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## **Enviro Energy International Holdings Limited**

**環能國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1102)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTEREST IN YINGKOU HAILANGGU TRAVEL CO., LIMITED\***

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcement of Enviro Energy International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 August 2018 (the “**August Announcement**”) and the Company’s clarification announcement dated 21 September 2018 (the “**September Announcement**”) in respect of the disposal of the entire equity interest in Yingkou Hailanggu Travel Co., Limited (“**Yingkou Hailanggu**”) (a former wholly-owned subsidiary of the Company). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the August Announcement, the September Announcement and the annual report of the Company for the financial year ended 31 December 2017 (“**2017 Annual Report**”).

#### **Details of Assets**

As disclosed in the 2017 Annual Report, the major assets held by Yingkou Hailanggu are namely, the two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC, with a total site area of approximately 59,245 square meters (637,708 square feet) (“**Land Parcels**”). Of these two Land Parcels, the land use right permit for one had not been obtained as of 31 December 2016. Accordingly, the payment made was accounted for as a prepayment for an investment property. As at 31 December 2017, the land use right permit was obtained for a term expiring on 5 July 2069 and for commercial use and the prepayment was transferred to an investment property accordingly. As at 31 December 2017, Yingkou Hailanggu had no business activities before the acquisition except for holding of Land Parcels.

As disclosed in the 2017 Annual Report, the Group started to engage in the building materials trading business in Shenzhen City in 2017 through its indirect wholly owned subsidiary, i.e. Qianhai Shitong Supply Chain (Shenzhen) Company Limited (“**Qianhai Shitong**”). To meet the operating cash outflow arising from building materials trading business in Shenzhen City, Yingkou Hailanggu advanced to Qianhai Shitong fund of RMB75.2 million received from two suppliers. As such, “other receivables” from Qianhai Shitong was recorded by Yingkou Hailanggu.

Between the date of completion of acquisition of Yingkou Hailanggu in December 2016 and the date of completion of its disposal, Yingkou Hailanggu also made certain intra group loans to other members of the Group (net amount due from fellow subsidiaries as at 30 June 2018 was HK\$108 million as recorded in the management accounts of Yingkou Hailanggu).

In June 2017, Yingkou Hailanggu entered into two bank borrowings for principal sums of RMB52 million (or approximately HK\$62.4 million) and RMB27 million (or approximately HK\$32.4 million), respectively, with a commercial bank in the PRC. The bank borrowings were secured by the two Land Parcels and the industrial complex at Qinghua Avenue, Yingkou City, respectively. The bank borrowings were mainly used for the prepayment of purchase of aluminum materials pursuant to the procurement agreement dated 13 June 2017 in respect of the refurbishment project as disclosed in the 2017 Annual Report.

During the six months ended 30 June 2018, Yingkou Hailanggu received fund advances in the total sum of approximately RMB46.6 million from Yingkou Haida Property Service Company Limited (營口海達物業服務有限公司) and Huajun Zhiye Company Limited 華君置業有限公司 (前稱華君實業(營口)有限公司) to settle the bank borrowing with the principal amount of RMB27 million and the related interest expenses, and the remaining balance was used as its general working capital. Accordingly, as at 30 June 2018, the total outstanding principal amount under such bank borrowings was RMB52 million, and “other payables” of approximately RMB46.6 million was recorded.

As at 30 June 2018, the assets held by Yingkou Hailanggu mainly consisted of the Land Parcels, and their aggregate net book value was RMB60.1 million (or HK\$71.2 million).

As at the same date (i.e. 30 June 2018), (after taking into account the waivers made by other wholly-owned subsidiaries of the Company in respect of the other receivable from Yingkou Hailanggu, the net amount of which is approximately RMB91 million), Yingkou Hailanggu recorded a net liability of approximately RMB38.5 million (or HK\$45.7 million), and the total liability of Yingkou Hailanggu was represented mainly by bank borrowings in the sum of about RMB52 million (or HK\$61.6 million) and other accrued liabilities and other payables (after the said waivers) of approximately RMB46.6 million (or HK\$55.3 million).

The Company would also confirm that the financial positions of Yingkou Hailanggu as at 30 June 2018 were substantially same as those as at the date of the August Announcement.

## **Reasons for Disposal**

As disclosed in the Company's announcement dated 24 July 2018, the acquisition of the Land Parcels was considered and approved in 2016 by the then Board and management team of the Group. Since the completion of the acquisition of the Land Parcels in 2016, growth in Liaoning Province and the rest of Northeast China remained weak as the region suffered from structural issues such as industrial over-capacity. In 2017, the Group did not acquire any investment properties in Northeast China.

The composition of the Board changed in September 2017. Subsequent to such change, the Group has been evaluating its portfolio of investment properties. Mr. Li Sen, chairman of the Board, has more extensive business network in Shenzhen City and Guangdong–Hong Kong–Macau Greater Bay Area (“Greater Bay Area”). In May 2018, the Group disposed of its entire equity interest in Yingkou Haida Property Service Company Limited, which was principally engaged in property service, property leasing and sale of self-owned properties in the Northeast region of China. Such disposal was made to improve the liquidity and cash position of the Group and to allow the Group to explore investment opportunities in the Greater Bay Area.

In considering the disposal of Yingkou Hailanggu, the Board assessed the costs and benefits of constructing commercial properties on the Land Parcels. After much deliberation, the Board was of the view that the Disposal would bring positive return to the Company's shareholders, in contrast to spending additional costs and expenses to construct commercial properties on the Land Parcels.

The Board believes that the consideration for the Disposal (i.e. RMB2) is fair and reasonable and the Disposal is in the interest of the Company and its shareholders on the following bases:

- (a) the slow economic growth and outlook of the property investment market in Liaoning Province,
- (b) the improvement of financial position of the Group taken as a whole, while Yingkou Hailanggu recorded a net liability in the sum of about RMB38.5 million (or HK\$45.7 million) as at 30 June 2018 (after taking into account the waiver of accounts receivable from Yingkou Hailanggu and owing to other subsidiaries of the Company), and
- (c) the Disposal would allow the Group to refine its portfolio of investment properties and to capture new properties investment opportunities in the Greater Bay Area.

## **Consideration for the Disposal**

The Board believes that RMB2 is the higher of the fair value of the consideration and the fair value of Yingkou Hailanggu on the following bases:

- (a) according to the valuation report dated 26 March 2018 and issued by RHL Appraisal Limited (which report was obtained for the Company to prepare its annual results 2017), the fair value of the Land Parcels was RMB60.1 million.

- (b) the net book value of the Land Parcels was considered to be the same (i.e. approximately RMB60.1 million) as at 30 June 2018.
- (c) the subject matter of the Disposal is the entire equity interest in Yingkou Hailanggu, instead of the Land Parcels. As at 30 June 2018, Yingkou Hailanggu recorded a net liability which amounted to approximately RMB38.5 million (or HK\$45.7 million) after taking into account of the waivers made by other subsidiaries of the Company in respect of the accounts receivable from Yingkou Hailanggu. Notwithstanding a relatively low consideration, it was expected that the Group would record a net book gain of approximately RMB38.5 million (or HK\$45.7 million) from the Disposal.

### **Principal Activity of Yingkou Hailanggu**

As mentioned in the August Announcement, Yingkou Hailanggu is a limited liability company established under the laws of the PRC on 31 October 2014 and is a wholly owned subsidiary of the Company as at the date of the August Announcement. Its principal business activity is properties investment in the PRC.

As disclosed in the Company's announcement dated 24 July 2018, during the year ended 31 December 2017, local management based in the Northeast Region (who also oversaw the business operations of Yingkou Hailanggu and other subsidiaries of the Company with projects located in the northeast region of the PRC) contacted various local real estate agents and entities that they had business relationships to solicit potential tenants in attempt to lease out the investment properties located in the northeast region of the PRC.

As disclosed in the 2017 Annual Report, in 2017, Yingkou Hailanggu (then acting as agent of Huan Neng International Trading (Yingkou) Company Limited (“HNYK”), a wholly-owned subsidiary of the Company) entered into a procurement agreement with Supplier A for purchases of construction materials for the purpose of refurbishing the properties owned by HNYK situated in Yingkou city. Other than the above-mentioned procurement activities, Yingkou Hailanggu did not conduct any other business activities after the completion of acquisition by the Group and up to its disposal.

\* *For identification purposes only*

By Order of the Board  
**Enviro Energy International Holdings Limited**  
**Li Sen**  
*Chairman and Executive Director*

Hong Kong, 4 December 2018

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Li Sen (Chairman), Mr. Zhou Xuesheng (Chief Executive Officer) and Mr. Wei Junqing and three Independent Non-executive Directors, namely Mr. Wen Guangwei, Dr. Hou Chaohui and Mr. Jiang Maolin.*

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*