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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)

BUSINESS UPDATE – ADJUSTMENT OF CONSIDERATION OF ACQUISITION AND ONGOING LITIGATION

This announcement is made by Energy International Investments Holdings Limited (the “**Company**”, which together with its subsidiaries is collectively referred to as the “**Group**”) for the purposes of updating its shareholders and the public on the business development of the Company.

Reference is made to the Company’s announcement dated 21 October 2019 (the “**Announcement**”) in relation to the Acquisition by the Purchaser (a wholly-owned subsidiary of the Company) of the entire issued share capital of the Target Company (whose sole asset is the Financial Investment) from the Vendor for the consideration of RMB224,000,000 settled by the Promissory Notes issued by the Purchaser and constituting a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Announcement.

ADJUSTMENT OF CONSIDERATION

As disclosed in the Announcement, for any matters revealed in the due diligence which in the absolute opinion of the Purchaser can be sufficiently and appropriately dealt with by way of consideration adjustment, the Purchaser may adjust the consideration downwards on a dollar-for-dollar basis and require the Vendor to put in escrow such principal amount of the Promissory Note with the Purchaser pending the satisfaction of conditions as may be reasonably imposed by the Purchaser.

As disclosed in the annual report 2019 of the Company, the Acquisition was completed on 19 December 2019, when Promissory Notes (carrying interest of 5% per annum and maturing on 18 December 2022) were issued by the Purchaser, initially comprising: (i) the unconditional promissory note (the “**Unconditional Promissory Note**”) with face value of RMB149,000,000 (HK\$165,554,000); and (ii) the conditional promissory note (the “**Conditional Promissory Note**”) with face value of RMB75,000,000 (HK\$83,333,000). The repayment obligations of the Purchaser under the Conditional Promissory Note are conditional upon the satisfaction of certain conditions (the “**Conditions**”) including the release of financial guarantee provided by the PRC Opco in favour of a third party and the full recovery of receivables by the PRC Opco from certain debtors. As disclosed in the annual report 2020/21 of the Company, certain Conditions were considered by the Purchaser to have been satisfied by reference to evidence then-available to the Purchaser, resulting in the Conditional Promissory Note in the face value of RMB32,000,000 becoming unconditional during the fifteen months ended 31 March 2021.

Before end of January 2020, Unconditional Promissory Note in the aggregate face value of RMB113,500,000 (HK\$132,904,000) were early redeemed by the Purchaser to save interest costs, resulting in the Unconditional Promissory Note of RMB67,500,000 (HK\$79,040,000) and Conditional Promissory Note of RMB43,000,000 (HK\$50,351,000) being outstanding before September 2021.#

It is the Company’s position that in view of the development of events subsequent to Completion, the consideration for the Acquisition should be further adjusted downward. On 17 June 2022, the original certificates of Promissory Notes in the aggregate face value of RMB110,500,000 (HK\$129,391,000) were surrendered by the Vendor to the Purchaser for cancellation, resulting in an adjustment of the consideration for the Acquisition to become RMB113,500,000 (HK\$132,904,000) taking immediate effect.#

The downward adjustment of the consideration for the Acquisition was permissible under the original terms of the Acquisition Agreement. In addition, the downward adjustment of the consideration for the Acquisition operates under the mechanism provided under the pre-existing contract which is independent of and without prejudice to the rights of the Company and the Purchaser in the ongoing Litigation (as defined below). The Directors (including the independent non-executive Directors) were of the view that the downward adjustment of the consideration for the Acquisition would be in the interest of the Company and its shareholders as a whole. No Director has any material interest in the Acquisition or is required to abstain from voting on any decision of the Board regarding the Acquisition, including the said adjustment in consideration or the Litigation.

ONGOING LITIGATION AGAINST THE VENDOR

Subsequent to the Completion of the Acquisition in late 2019, the PRC Opco has so far failed to achieve the release of financial guarantee in favour of a third party as originally represented to the Purchaser. In addition, the Property Project experienced construction delay due to the outbreak of COVID-19 pandemic and without proceeding to completion and pre-sales to the extent and timetable as scheduled, the dividend income expected to be derived by the Purchaser from the Financial Investment (i.e. indirectly from the Property Project) has yet to materialise. It was therefore the position of the Group that it should be entitled to be awarded remedies by a Court having jurisdiction.

For the reasons above, the Directors (including the independent non-executive Directors) came to the view that it was fair and reasonable and in the best interest of the Company and its shareholders to apply to the Court to have the Acquisition set aside. Subject to the full refund of the consideration, the setting aside of the Acquisition is not expected to have any material adverse impact to the operations, assets and liabilities of the Group.

In September 2021, the Purchaser commenced legal action in the High Court of Hong Kong against (inter alia) the Vendor (the “**Litigation**”) to apply for (inter alia) an Order to have the Acquisition Agreement set aside and any consideration already paid fully refunded. As at the date of this announcement, the Litigation is still ongoing. Further announcement will be made by the Company as and when there is any significant progress on the Litigation.

By order of the Board

Energy International Investments Holdings Limited

Cao Sheng

Chairman

Hong Kong, 17 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.

* *For identification purpose only*

For the purpose of these paragraphs, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 = RMB0.8540. 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.