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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)

RESULTS OF INTERNAL CONTROL REVIEW

Reference is made to (i) the announcement of Enviro Energy International Holdings Limited (the “**Company**”) dated 31 March 2018 in relation to its annual results for the year ended 31 December 2017; (ii) the announcement of the Company dated 29 March 2019 in relation to its annual results for the year ended 31 December 2018; and (iii) the 2018 annual report of the Company dated 29 March 2019 (the “**2018 Annual Report**”).

As disclosed in the 2018 Annual Report, the Company engaged AVISTA PRO-WIS Risk Advisory Limited (“**AVISTA**”) on 30 May 2018 as its internal control consultant to conduct a review of the Group’s internal control system of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2017 and for the three months ended 31 March 2018, and to make recommendations to the Group for this purpose (the “**IC Review**”). The follow-up review period for the IC Review was from 1 November 2018 to 30 April 2019 (the “**Follow-Up Review Period**”). The written report regarding the IC Review was issued by AVISTA on 7 August 2019 and has been approved by the board of directors (the “**Board**”) on 7 August 2019.

SUMMARY OF FINDINGS

Set forth below is a summary of the major internal control deficiencies identified by AVISTA during the IC Review, their corresponding recommendations and the corresponding response of the Group.

Major internal control deficiencies	Recommendations of AVISTA	Group's response
1. Ineffective implementation of the risk management policy	The Group should evaluate the suitability of the current risk management policy and update it regularly according to the changes in the company's structure and business development.	In December 2018, the Board approved the current risk management policy. However, during the Follow-Up Review Period, the Company decided to abolish this policy as it was too complicated and difficult to implement. As such, subsequent to the Follow-Up Review Period, the Company established a new revised risk management policy, which was approved by the Board in July 2019.
2. Same person to act as Chairman and Chief Executive	The Group should assess the corporate governance risks and impacts for same person to act as Chairman and Chief Executive.	In November 2018, the Board approved to appoint Mr. Zhou Xuesheng as Chief Executive. Subsequently, in June 2019, Mr. Wei Junqing is appointed as Chief Executive.
3. Lack of clear internal approval policy	The Group should develop a clear policy setting out the approval powers of each level of management and specify matters which require the approval of directors.	In December 2018, the Board approved the establishment of an approval authority table. Subsequently, the said table was amended and approved by the Board in May 2019. However, during the Follow-Up Review Period, AVISTA noted that the expense applications of some subsidiaries are not approved in accordance with the said table and therefore the recommendation had only been partly implemented.

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| 4. | Lack of formal written authorization document has been provided for decentralization of power | The Group should have a formal authorization document, listing the relevant persons to which have been authorized by the Group to carry out certain actions on its behalf. | <p>As per the recommendation of AVISTA, the Company inserted information about the decentralization of power into its existing written policies, which was approved by the Board in December 2018.</p> <p>Further amendments were made to the above-mentioned policies, which were approved by the Board in May 2019.</p> <p>During the Follow-Up Review Period, the recommendation had been implemented by the Group.</p> |
| 5. | Lack of confidentiality agreements signed with the staff | The Group should sign the confidentiality agreements with the staff, for them to acknowledge their confidentiality responsibilities for the Company's information and data. | <p>During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.</p> |
| 6. | Improper filing of some of the important documents | The Group should arrange a place which is safe and restricted to authorized person, to keep the important documents. | <p>As per the recommendation of AVISTA, the Company revised its existing written policies to specify the filing requirements, which was approved by the Board in December 2018.</p> <p>During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.</p> |

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| 7. | Lack of documentation for the feasibility assessment | The Group should prepare the feasibility report regularly to document the assessment results. | Subsequent to the Follow-Up Review Period, the Group prepared the feasibility report and this was approved by the Board in May 2019. |
| 8. | Lack of regular assessment for the customers and documentation for the assessment results | The Group should establish customers' assessment procedures and perform the assessment on a regular basis. The results should be documented. | <p>As per the recommendation of AVISTA, the Company established written policy to specify the customers' assessment procedures and the Customer Assessment Form, which were approved by the Board in December 2018.</p> <p>During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.</p> |
| 9. | Lack of assessment for the tenants | The Group should establish tenant's assessment procedures and perform the assessment before signing contracts. The results should be documented. | <p>During the Follow-Up Review Period, the recommendation had not been taken by the Group.</p> <p>Subsequent to the Follow-Up Review Period, the Company established the written policies for tenant's assessment procedures and the Tenant Assessment Form, which were approved by the Board in May 2019.</p> |

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| 10. | Lack of regular assessment for the suppliers and documentation for the assessment results | The Group should establish suppliers' assessment procedures and perform the assessment on a regular basis. The results should be documented. | As per the recommendation of AVISTA, the Company established written policy to specify the suppliers' assessment procedures and the Customer Assessment Form, which were approved by the Board in December 2018.

During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group. |
| 11. | Lack of sufficient supporting documents for purchase transactions | Finance department is required to ensure that there are sufficient supporting documents before approving payments. If the documents are inadequate, the responsible staff should report to the Financial Controller in the Hong Kong head office immediately, and the Financial Controller has to report the issue to the Company's audit committee based on the severity of the issue. | In December 2018, the Board approved the establishment of an approval authority table.

Subsequent to the Follow-Up Review Period, the said table was amended and the Company established the written policies for the approval procedures of purchase transactions, which were approved by the Board in May 2019. |

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| 12. | Lack of valid rental agreements and under-provision of rental expenses | The Group should sign the rental agreements with the landlord promptly. In addition, the finance department should recognize the rental expense on a monthly basis. | <p>In November 2018, the management of the subsidiaries in Shenzhen signed the rental agreement with the landlord.</p> <p>As per the recommendation of AVISTA, the Company established written policy to specify the procedures for chasing the invoice for the rental, which was approved by the Board in December 2018.</p> <p>In March 2019, the office for the subsidiaries in Liaoning was moved to a property owned by one of the subsidiaries of the Group.</p> |
| 13. | Non-registration for the lease agreements | The Group should seek for legal advice for the non-registration or the Group should register the lease agreements with the relevant authorities within 30 dates after signing of such lease agreements. | <p>The Group considered the legal impacts for the non-registration and decided to accept the risks for the non-compliance of existing lease agreements.</p> <p>As per the recommendation of AVISTA, the Company established written policy to specify the procedures for registration of lease agreements, which was approved by the Board in December 2018.</p> |

14.	Lack of reconciliation procedures for accounts receivables and payables	The Group should establish the procedures for the reconciliation of accounts receivables and payables.	As per the recommendation of AVISTA, the Company established written policy to specify the reconciliation of accounts receivables and payables, which was approved by the Board in December 2018. During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.
15.	Lack of segregation of duties in using the accounting software	The Group should establish the list of access right in using the accounting software based on the responsibilities of each accounting staff.	During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.
16.	Lack of monetary cap on maximum amount for issuing cheques and failure to update the authorized bank signatories when required	The Group should specify that a certain number of authorized signatories is required for the issuance of cheques over a certain monetary amount. Further, the list of authorized bank signatories should be updated whenever such staff members resign.	As advised by the management of the Company, the amount limit for each authorized signatory in issuing cheques is yet to set and there is no change for the list of authorized bank signatories. The Group had difficulties in implementing the suggestion to remove the resigned staff from the authorized signatory as the Group was unable to contact the former members of staff who are currently the authorized bank signatories.
17.	Lack of cashflow forecast	The Group should prepare the cashflow forecast on a regularly basis.	During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.

18. Lack of documentation for the approval of investments decisions	The Group should document the approval for the investment decisions.	As per the recommendation of AVISTA, the Company established written policy to require documentation for the approval of investment decision, which was approved by the Board in December 2018. As advised by the management of the Company, no investments were made during the Follow-Up Review Period.
19. Violation of the covenants of the loan agreements with banks	The Group should assign a designated staff member to regularly check whether there is any violation of covenants of the loan agreements with banks.	During the Follow-Up Review Period, the recommendation had not taken by the Group. Subsequent to the Follow-Up Review Period, the Company established the written policy to assign the Financial Controller to check any violation of covenants of the loan agreements with banks on a monthly basis, this was approved by the Board in May 2019.
20. Omission of some of the loan agreements and other signed agreements	The Group should assign a designated staff to keep all signed agreements (including the loan agreements) and a register should be maintained to ensure the completeness of the signed agreements.	During the Follow-Up Review Period, based on the sampling check, the recommendation had been implemented by the Group.

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| 21. Lack of sufficient supporting documents for granting staff in advance | The Group should revise its existing policies, to specify the requirements for granting staff in advance, that sufficient supporting documents must be attached with the application. | During the Follow-Up Review Period, based on the sampling check, the supporting documents are attached.

Subsequent to the Follow-Up Review Period, the Company established written policy to require documentation for granting staff in advance, which was approved by the Board in May 2019. |
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Based on the results of the IC Review, some findings are partly remedied or not yet remedied. Having considered the results of the IC Review, the Directors of the Company believe that should the remedial measures as recommended by AVISTA be fully implemented, the internal control system of the Company will be sufficient to meet its obligations under the Listing Rules.

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

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Li Sen (Chairman), Mr. Jiang Senlin and Mr. Zhong Jinhua and three Independent Non-executive Directors, namely Ms. Liu Yan, Mr. Li Jinyuan and Mr. Du Hongwei.

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