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IDG Energy Investment
IDG ENERGY INVESTMENT LIMITED
IDG 能源投資有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 650)

UPDATE ON STONEHOLD INVESTMENT

This announcement is made by IDG Energy Investment Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 15 August 2017, 27 September 2017 and 28 February 2018 respectively, and the circular of the Company dated 29 September 2017 in relation to the entering into of the credit agreement (the “**Credit Agreement**”). Pursuant to the Credit Agreement, the Company and its wholly-owned subsidiary, Think Excel Investments Limited (“**Think Excel**”), invested in Stonehold Energy Corporation (“**Stonehold**”), which owns a shale oil block in Eagle Ford, Texas of the United States (the “**Assets**”), through the provision of a term loan at a maximum amount of approximately HK\$1,329.5 million with a fixed annual interest rate of 8% due 26 September 2027 (the “**Term Loan**”). The Company and Think Excel are also entitled to an additional interest equivalent to 92.5% of the remainder of the net disposal proceeds (after deduction of (1) the outstanding principal and interests of senior debts and the Term Loan payable to the lender(s), and (2) the equity contribution and the annual distribution amount payable to the shareholder of Stonehold) from the disposal of the underlying assets (the “**Additional Interest**”). The investment in Stonehold (the “**Stonehold Investment**”) is recognized as a financial asset at fair value through profit or loss in the Company’s financial statements.

The Company received a notice from Stonehold that considering the current high oil price environment and the active trading window period caused by geopolitics, Stonehold considers that it is a good opportunity to dispose of the Assets. Considering the strictening ESG policy resulting in uncertainty of traditional energy operations, and the favourable opportunistic window to realise the investment under the currently higher oil price environment which has been highly volatile, the Company, as a creditor, consented to the disposal of the Assets by Stonehold.

On 10 June 2022 (after trading hours), Stonehold entered into a purchase and sale agreement with a buyer (the “**Buyer**”) who, to the best of the directors’ knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons as at the date of this announcement, pursuant to which Stonehold agreed to sell and assign to the Buyer all of its right, title and interest in the underlying assets (the “**Disposal**”). Completion of the Disposal is expected to take place in late July 2022. Stonehold shall, pursuant to the terms of the Credit Agreement, repay the entire outstanding principal and all accrued but unpaid interest of the Term Loan together with the Additional Interest, which is expected to amount to approximately HK\$501.8 million in total, to the Company and Think Excel as soon as reasonably practicable, and in any event within three business days from the completion date of the Disposal. Based on the unaudited book value of Stonehold Investment as at 30 September 2021 amounting to HK\$630.6 million, the interest received by the Company amounting to HK\$71.0 million after 30 September 2021 to the date of this announcement, and the estimated amount to be received by the Company as set out above, the Disposal is estimated to result in a loss amounting to approximately HK\$57.8 million. The actual loss from the Disposal will depend on revaluation of the book value of the Stonehold Investment prior to the completion of the Disposal, and the actual amount to be received by the Company and Think Excel, which will be disclosed in the interim or annual report to be published by the Company in the future.

The directors of the Company (the “**Directors**”) are of the view that the Disposal is in the best interests of the Company and its shareholders as a whole based on the following insights and observations:

- (i) Stonehold has performed duly and diligently in the process of realising the value of the Assets under the volatile market environment, which helped achieve a reasonable recovery of the Company’s interests in the Stonehold Investment with reference to the challenging and uncertain long-term development prospects; and
- (ii) The relevant funds from the Disposal are expected to provide liquidity to daily operations of the Company and be conducive to its future development of the advanced manufacturing in the semiconductor and solar power equipment business.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
IDG Energy Investment Limited
WANG Jingbo
Chairman

Hong Kong, 12 June 2022

As at the date hereof, the Board comprises seven Directors, of whom two are executive Directors, namely Mr. Wang Jingbo (Chairman) and Mr. Liu Zhihai; two are non-executive Directors, namely Mr. Lin Dongliang and Mr. Shong Hugo; and three are independent non-executive Directors, namely Ms. Ge Aiji, Mr. Shi Cen, and Mr. Chau Shing Yim David.

* *For identification purposes only*