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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)

SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE ACQUISITION IN RELATION TO THE ACQUISITION OF 40% SHAREHOLDING OF THE TARGET COMPANY

Reference is made to the announcement of Energy International Investments Holdings Limited (the “**Company**”) dated 17 June 2024 (the “**Announcement**”) in relation to, among other things, the Acquisition constituting a discloseable transaction for the Company. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide the following supplemental information in relation to the Acquisition:

1. ACQUISITION

Due diligence performed by the Board prior to the entering into of the Acquisition Agreement

Prior to the entering into of the Acquisition Agreement, the Board has performed due diligence review on the Target Group (including the Opco Group), including without limitation the following works:

- (i) The Board has engaged Beijing Yingke Law Firm, Guangzhou Office (北京市盈科(廣州)律師事務所) (the “**PRC Legal Advisers**”), the legal advisers to the Company as to the PRC laws, to perform legal due diligence on the Opco Group covering its corporate information, historical changes, management and governance, assets, material contracts, related party transactions, material account receivables and payables, labour, tax, dispute and foreign investment restrictions. As confirmed by their due diligence report, the PRC Legal Advisers are satisfied

that each member of the Opco Group: (i) was duly established under the laws of the PRC and continued in existence; (ii) has obtained all necessary approvals, licenses and permits to conduct its business operations; and (iii) was free from litigation, arbitration or claim of material importance which may have a material adverse effect on any member of the Opco Group, and that the Structured Contracts are legally enforceable under the PRC laws.

- (ii) The Board has engaged Crowe (HK) CPA Limited (“**Crowe CPA**”), the auditor of the Company, to perform a special audit and issue an audit report (the “**Audit Report**”) on the combined financial statements of the Target Group (the “**Audited FS**”) for the three years ended 31 March 2023 and the eight months ended 30 November 2023 (the “**Reporting Period**”) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. According to the Audit Report which is not modified, the Audited FS gives a true and fair view of the financial position and performance of the Target Group for the Reporting Period.
- (iii) The Group has conducted on-site visit and documents inspection of the Opco Group, including the obtaining and reviewing of, inter alia: (i) business licences for the conducting of business in the PRC; (ii) material contracts having significance on the Opco Group’s business; (iii) sample walk-through documents (including relevant agreements and accounting records); (iv) management accounts of the Opco Group for the Reporting Period; (v) bank statements for the Reporting Period; and (vi) service contracts of key management.
- (iv) The Board has engaged Frost and Sullivan to perform industry research on the PRC’s credit assessment fintech solutions industry to enable the Group to obtain an understanding of the industry in which the Opco Group is engaged. The key findings of the Research Report were already disclosed in the Announcement.
- (v) The Board has engaged the Independent Valuer to conduct the Valuation of the fair value of 28% look-through effective interest in the Opco. The Board has (i) reviewed and discussed with the Independent Valuer the methodology of, and the bases and assumptions adopted for, the Valuation as set out in the Valuation Report; (ii) reviewed the selection criteria of the comparables adopted by the Independent Valuer in the Valuation Report; and (iii) assessed the experience and expertise of the Independent Valuer. Details of the Valuation were set out the paragraph headed “Valuation” in the Announcement. After discussing with the Independent Valuer and reviewing the Valuation Report, the Directors consider that the valuation methodology, selection criteria, and the bases and assumptions for the Valuation as adopted by the Independent Valuer are fair and reasonable. According to the Valuation Report, the fair value of 28% look-through effective interest in the Opco as at 29 February 2024 amounted to approximately RMB219,000,000. The Consideration of RMB200,000,000 represented a discount of approximately 8.7% to the fair value of 28% look-through effective interest in the Opco.

Continuous safeguard mechanisms to protect the Company's interest in the Opco Group via the Target Company

As mentioned in the Announcement, the Wfoe (an indirect wholly-owned subsidiary of the Target Company) has entered into the Structured Contracts with, among others, the existing Registered Shareholders (i.e., Mr. Sun and Mr. Zhan) and the Opco due to the restriction of foreign ownership under the PRC laws. Pursuant to the Structured Contracts, the Target Company has gained effective control over the Opco Group through the Contractual Arrangements, and shall enjoy 70% of the economic benefits generated by the Opco Group. Prior to the entering into of the Acquisition Agreement, the Company has consulted the PRC Legal Advisers about the legality of the Structured Contracts, and was advised that: (a) the Structured Contracts comply with the PRC laws, rules and regulations, including those applicable to the business of the Wfoe and the Opco; (b) the Structured Contracts would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC contract law; and (c) the target business is not one of which foreign investors are specifically disallowed by the relevant laws and regulations in the PRC from using agreements (including through Contractual Arrangements or those under the Structured Contracts) to gain control or operate. Accordingly, the Directors believe that the Structured Contracts conferring significant control and economic benefits from the Opco to the Wfoe are enforceable under the relevant laws and regulations.

Further, the Company entered into a shareholder's agreement (the “**Shareholder's Agreement**”) with the Vendor on 17 June 2024 to govern the affairs of the Target Company, containing provisions conferring certain rights to the Company for so long as it remains a shareholder of the Target Company. In particular, the Shareholder's Agreement conferred on the Company the right to nominate director(s) to each member of the Target Group, provided that the number of board seat shall be not less than one but not more than such number representing the look-through shareholding interest of the Company in that entity. In furtherance of the Shareholder's Agreement, following completion of the Acquisition, the Company has nominated Mr. Cao, an executive Director and the chairman of the Board, to be appointed as a director of the Target Company, the HK Holdco, the Wfoe and the Opco, respectively. The Company is of the view that the nomination of Mr. Cao as a director of the principal members of the Target Group allows the Group to participate in and exert influence on the operation and management of the Target Group, thereby continuously safeguarding the Company's interest in the Opco Group.

Basis of determination of the Guaranteed Profits

As disclosed in the Announcement, the Guaranteed Profits were arrived at after arm's length negotiations between the Company and the Vendor and were determined with reference to (i) the business growth and trend demonstrated by the financial performance of the Opco Group for the three years ended 31 March 2023 and the eleven months ended 29 February 2024; and (ii) the business plan of the Opco, taking into consideration the market position of the Opco and an assessment on the outlook of the PRC's credit assessment fintech solutions market. The Company and the Vendor mutually agreed that the amounts of Guaranteed Profits for the three Profit Measurement Periods and the three-year period of the Profit Guarantees are appropriate in the circumstances, as sufficient time is allowed for the Opco Group to expand its customer base, thereby increasing the revenue and profit of the Target Group gradually.

In respect of the Third Guaranteed Profit, the Company and the Vendor also made reference to the average and median of the P/E multiples of the Comparable Companies selected by the Independent Valuer in the Valuation. The P/E multiples of the Comparable Companies ranged from approximately 2.9 times to approximately 58.4 times, with an average of approximately 24.4 times and a median of approximately 16.8 times. Based on (i) the Consideration of RMB200,000,000 for the acquisition of 28% look-through effective interest in the Opco; and (ii) the Third Guaranteed Profit of RMB60,000,000, the theoretic P/E multiple of the Opco is approximately 11.9 times (i.e. $\text{RMB200,000,000}/28\%/\text{RMB60,000,000}$), which is lower than the average and median of the P/E multiples of the Comparable Companies.

In view of the above, the Board considered that the Guaranteed Profits were arrived at after due and careful consideration, and that the arrangement of the Profit Guarantees is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Performance of the Put Option

During the negotiation with the Vendor regarding the terms of the Acquisition Agreement, the Board has used its best endeavor to include protective clauses with an aim of minimizing the risk of the Group associated with the Acquisition. The Board is of the view that the Profit Guarantee serves as a protection to the Group's interests under the Acquisition by adopting an agreed adjustment mechanism to the Consideration if the Target Group does not perform as satisfactory as expected, while the Put Option provides an extra layer of protection by offering an exit mechanism to the Group if the Actual Profit of the Target Group for FY2026/27 is less than 70% of the Third Guaranteed Profit. The Vendor also agreed to charge the Charged Interest (i.e. the remaining 60% shareholding in the Target Company, as there is presently no shareholder's loan owing by the Target Group to the Vendor) to and in favour of the Company. Based on (a) the fact that the Target Company can enjoy 70% of the economic benefits generated by the Opco Group under the Structured Contracts; and (b) the Valuation of the fair value of 28% look-through effective interest (which is non-controlling in nature) in the

Opco as at 29 February 2024 of approximately RMB219,000,000, the fair value of the Charged Interest (representing a controlling, 42% (i.e., 70% times 60%) look-through effective interest in the Opco Group) as at 29 February 2024 should be not less than RMB400 million, taking into account a control premium of 28.3% being derived at as the median of equity control premium of 420 cases of controlling interest acquisitions or privatizations involving publicly traded and privately held companies worldwide in the twelve-month period between the fourth quarter of 2022 and the third quarter of 2023 based on the FactSet Mergerstat/BVR Control Premium Study (3rd Quarter 2023) published by FactSet Mergerstat, LLC. As the collateral is valued at more than double of the secured obligations (i.e., the consideration paid for by the Group in the Acquisition), the Board considers that the grant of charge over the Charged Interest serves the purpose of collateral of sufficient value to fortify the Vendor's obligations under the Put Option.

In determining the terms of the Acquisition Agreement, the Board has also made reference to the terms of those acquisitions constituting notifiable transactions under the Listing Rules and announced by companies listed on the Stock Exchange (the “**Acquisition Comparable Issuers**”) during the 6-month period immediately prior to the date of the Acquisition Agreement (i.e. 17 June 2024). To the best knowledge of the Board and as far as they are aware of, out of over one hundred acquisitions fallen under this criteria, only two acquisitions provided for “put options” entitling the Acquisition Comparable Issuers or their respective subsidiaries (as purchasers) to sell back the acquired interests to the vendors pursuant to the terms of the acquisition agreements, and none of these two market examples of put options was fortified by collaterals (such as share charges or asset pledges provided by the vendors).

In the circumstances, the Board is of the view that the inclusion of the Put Option (as fortified by the charge of the Charged Interest) in the Acquisition Agreement is the most favorable terms managed to be obtained by the Company after bargaining with the Vendor, and the arrangement of the Put Option (as fortified by the charge over the Charged Interest) can help to reduce the risk of the Group associated with the Acquisition, is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Profit and loss of the Target Group during the Profit Measurement Periods

As mentioned in the Announcement, upon Completion, the Target Company, the HK Holdco and the Wfoe have become associate companies of the Company. The financial results of the Target Company, the HK Holdco, the Wfoe and the Opco Group will be accounted for by the Group using the equity method. Under the equity method, interest in an associate is initially recognized in the Group's consolidated financial statements at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those investees, until the date on which significant influence ceases. When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf

of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable.

For the reasons above, the share of profits or losses of the Target Group appears to be non-cash in nature from the Group's perspective unless (inter alia) the Target Company declares dividends or makes further capital investment (whether by equity subscription or shareholder's loan) to the Target Group. In this regard, it is noted that the Company's maximum exposure as regards its investment in the Target Company is limited to the Consideration already paid as it is not required, whether pursuant to the Acquisition Agreement, the shareholder's agreement or otherwise, to make any capital injection (whether by equity or loan) to the Target Group.

2. LETTER AGREEMENT ON THE PUT OPTION

On 29 August 2024, the Company, the Vendor and the Target Company entered into a letter agreement (the "**Letter Agreement**"), pursuant to which the Put Option was extended such that it is also exercisable by the Company if the aggregate Actual Profit of the Target Group for the three Profit Measurement Periods is less than 70% of the aggregate of the First, Second and Third Guaranteed Profits (i.e., RMB110 million). Save and except for the said extension, all other terms of the Acquisition Agreement and the Put Option remain intact and in full force and effect.

With the mechanisms of the Put Option (as amended by the Letter Agreement), the Company is of the view that further safeguarding is provided to the Company as regards the overall performance of the Target Group during the entire Profit Measurement Periods rather than just FY2026/27. If the Target Group does not overall perform as satisfactory as expected (measurable by 70% achievement), or even to the extent if it becomes loss-making during any one or both of the first two Profit Measurement Periods, the Put Option is potentially triggered after the end of the entire Profit Measurement Periods, unless the shortfall is covered or more than covered by the over-70% achievement in the other Profit Measurement Periods. As the exercise price of the Put Option is equivalent to the aggregate acquisition costs actually paid by the Company for the Acquired Interest (including all interest paid on the Promissory Notes, if any), the Company will be able to fully recoup all sharing of loss of the Target Group and loss allowance for ECL, if any, recorded during the Profit Measurement Periods, no matter whether the Target Group is profit or loss-making so long as the Guaranteed Profits are less than 70% fulfilled. In view of the above, the Directors consider that the interest of the Company has been effectively safeguarded by the implementation of the Profit Guarantee and the Put Option (as amended by the Letter Agreement). The Company will comply with the relevant requirements under the Listing Rules, where applicable, if the Put Option is exercised.

3. VALUATION

Reasonableness of using the unaudited financial figures of the Target Group in the Valuation

According to the Valuation Report, the Valuation of the fair value of 28% equity interest in the Opco as at 29 February 2024 was prepared based on the unaudited management accounts of the Opco Group for the trailing twelve months ended 29 February 2024 (“**TTM Feb 2024**”). The unaudited revenue of the Opco Group for TTM Feb 2024, which was the key factor in the calculation of the Valuation, was approximately RMB297,863,000.

To assess the reliability of the Opco Group’s unaudited revenue for TTM Feb 2024, the Company has conducted due diligence on the Opco Group, including but not limited to:

- (i) conducting interview with the management of the Opco Group to understand (a) the business model, pricing policies and development plan of the Opco Group; and (b) the reporting policies and procedures for the preparation of the unaudited management accounts of the Opco Group for TTM Feb 2024, and the Company understood that the unaudited management accounts of the Opco Group for TTM Feb 2024 was prepared by the Opco Group in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
- (ii) obtaining and reviewing material contracts having significance on the Opco Group’s business including all agreements entered into between the Opco Group and the existing Business Partners, and sample walk-through documents including relevant agreements with the Business Partners, monthly transaction records, and accounting records, and reviewing of value-added tax invoices and bank receipts, both covering approximately 15% of the Opco Group’s revenue for the three months ended 29 February 2024;
- (iii) reconciling the bank statements and general ledgers of the Opco Group for TTM Feb 2024 with transaction documents of sample transactions with the Business Partners; and
- (iv) obtaining and reviewing the updated sales figures of the Opco Group for March and April 2024.

The Company was satisfied with the results of the due diligence on the Opco Group. In particular, the Company noticed that the monthly sales figure of the Opco Group for March 2024 represented an increase of approximately 153.6% as compared to that of March 2023. As such, the audited revenue of the Opco Group for the year ended 31 March 2024 is expected to be higher than the revenue stated in the Opco Group’s accounts for TTM Feb 2024 and used in the Valuation.

Based on the Company's understanding from the Opco Group, the audit on its financial statements for the year ended 31 March 2024 is expected to complete by November 2024. The Company will monitor the situation and make further assessment if there is any material deviation between the unaudited and audited figures.

Having considered the above, the Company is of the view that the unaudited revenue of the Opco Group for TTM Feb 2024 of approximately RMB297,863,000 is reliable, and it is reasonable for the Independent Valuer to use this unaudited figure in the calculation of the Valuation.

The Board's assessment on the reasonableness of the selection criteria of the Comparable Companies regarding debt-to-enterprise value ratio or cash-to-enterprise value ratio

As mentioned in the paragraph headed "Valuation" under the section headed "THE ACQUISITION AGREEMENT" in the Announcement, one of the selection criteria of the Comparable Companies is "being non-excessively cash-heavy or debt-heavy companies, with debt-to-enterprise value ratio or cash-to-enterprise value ratio being equal to or less than one based on their financial statements". The Board has enquired with the Independent Valuer regarding the adoption of such selection criteria, and was advised that the Opco Group is principally engaged in the provision of credit assessment, fund matching and technical services for financial institutions and this type of business is generally non-cash heavy and non-debt heavy. According to the unaudited management accounts of the Opco Group, the total assets and the total liabilities of the Opco Group (excluding the Excluded Assets and the Excluded Liabilities) (the "**Adjusted Total Assets**" and the "**Adjusted Total Liabilities**", respectively) amounted to approximately RMB451.8 million and approximately RMB545.4 million, respectively, as at 29 February 2024. As at 29 February 2024, the Opco Group's cash balance amounted to approximately RMB38.8 million, representing approximately 8.6% of the Adjusted Total Assets, while the Opco Group's debt financing liabilities amounted to approximately RMB1.2 million, representing merely approximately 0.2% of the Adjusted Total Liabilities. Accordingly, the Independent Valuer considers that it is reasonable to select those companies which are non-excessively cash-heavy or debt-heavy, as comparable companies in the Valuation. For the avoidance of doubt, all debts (including those owed to banks or other creditors, and lease liabilities) are generally regarded as debt financing liabilities.

As advised by the Independent Valuer, the cash-to-enterprise value ("**Cash-to-EV**") and the debt-to-enterprise value ("**Debt-to-EV**") represent the ratios of cash and debt to the value of operation of business and directly reveal the cash and debt level of a company, and were therefore used as ratios of references for the screening process of the Comparable Companies. During the screening process of the Comparable Companies, companies with Cash-to-EV ratio or Debt-to-EV ratio being higher than one were screened out.

The following table sets out the Cash-to-EV ratio or Debt-to-EV ratio of the Comparable Companies and the Opco:

Comparable	Company name	Cash-to-EV ratio	Debt-to-EV ratio
A	Yixin Group Ltd (2858.HK)	0.15	1.00
B	Upstart Holdings Inc (UPST.US)	0.12	0.37
C	Propel Holdings Inc (PRL.CN)	0.02	0.30
D	LendingTree Inc (TREE.US)	0.11	0.60
E	Apollo Finvest India Ltd (APFV.IN) (<i>Note 1</i>)	0.03	0.00
	The Opco (<i>Note 2</i>)	0.04	0.001

Notes:

1. As mentioned in the Announcement, the EV/S multiple of Comparable E was considered as an outlier to be excluded from the calculation of the average of EV/S multiple.
2. The implied Cash-to-EV ratio and Debt-to-EV ratio of the Opco were calculated based on the enterprise value of the Opco of approximately RMB944,226,000, which was, in turn, calculated based on (i) the revenue of the Opco Group for TTM Feb 2024 of approximately RMB297,863,000; and (ii) the average of the EV/S multiples of the Comparable Companies (excluding Comparable E) of approximately 3.17.

In view of the above, the Board is of the view that the adoption of the selection criteria of the Comparable Companies regarding the Cash-to-EV ratio or Debt-to-EV ratio is fair and reasonable.

Details on the basis of selecting the Comparable Companies

The Independent Valuer carried out the comparable company selection process by sorting through public companies listed in the globally recognized top 10 stock exchanges by market capitalization. Listed companies are selected because their shares are traded with liquidity and their financial information is publicly available and under effective monitoring of compliance.

The Independent Valuer then adopted the below criteria (as filters) to sort out companies with similar business nature, size and financing structure to those of the Opco Group, and with sufficient trading history and appropriate financial information for the valuation analysis.

Selection criteria	Reasons
1. The shortlisted companies are categorized as operating in the consumer finance, commercial finance, and other financing service industry according to Bloomberg.	This is to ensure that the initial shortlisted companies are engaged in financing service business (such as loan facilitation), rather other industries such as commercial and investment banking businesses, or direct money lending businesses.
2. Revenue segmentation analysis: The shortlisted companies should have over 50% of revenue derived from the business of loan facilitation aggregately according to their latest published annual reports and company website.	There are various types of different financing service companies. This criterion is adopted to ensure that the selected companies have a majority (over 50%) of revenue sourced from loan facilitation like the Opco Group. The companies' annual reports and websites were reviewed to understand the source of income for the businesses.
3. The financial information of the Comparable Companies must be publicly available.	This is to ensure that there is appropriate and sufficient financial information to be used in the valuation analysis.
4. The shortlisted companies' historical trading data must be sufficient and available. The public trading of the shortlisted companies' shares should not have been suspended for more than 30 days during the year before the Valuation Date.	This is to ensure that the share prices of the shortlisted companies appropriately reflect their market values, which would be used in deriving the appropriate valuation multiples for the analysis.

Selection criteria

Reasons

5. The shortlisted companies should not be excessively cash-heavy or debt-heavy based on their financial statements. Companies with debt-to-EV or cash-to-EV ratio over 1 will be considered as extreme figures and are not selected as Comparable Companies.
6. Companies with non-public shares that have different shareholders' rights than their public shares are not selected as a Comparable Company.
7. The selection criteria of market capitalization of the shortlisted company was initially set at the range of RMB500 million to RMB10 billion.

The range of the market capitalization was later expanded to RMB100 million to RMB 20 billion.

This is to exclude companies that have excessive amount of cash and debt that is larger than the value of the operating business, where the ratios would be larger than 1. The Opco Group is principally engaged in the provision of credit assessment, fund matching and technical services for financial institutions and this type of business is generally non-cash heavy and non-debt heavy.

This is to ensure that the shortlisted companies have similar shareholding structure as the Opco and their share values are directly comparable.

This is to aim at excluding companies up to size of mega corporations which may operate across multiple regions and multiple segments unlike the Opco Group, and also exclude companies of small sizes relative to their annual sales, which tend to have atypical financial data and operating history.

After filtering through all the criteria including the initial market capitalization range, only three companies can be shortlisted initially. It is considered that the sample size for the selected companies is not sufficient for the valuation as there are only three data points to reference and the result could be distorted if any of the shortlisted companies is an outlier. Therefore, the range of capitalization is expanded to include more companies for inspection. After the expansion of range, five companies are shortlisted.

Given the reasons above, the Independent Valuer considers that the basis of selection of Comparable Companies is fair and reasonable.

Based on the financial information of the selected Comparable Companies, it is noted that the EV/S multiples and the market capitalizations are not linearly correlated. The market capitalization of Comparables A, C and D are of similar magnitude, but their EV/S multiples range from 1.51 times to 3.42 times. Whilst the market capitalization of Comparable E was considered an outlier using the IQR method, it should be noted that Comparable E has the smallest market capitalization out of the five Comparable Companies and it has the highest EV/S of 16.93 times.

In consideration of the above factor, the Independent Valuer is of the view that any subjective adjustments to the EV/S multiple is not necessary.

No adjustment made to the Valuation based on specific factors

(i) Historical track record

The Opco was established in 2015, and has over 8-year operating history. Particularly, it has generated sizable revenue during the three years ended 31 March 2023 and the eleven months ended 29 February 2024. Therefore, the Independent Valuer considers that the Opco Group has sufficient operating history of engaging in the business of loan facilitation, and no adjustment is required to be made in the Valuation to reflect the risk of limited historical track record.

(ii) Contractual Arrangements

The Independent Valuer considers that the Contractual Arrangements are common arrangements for wholly foreign owned enterprises to operate under the VIE structure, which is a structure commonly adopted by many PRC-based companies to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in the PRC. In addition, the Independent Valuer has obtained and reviewed the legal opinion prepared by the PRC Legal Advisers in respect of the VIE structure, and noted that the Structured Contracts are legally enforceable under the PRC laws. Accordingly, the Independent Valuer is of the view that no adjustment is required to be made in the Valuation to reflect the risk of Contractual Arrangements.

(iii) Net liabilities position of the Opco Group

According to the unaudited management accounts of the Opco Group, the Opco Group's Adjusted Total Assets and the Adjusted Total Liabilities amounted to approximately RMB451.8 million and approximately RMB545.4 million, respectively, as at 29 February 2024, resulting in a net liabilities position of approximately RMB93.6 million after the exclusion of the Excluded Assets and the Excluded Liabilities which are non-operating in nature. In this regard, the Company was advised by the Vendor that the Opco Group, as with other fintech or internet industry players, has made significant investments in business development during its early stage. Notwithstanding that, after accumulating operating experience and gaining an established market position, the performance of the Opco Group has achieved the critical mass as demonstrated by its industry ranking and the growth of loan amount facilitated by it and its revenue. Loan amount facilitated by the Opco Group increased from approximately RMB1,646 million in FY2021/22 to approximately RMB6,069 million in FY2022/23 and approximately RMB7,020 million in 8M2023/24, while revenue of the Opco Group increased from approximately RMB42.6 million in FY2021/22 to approximately RMB86.0 million in FY2022/23 and approximately RMB161.9 million for 8M2023/24. As evident by the Profit Guarantees provided by the Vendor, the Board expects that the Opco Group (excluding the Excluded Assets and the Excluded Liabilities) would turnaround from net liabilities to net assets position by the end of 2026.

The Independent Valuer considers that in the case of the Opco Group, the risk associated with the net liabilities position should be more than compensated by the high growth in business size and revenue, and that no subjective adjustment is required to be made in the Valuation in this regard.

(iv) Financial guarantee liabilities and ECL

As mentioned in the Announcement, as at 30 November 2023, the outstanding balance of loans facilitated by the Opco Group amounted to approximately RMB5,111 million, of which approximately RMB1,327 million was ultimately counter-guaranteed by the Opco Group. These are treated as financial guarantees issued by the Opco Group and are the remaining contractual exposure that is required to be disclosed under paragraph 39(a) of Hong Kong Financial Reporting Standard 7 "Financial Instruments: Disclosure" ("**HKFRS 7**"). This paragraph states that an entity shall disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities. Such remaining contractual exposure amounts formed the foundation for the calculation of the ECL of the financial guarantees issued.

During the preparation of the financial statements of the Opco Group and in compliance with applicable accounting standards, financial guarantees issued are initially recognized at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. The Opco Group monitors the risk that the specified debtor will default on the contract and re-measures the above liability at a higher amount when the ECL on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The Opco Group uses a three-stage ECL model: (a) Stage 1 – contracts which are not considered to have significantly increased in credit risk since initial recognition; (b) Stage 2 – if a significant increase in credit risk (“**SICR**”) since initial recognition is identified, but not yet deemed to be credit-impaired; and (c) Stage 3 – if the loan is credit-impaired. The Opco Group assumes that the credit risk on a contract has increased significantly if it is overdue 30 days or above on its contractual payments, and considers a contract to be in default when the debtor is unlikely to pay its credit obligations in full without recourse by the Opco Group to actions such as realizing security (if any is held) or the contract is overdue 90 days or above on its contractual payments. As the Opco Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the contracts that is guaranteed, an ECL was estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Opco Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

In summary, the combined financial statements of the Target Group have considered the ECLs on those issued financial guarantees as at each reporting date, whereas the amounts of the remaining contractual exposures were disclosed in accordance with the requirements of paragraph 39(a) of HKFRS 7. As at 29 February 2024, financial guarantee liabilities in the amount of approximately RMB73.6 million was recognized for the ECL of financial guarantees issued.

The Independent Valuer noted that similar to the Opco Group, two Comparable Companies (namely, Comparables A and C) also have guarantee liabilities arising from their loan facilitation business. It is considered that such guarantee arrangements are not unique to the Opco Group, and are not uncommon in the loan facilitation industry. Further, the Independent Valuer noted that similar to the Opco Group, the majority of the Comparable Companies (namely, Comparables A, B, C and E) have taken positions in the loan facilitation businesses and are thereby exposed to credit risks and ECL. It is therefore considered that credit risk exposure

is not uncommon in the loan facilitation industry. Based on latest and publicly available financial information of the Comparable Companies, the ECL provision percentages of the Comparable Companies are set out below:

	Comparable					Opco Group
	A	B*	C	D	E	
ECL provision %	3.09%	2.20%	25.43%	n/a	7.37%	5.55%

* Comparable B records its loan balances on fair value basis. We therefore compare the net fair value adjustment with the outstanding loan principal balance to measure the ECL.

As explained in the Announcement, in determining the fair value of 28% equity interest in Opco, non-operating assets and non-operating liabilities are excluded from Opco's operating equity value, which is in turn derived from the summation of (1) net cash (i.e. cash minus debt), and (2) the product of EV/S multiple adopted and the sales of the Opco. As the provision of counter-guarantee by loan facilitators is directly related to their business operation and revenue, the financial guarantee liabilities should not be included as non-operating liabilities. Further, as the financial guarantee liabilities are not regarded as debt for the purposes of calculating net cash, they should not be deducted from Opco's operating equity value. As explained above, credit risk exposure is not uncommon in the loan facilitation industry in which Opco Group is engaged. The Company is therefore of the view that credit risk exposure has already been incorporated in the enterprise value of this type of business, and that credit risk exposure has already been reflected in the EV/S multiples of the Comparable Companies and thus the enterprise value of the Opco Group so assessed by the Independent Valuer.

4. OTHER INFORMATION

- (a) As disclosed in the Announcement, all the Excluded Assets and the Excluded Liabilities, which were in the amount of approximately RMB426,040,000 and approximately RMB99,494,000, respectively, as at 29 February 2024, are non-operating in nature, and were neither required by nor incurred in the Opco Group's ordinary course of business.
- (b) As at the date of the signing and completion of the Acquisition Agreement on 17 June 2024, there was no outstanding shareholder's loan owed by the Target Group to the Vendor.

- (c) To the best knowledge, information and belief of the Directors having made all reasonable enquiries and based on the information provided by the Vendor, the Vendor is a business acquaintance knowing Mr. Sun (one of the Registered Shareholders) for around two years but do not have any other relationship or connection with the Registered Shareholders.

By order of the Board
Energy International Investments Holdings Limited
Cao Sheng
Chairman

Hong Kong, 29 August 2024

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, Mr. Shi Jun and Mr. Luo Yingnan; and the independent non-executive Directors are Mr. Tang Qingbin, Mr. Wang Jinghua, Mr. Fung Nam Shan and Mr. Sung Ka Woon.

* *For identification purpose only*