

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 – RESCISSION OF ACQUISITION BY SETTLEMENT

Reference is made to the announcement of Energy International Investments Holdings Limited (the “**Company**”, which together with its subsidiaries is collectively referred to as the “**Group**”) dated 21 October 2019 (the “**Acquisition Announcement**”) in relation to the Acquisition, and the Company’s announcement dated 17 June 2022 (the “**Update Announcement**”) in relation to the adjustment of the consideration and the commencement of the Litigation. Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Acquisition Announcement and the Update Announcement.

THE SETTLEMENT PROPOSAL

On 24 June 2022, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target Company agreed on the settlement proposal of the Litigation (the “**Settlement Proposal**”) on non-admission of liabilities basis and in full and final settlement of all claims under the proceedings of the Litigation, the principal terms of which (inter alia) include the followings:

- (1) the rescission of the Acquisition Agreement forthwith, and the consideration in the amount of RMB113,500,000 be fully repaid: (a) as to RMB33,500,000 (the “**First Installment Payment**”), within three working days from the date of the Settlement Proposal; and (b) as to the remaining RMB80,000,000 together with interest accruing at the rate of 5.5% per annum (the “**Balance Payment**”), on or before 31 March 2023;
- (2) the waiver and release of the Purchaser absolutely from all and any obligations in respect of the interest on the Promissory Notes, and the refund of any paid interest within three working days from the date of the Settlement Proposal;

* *For identification purpose only*

- (3) the transfer of the Sale Shares by the Purchaser to the Vendor, on as-is basis with only title and free-from-encumbrance warranties, against the making of the First Installment Payment; and
- (4) to secure the Balance Payment, the pledge of the Sale Shares by the Vendor in favour of the Purchaser, which shall only be discharged and released after the making of the Balance Payment in full.

The Settlement Proposal is not subject to any conditions and has taken effect upon the signing by the legal advisers on behalf of the parties to the Litigation.

INFORMATION ON THE VENDOR

The Vendor is a PRC national and merchant. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

INFORMATION ON THE TARGET COMPANY AND THE FINANCIAL INVESTMENT

Based on the information provided by the Vendor, (i) the Target Company is a company incorporated in Samoa and is an investment holding company legally, beneficially and wholly-owned by the Purchaser prior to the entering into of the Settlement Proposal, and its sole asset being its financial investment in 40% shareholding interest in the BVI Holdco (i.e. the Financial Investment); (ii) the BVI Holdco is an investment holding company incorporated in the BVI with limited liability whose sole asset is 100% shareholding and shareholders' loans (if any) of the PRC Holdco; (iii) the PRC Holdco is a company established in the PRC with limited liability whose scope of business includes trading, construction material, machinery and equipment, wholesale, import and export and ancillary services and whose sole asset is 70% equity interest and the proportionate shareholders' loans (if any) in the PRC Opco; and (iv) the PRC Opco is a company established in the PRC with limited liability whose scope of business includes real estate property development and operation, property management, construction and decoration, investment, investment consultancy, hotel management, conference and exhibition services, and sales of construction material and whose sole asset is a real estate property project situated at Tai'an Daiyue District, Tai'an City, Shandong Province, the PRC (the "**Property Project**"). On a look-through basis, the Financial Investment essentially represents a 28% effective interest of the Property Project.

Based on the unaudited PRC management accounts, as at 31 December 2021, the total assets and the net assets of the PRC Opco amounted to approximately RMB2,385,432,000 (HK\$2,793,246,000) and RMB90,996,000 (HK\$106,553,000), respectively. For the year ended 31 December 2020, the PRC Opco recorded revenue and loss of approximately RMB37,126,000 (HK\$43,473,000) and RMB35,777,000 (HK\$41,893,000), respectively. For the year ended 31 December 2021, the PRC Opco recorded revenue and profit of approximately RMB599,003,000 (HK\$701,409,000) and RMB22,407,000 (HK\$26,238,000), respectively.

The Settlement Proposal essentially involves the unwinding of the Acquisition and the restoration to the pre-Acquisition position of the Target Company. For the shareholding structure charts and further details of the Property Project, please refer to the Acquisition Announcement.

REASONS FOR AND BENEFITS OF THE SETTLEMENT PROPOSAL

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) and insurance brokerage services. The Purchaser is a wholly-owned subsidiary of the Company.

After the entering into of the Acquisition Agreement in late 2019, the Property Project experienced construction delay due to the outbreak of COVID-19 pandemic. Without proceeding to completion and pre-sales to the extent and timetable as scheduled, the dividend income expected to be derived by the Group from the Financial Investment (i.e. indirectly from the Property Project) has yet to materialise. From a macroscopic perspective, the PRC property market sentiment has been affected by the slowdown in economic growth in recent years, casting uncertainties on the sustainability of the real estate market growth in China and causing the Group to lower the sales prediction of the Property Project.

For the reasons above, the Directors (including the independent non-executive Directors) came to the view that it was in the best interest of the Company and its shareholders to have the Acquisition set aside and demand a full refund of any consideration paid, through the implementation of the Settlement Proposal, and that its terms are fair and reasonable and on normal commercial terms. No Director has any material interest in the Settlement Proposal or is required to abstain from voting on the Board's decision regarding the Settlement Proposal. Subsequent to the full refund of the consideration as provided under the Settlement Proposal, the setting aside of the Acquisition is not expected to have any material adverse impact to the operations, assets and liabilities of the Group.

The terms of the Settlement Proposal were negotiated by the parties through their legal advisers on arm's length basis, with the objective of restoring the parties to pre-Acquisition positions. The consideration under the Settlement Proposal is the same as the amount paid by the Company for the Acquisition, i.e., the aggregate face value of the Unconditional Promissory Note already redeemed. As compared to the continuation of the Litigation, the Settlement Proposal allows the Group to save its further legal costs and expedite the refund of the paid consideration, thereby enabling the Group to deploy the capital in other business endeavours. As compared to disposing the Financial Investment to other interested purchasers, the Settlement Proposal is expected to save agency fees and professional fees and save the time and uncertainties of due diligence to be performed by interested purchasers on the project.

As explained above, as the consideration under the Settlement Proposal is the same as the aggregate face value of the Unconditional Promissory Note already redeemed, the Company does not currently expect that the Settlement Proposal to result in any significant gain or loss. However, the actual gain or loss on the settlement may be different from the above and will be subject to finalisation of the Company's financial statements, the transaction fees and the review of the Company's auditor when it comes to the time of audit. The Company intends to apply the net proceeds (after deducting related expenses and costs) from the Settlement Proposal for the Group's general working capital.

Upon the receiving of the First Installment Payment, the Purchaser will execute an instrument of transfer to give effect to the transfer of the Sale Shares in favour of the Vendor, whereupon the Target Company will cease to be a subsidiary of the Group and its financial statements will cease to be consolidated in the Group's financial statements.

LISTING RULES IMPLICATIONS

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

For the purpose of this announcement, for the illustration purposes only, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 = RMB0.854. 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
Cao Sheng
Chairman

Hong Kong, 24 June 2022

As at the date of this announcement, the executive Directors are Mr. Cao Sheng (Chairman), Mr. Liu Yong (Chief Executive Officer), Mr. Chan Wai Cheung Admiral, Mr. Lan Yongqiang and Mr. Shi Jun; and the independent non-executive Directors are Mr. Tang Qingbin, Mr. Wang Jinghua and Mr. Fung Nam Shan.