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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**

The Board is pleased to announce that on 22 June 2021, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Acquired Interest for the total cash consideration of RMB82,000,000 (HK\$100,000,000).

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

### **INTRODUCTION**

The Board is pleased to announce that on 22 June 2021, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Acquisition Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Acquired Interest for the total cash consideration of RMB82,000,000 (HK\$100,000,000).

\* For identification purpose only

# THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

## Date

22 June 2021

## Parties

- (i) The Purchaser;
- (ii) The Vendor; and
- (iii) The Target Company.

The Purchaser is an indirect wholly-owned subsidiary of the Company and a company established in the PRC with limited liability, whose scope of business includes investments with own funds and sales of building materials, stones, gypsum stones and mineral products.

The Vendor is a company established in the PRC with limited liability, whose scope of business includes engineering and wholesale and retail of machinery and equipment. According to the information provided by the Vendor, the registered capital of the Vendor is owned as to 95% by Su Xiao (蘇曉) and 5% by Zhang Mengqi (張夢琪). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

## The Target Company

The Target Company is a company established in the PRC with limited liability with a registered capital of RMB403,040,036 (approximately HK\$491,512,000) as at the date of this announcement. The principal business activities of the Target Company are the ownership and operation of the Group's oil and liquefied chemical terminal, storage and logistics facilities (the "**Port and Storage Facilities**") situated at Dongying Port, Shandong Province, the PRC. The Target Company is an indirect non-wholly owned subsidiary of the Company, whether before or after the Acquisition.

Further details regarding the financial information of the Target Company is set out in the section headed "Financial Information of the Target Company" in this announcement.

## **Subject of the Acquisition**

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase, and the Vendor agreed to sell, the Acquired Interest for the total consideration of RMB82,000,000 (HK\$100,000,000) which shall be payable by the Purchaser to the Vendor in cash or by way of bank transfer upon signing of the Acquisition Agreement.

Completion is not subject to any condition precedent and shall be deemed to take place when the official records of the business registration are updated to reflect the change of equity holder. Completion is currently expected to take place within 4 weeks after the signing of the Acquisition Agreement.

## **The Acquired Interest**

The Target Company has been a subsidiary of the Group since December 2015. The Acquired Interest represents RMB40,000,000 or approximately 9.92% of the registered capital of the Target Company, which was originally issued by the Target Company at the price of RMB80,000,000 (the “**Original Issue Price**”) in June 2020. The Original Issue Price was determined by the Target Company at the time of issuance by reference to the profitability and adjusted net asset value of the Target Company and the Fixed Rate Dividend (as defined below). The Original Issue Price represents: (i) a premium of 100% over the registered capital corresponding to the Acquired Interest; and (ii) approximately equivalent to the adjusted net asset value as at 31 December 2019 as enlarged by the Original Issue Price, in each case corresponding to the equity proportion represented by the Acquired Interest of approximately 9.92%.

## **Consideration**

The Consideration for the Acquisition of RMB82,000,000 (HK\$100,000,000) was arrived at after arm’s length negotiations between the Purchaser and the Vendor, taking into account the Original Issue Price, the profitability and adjusted net asset value of the Target Company. The Consideration represents: (i) a premium of 2.5% over the Original Issue Price; (ii) a price-earning ratio of approximately 13.2 times by reference to the unaudited profit after tax of the Target Company for the twelve months ended 31 December 2020; and (iii) a discount of approximately 5.8% to the adjusted net asset value of the Target Company as at 31 December 2020, corresponding to the equity proportion represented by the Acquired Interest of approximately 9.92%. The Consideration is to be funded from the internal financial resources of the Group.

## **Voting right, dividend and return of capital**

Prior to the Completion, the equity holding in the Target Company represented by the Acquired Interest (the “**Relevant Equity**”) carries no voting right in the Target Company, no right to profit-based variable dividend, and no right in the return of capital over the Original Issue Price (“**Return of Surplus Capital**”). Prior to the Completion, subject to the availability and sufficiency of the reserve of accumulated distributable profit, the Relevant Equity carries a fixed dividend (the “**Fixed Rate Dividend**”) payable by the Target Company at the rate of 8% per annum calculated by reference to the Original Issue Price.

Simultaneously with the Completion, all the special features attaching to the Relevant Equity (including the Fixed Rate Dividend) will be removed, such that the Relevant Equity shall rank pari passu with the other ordinary equity in the registered capital of the Target Company in all respects including as regards voting right, dividend and return of capital.

## **Consent by other Equity Holders**

The entering into of the Acquisition Agreement and the completion of the Acquisition were expressly consented to by the other equity holders of the Target Company. Hongtaihe and the Vendor have agreed to continue to be bound by the special features of the equity subscribed by them including the non-voting, Fixed Rate Dividend and no right to Return of Surplus Capital nature of their remaining equity in the Target Company. In addition, Shuntai Port has agreed to continue to follow the Group’s voting direction as agreed under the Concert Party Agreement (as defined below).

## **SHAREHOLDING OF THE TARGET COMPANY BEFORE AND AFTER THE ACQUISITION**

Before the Acquisition, the equity holders of the Target Company include: Mid-Ocean Hong Kong Investment Limited (“**Mid-Ocean**”, a wholly-owned subsidiary of the Company), Shandong Shuntai Port Services Co., Ltd.\* (山東順泰港務有限公司, “**Shuntai Port**”), the Vendor, Qingdao Hongtaihe Construction Works Co., Ltd.\* (青島鴻泰合建設工程有限公司, “**Hongtaihe**”) and Qingdao Tianlijia Commerce Co., Ltd.\* (青島天利佳商貿有限公司, “**Tianlijia**”).

The registered capital and voting rights of the Target Company immediately before and after the Completion of the Acquisition are summarised as follows:

	Before Acquisition			After Acquisition		
	Registered capital (RMB)	Equity proportion (%)	Voting right (%)	Registered capital (RMB)	Equity proportion (%)	Voting right (%)
<b>The Group:</b>						
Mid-Ocean (Note 1)	104,081,633	25.83	46.67	104,081,633	25.83	39.57
Purchaser	–	–	–	40,000,000	9.92	15.20
<b>Sub-total:</b>	<b>104,081,633</b>	<b>25.83</b>	<b>46.67</b>	<b>144,081,633</b>	<b>35.75</b>	<b>54.77</b>
<b>Other shareholders:</b>						
Shuntai Port (Note 1)	100,000,000	24.81	44.83	100,000,000	24.81	38.02
Tianlijia	18,958,403	4.70	8.50	18,958,403	4.70	7.21
Hongtaihe (Note 2)	90,000,000	22.33	–	90,000,000	22.33	–
Vendor (Note 2)	90,000,000	22.33	–	50,000,000	12.41	–
<b>Total:</b>	<b>403,040,036</b>	<b>100.00</b>	<b>100.00</b>	<b>403,040,036</b>	<b>100.00</b>	<b>100.00</b>

Notes:

- In 2019, Tianlijia subscribed for new equity in the capital of the Target Company (“**Tianlijia Subscription**”), resulting in the decrease of the Group’s equity holding in the Target Company from 51% to approximately 46.67%. At completion of the Tianlijia Subscription on 26 September 2019, Mid-Ocean and Shuntai Port entered into a concert party agreement (the “**Concert Party Agreement**”), pursuant to which Shuntai Port irrevocably undertook to vote in accordance with the Group’s decisions at shareholders’ meetings of the Target Company. Therefore, although the Group owned less than 50% of the equity interests in the Target Company between the Tianlijia Subscription and this Acquisition, the Target Company has always remained as a subsidiary of the Company and its results has always been consolidated in the Group’s financial statements.
- The equity holding in the Target Company held by Mid-Ocean, Shuntai Port, Tianlijia and the Purchaser (subject to Completion) carries normal voting right, profit-based variable dividend and normal right to return of capital. The equity holding in the Target Company held by Hongtaihe and the Vendor (save and except the Relevant Equity which is to be converted to normal equity upon the completion of transfer to the Purchaser) carries no voting right, the Fixed Rate Dividend (instead of the profit-based variable dividend) and no right to the Return of Surplus Capital beyond their respective original issue prices.
- To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Shuntai Port, Tianlijia, Hongtaihe, the Vendor and their respective ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on the unaudited management accounts of the Target Company, (a) the total assets and net assets of the Target Company as at 31 December 2020 were approximately RMB1,444,802,000 (HK\$1,761,954,000) and RMB787,331,000 (HK\$960,160,000), respectively; (b) for the twelve months ended 31 December 2020, the Target Company recorded revenue, net profit before and after tax of approximately RMB137,615,000 (HK\$167,823,000), RMB79,988,000 (HK\$97,546,000) and RMB62,783,000 (HK\$76,565,000), respectively; and (c) for the year ended 31 December 2019, the Target Company recorded revenue, net profit before and after tax of approximately RMB114,418,000 (HK\$139,534,000), RMB46,085,000 (HK\$56,201,000) and RMB25,706,000 (HK\$31,349,000), respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the principal activities of the Company's subsidiaries include oil and liquefied chemical terminal (together with its storage and logistics facilities), trading of oil and liquefied chemical products, and insurance brokerage services.

The Target Company 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. The Target Company has completed the construction and commenced leasing of its Port and Storage Facilities since 2017 (the "**Original Lease**"), with full commercial operation having been achieved in May 2018. Prior to December 2020, the gross rental income generated by the Group's Port and Storage Facilities (including value-added tax) under the Original Lease amounted to RMB125,000,000.

After the full-scale commercial operation of the Group's Port and Storage Facilities for over two and a half years, the Target Company and its management team have acquired expertise, know-how and business connections. As disclosed in the Company's announcement dated 30 December 2020, the Target Company terminated the Original Lease and entered into a new lease with another lessee (the "**New Lease**") with effect from 1 January 2021 and for the remainder of the lease period until 19 May 2023. The terms of the New Lease largely follow the terms of the Original Lease, save and except (among other things) that the gross annual rent (including value-added tax) shall increase from RMB125,000,000 to RMB140,000,000 with effect from 1 January 2021 until 31 March 2022, and shall further increase to RMB150,000,000 with effect from 1 April 2022 until 19 May 2023. The liquidated damages paid for the termination of Original Lease was more than compensated by the rental increase after five months of coming into effect of the New Lease. The rental increase under the New Lease signified the increased bargaining power of the Group in the operations of the Port and Storage Facilities, will benefit the Group in terms of income stream and profit margin, and is economically beneficial to the Group without requiring any capital input or exposure.

The Consideration represents an implied price-earning ratio of approximately 13.2 times by reference to the unaudited profit after tax of the Target Company for the twelve months ended 31 December 2020. With the rental increase contemplated by the New Lease, it is hoped that the rate of investment return will further improve in the forthcoming years. Accordingly, the Directors are of the view that the Acquisition represents a suitable opportunity for the Group to increase its shareholding stake in the Target Company.

The Directors (including the independent non-executive Directors) consider that the entering into of the Acquisition and the terms and conditions of the Acquisition Agreement (including the consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. No Director has any material interest in the Acquisition or is required to abstain from voting on the Board's decision regarding the Acquisition.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules 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:

“Acquired Interest”	RMB40,000,000 or approximately 9.92% of the registered capital of the Target Company proposed to be acquired by the Purchaser from the Vendor under the Acquisition
“Acquisition”	the proposed acquisition of the Acquired Interest by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the equity transfer contract entered into between the Purchaser, the Vendor and the Target Company on 22 June 2021 in relation to the Acquisition
“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 Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the Acquisition in the amount of RMB82,000,000 (HK\$100,000,000)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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”	蘭陵寶新能源投資有限公司 (Nanning Baoxin New Energy Investment Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	山東順東港務有限公司 (Shandong Shundong Port Services Co., Ltd.*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Vendor”	青島和泰達建築工程有限公司 (Qingdao Hetaida Building Works Co., Ltd.*), a company established in the PRC with limited liability
“%”	per cent

*For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 = RMB0.82. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.*

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

Hong Kong, 22 June 2021

*As at the date of this announcement, the executive Directors are Mr. Lan Yongqiang (Chairman), Mr. Wang Feng (Vice Chairman), Mr. Chan Wai Cheung Admiral, Mr. Cao Sheng, Mr. Yu Zhiyong and Dr. Lei Liangzhen; and the independent non-executive Directors are Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan.*

\* For identification purpose only