say in the joint decision of the concerted parties.

Whether before or after the Capital Increase, the constitution of Shundong Port provides that its board of directors shall comprise of three directors, of which Mid-Ocean and the JV Partner shall be entitled to nominate two directors and one director, respectively. Under the terms of the Concert Party Agreement, the JV Partner shall ensure that its nominated-director shall use his best efforts to reach a consensus with the nominated-directors of Mid-Ocean, and that any proposed change by the JV Partner in its director nomination shall be subject to the prior consent of Mid-Ocean.

The JV Partner is a substantial shareholder of Shundong Port, an indirect 51% non-wholly owned subsidiary of the Company, and therefore a connected person of the Company on subsidiary level. As the signing of the Concert Party Agreement does not involve any consideration or monetary sum and is on normal commercial terms or better from the Company’s perspective, under Rule 14A.101 of the Listing Rules, the Concert Party Agreement is fully exempt from all the reporting, announcement, circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Board (including its independent non-executive Directors) has approved the signing of the Concert Party Agreement as it is desirable and beneficial to the Company to retain management control in Shundong Port such that it can manage, operate and develop the business affairs of Shundong Port effectively. The Board (including its independent non-executive Directors) confirmed that the terms of the Concert Party Agreement are fair and reasonable, on normal commercial terms or better from the Company's perspective and in the interests of the Company and its Shareholders as a whole. No Director has any material interest in the transactions contemplated by the Concert Party Agreement or is required by the Listing Rules, the Company's Articles of Association, company law or otherwise to abstain from voting on the resolution approving the Concert Party Agreement on board level.

The JV Partner is a limited liability company established under the laws of the PRC whose scope of business includes port and terminal construction, port operation, investment in terminal, import and export, and chemical products. According to the information provided by the JV Partner, as at the date of this announcement, the entire equity interest of the JV Partner was owned by 東營泰舜石油化工有限公司 (Dongying Taishun Petrochemical Co., Ltd.\*), which was in turn registered in the names of Sun Li (孫利) as to 80% and Liu Kaiqiang (劉凱強) as to 20%. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, save for the JV Partner's shareholding interest in Shundong Port as disclosed above, each of the JV Partner and its ultimate beneficial owners (including Sun Li and Liu Kaiqian) is otherwise independent of and not connected with the Company and its connected persons.

Through the Concert Party Agreement, the Group will continue to have control over Shundong Port after the Capital Increase. It is expected that Shundong Port shall remain as a subsidiary of the Company and its results shall continue to be consolidated in the Group's financial statements.

### **Consideration**

The total Consideration for the Capital Increase is RMB70 million (HK\$80 million), which shall be satisfied by the capitalisation of the Pre-existing Loan owed by Shundong Port to the Investor in the principal amount of RMB70 million (HK\$80 million).

The Consideration was determined through arm's length negotiations between the Investor and Shundong Port and on a commercial basis with reference to the principal amount of the Pre-existing Loan and the net asset value of Shundong Port.

### **Completion**

Pursuant to the terms of the Capital Increase Agreement, Shundong Port shall proceed with the change of industrial and commercial registration procedures and any other filing and registration procedures (including the amended constitutional documents and the supplemental joint venture agreement in relation to Shundong Port) within five business days after its signing. Save for the PRC industrial and commercial registration, the Capital Increase is not subject to any other conditions.

Completion of the Capital Increase Agreement shall be regarded as having taken place on the date of registration of the issue of New Equity in the name of the Investor on public records in the PRC for industrial and commercial registration (or any later date as may be mutually agreed by the parties). Pursuant to the terms of the Capital Increase Agreement, the parties shall use their best endeavours to achieve Completion within three months after its signing.

## INFORMATION ON SHUNDONG PORT

Shundong Port is the flagship company of the Group's oil and liquefied chemical terminal business segment, owning and operating the port, storage and logistics facilities (the "**Port and Storage Facilities**") situate at its site at Dongying Port comprising: (a) a total of six berths for chemical tankers including four 10,000-tonnage berths and two 5,000-tonnage berths; (b) liquid chemical storage facilities in the capacity of not more than 400,000 cubic meters; and (c) ancillary office premises and staff dormitory. On 24 October 2016, Shundong Port entered into a five-year lease agreement (the "**Lease Agreement**") to lease the Port and Storage Facilities to a lessee (the "**Lessee**") who is an Independent Third Party. The annual rental receivable by Shundong Port from the Lessee under the Lease Agreement (before value-added tax) is RMB125 million (HK\$142 million). The terminal of Shundong Port started to operate fully in May 2018.

As at 31 December 2018, the total assets and the net assets of Shundong Port amounted to RMB1,042,524,000 and RMB132,945,000, respectively. Set out below is the financial information of Shundong Port for the two years ended 31 December 2017 and 2018, as extracted from its unaudited financial statements as prepared under generally accepted accounting standards in the PRC:

|                 | <b>2018</b>    | <b>2017</b>    |
|-----------------|----------------|----------------|
|                 | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue         | 85,425         | 20,027         |
| Loss before tax | 51,758         | 7,831          |
| Loss after tax  | 51,758         | 7,831          |

## REASONS FOR THE TRANSACTION

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.

As stated in the Company's final results announcement dated 28 March 2019 and the Company's annual report for the year ended 31 December 2018, (i) as at 31 December 2018, the Group had current assets of HK\$529,038,000 and current liabilities of HK\$757,964,000, giving rise to net current liabilities of HK\$228,926,000; and (ii) as at 31 December 2018, the Group had total liabilities of HK\$1,287,260,000, of which HK\$757,964,000 or 58.88% were current liabilities due within one year.

The Investor is a loan creditor of Shundong Port. Pursuant to a loan agreement dated 19 June 2018, Shundong Port obtained the Pre-existing Loan from the Investor for the principal amount of RMB70 million at the interest rate of 9.6% per annum, which was already due for repayment. The repayment obligations of Shundong Port under the Pre-existing Loan was secured by charges (the "**Equity Charges**") over the 51% and 49% equities in Shundong Port given by Mid-Ocean and the JV Partner, respectively.

Although Shundong Port receives a stable income stream through the leasing of the Port and Storage Facilities, its profitability was partially eroded by the finance costs and the depreciation of assets under generally accepted accounting principles in the PRC. As at 31 December 2018, the total liabilities of Shundong Port amounted to RMB909,579,000, of which RMB676,311,000 were current liabilities due within one year. During the year ended 31 December 2018, Shundong Port incurred losses before and after tax of RMB51,758,000 (HK\$58,816,000).

In an effort to reduce its finance costs and improve its financial performance, Shundong Port has always been searching for opportunities of debt financing with lower interest costs or equity financing (which involves no interest costs). In anticipation of the Pre-existing Loan becoming due and repayable, Shundong Port entered into arm's length negotiation with the Investor since around January 2019 to explore various possibilities including the extension of loan or settlement of the loan by way of equity issue. These negotiations finally led to the signing of the memorandum of understanding dated 30 January 2019 as disclosed in the Company's announcement on the same date, and the signing of the Capital Increase Agreement as disclosed hereunder.

The Board considers that it would be desirable for the Group to be able to repay the Pre-existing Loan through the issue of the New Equity by Shundong Port such that the debt level and gearing ratio of the Group can be reduced and the capital base and financial position of Shundong Port can be strengthened without having to utilise any of its internal cash resources, thereby reserving more internal cash resources of Shundong Port for its daily working capital requirement and future investment and business development. In addition, under the terms of the Capital Increase Agreement, the Equity Charges over Mid-Ocean's 51% equity in Shundong Port will be discharged on Completion.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement (including the Consideration) is fair and reasonable, the Capital Increase is on normal commercial terms and is fair and reasonable, and the entering into of the Capital Increase Agreement is in the interests of the Company and the Shareholders as a whole. No Director has any material interest in the transactions contemplated by the Capital Increase Agreement or is required by the Listing Rules, the Company's Articles of Association, company law or otherwise to abstain from voting on the resolution approving the Capital Increase Agreement on board level.

The Group is expected to record a gain on deemed disposal in the amount of approximately HK\$19 million, as calculated by the expected increase in net asset value of Shundong Port shared by Mid-Ocean after and before Completion. Since Shundong Port will remain as a subsidiary of Mid-Ocean through the Concert Party Agreement with its results continuing to be consolidated in the Group's financial statements, the expected gain on the deemed disposal will be accounted for as an equity transaction and will be recognised as a movement in the reserves of the Group. The actual gain/loss on the deemed disposal is subject to the finalisation of the completion accounts of Shundong Port and further review and adjustments and may be materially different from the above estimation.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Capital Increase in Shundong Port is regarded as a deemed disposal under Rule 14.29 of the Listing Rules. As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase are more than 5% but less than 25%, the deemed disposal pursuant to the Capital Increase 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  |
| “Capital Increase”           | the capital increase of Shundong Port upon the issue of the New Equity as contemplated under the Capital Increase Agreement   |
| “Capital Increase Agreement” | the capital increase agreement dated 3 July 2019 (after trading hours) and entered into between Shundong Port, Mid-Ocean, the JV Partner and the Investor, pursuant to which the Investor agreed to subscribe for the New Equity in the capital of Shundong Port for the Consideration of RMB70 million |
| “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”                 | the completion of the Capital Increase Agreement  |
| “connected person(s)”        | having the meaning ascribed thereto under the Listing Rules   |
| “Consideration”              | the total consideration for the Capital Increase in the amount of RMB70 million, which shall be satisfied by way of capitalisation of the Pre-existing Loan   |
| “Directors”                  | the directors of the Company  |

|                                |   |
|--------------------------------|---|
| “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  |
| “Investor”                     | 青島天利佳商貿有限公司 (Qingdao Tianlijia Commerce & Trading Co., Ltd.*), a limited liability company established under the laws of the PRC and an Independent Third Party   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mid-Ocean”                    | Mid-Ocean Hong Kong Investment Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company   |
| “New Equity”                   | the new equity subscribed by the Investor and to be issued by Shundong Port upon Completion, representing 8.5% of the registered and paid-up capital of Shundong Port as enlarged by the Capital Increase                   |
| “PRC”                          | the People’s Republic of China  |
| “RMB”                          | Renminbi, the lawful currency of the PRC  |
| “Share(s)”                     | share(s) of HK\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”               | holder(s) of the Shares   |
| “Shundong Port”                | 山東順東港務有限公司 (Shandong Shundong Port Services Company Limited*), a company established in the PRC with limited liability and a 51%-owned subsidiary of Mid-Ocean prior to the entering into of the Capital Increase Agreement |



“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate at HK\$1.00 = RMB0.88 for illustration purposes only.

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

Hong Kong, 3 July 2019

*As at the date of this announcement, the executive Directors are Mr. Lan Yongqiang (Chairman), Mr. Chan Wai Cheung Admiral, 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*