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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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; and (ii) the announcement of the Company dated 29 March 2019 in relation to its annual results for the year ended 31 December 2018 (collectively, the “**Annual Results**”).

Further reference is made to (i) the 2017 annual report of the Company dated 31 March 2018; and (ii) the 2018 annual report of the Company dated 29 March 2019 (collectively, the “**Annual Reports**”).

Qualified Opinion

As disclosed in the Annual Results, the Company’s auditor (the “**Auditor**”) issued a qualified opinion on the Annual Reports due to:

(a) **Opening Balances and Corresponding Figures**

The Auditor was unable to obtain sufficient audit evidence to substantiate the prepayments of approximately HK\$230.7 million and other payables of approximately HK\$8 million and to be satisfied as to whether the effects of these balances, including the related cashflows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 December 2018; and

(b) Loan Receivable, Interest Receivable, Prepayments and Consideration Receivables

The Auditor was unable to obtain sufficient appropriate audit evidence to be satisfied as to the recoverability of loan receivable of approximately HK\$170.8 million, interest receivable of approximately HK\$8.6 million, prepayments for purchase of trading materials of approximately HK\$293.8 million and consideration receivables of approximately HK\$134.8 million as at 31 December 2018.

(together, the “**Audit Qualifications**”)

Management and Audit Committee’s response to the Audit Qualifications

In relation to Audit Qualification (a), as disclosed in Note 23 to the Consolidated Financial Statements contained in the Company’s 2018 Annual Report dated 29 March 2019, the prepayments of HK\$231 million have now been refunded. In respect of the other payables of HK\$8 million (the “**Sum**”), this inherent qualification will technically lapse in the financial year ending 31 December 2019. The Sum is currently kept by the Company and the Company is seeking PRC legal advice on the way of returning the Sum to the relevant person on or before 31 December 2019. In light of the above, subject to the view of the Auditor, the Company expects that the Audit Qualification (a) would be removed in next year’s audit report.

As at the date of this announcement, in relation to Audit Qualification (b), the loan repayment schedule as anticipated by the Company is as follows:

1. the Company expects to recover the sum of approximately RMB134.6 million (equivalent to approximately HK\$153 million) before 31 December 2019, approximately RMB130 million (equivalent to approximately HK\$148 million) by 30 June 2020 and approximately RMB150 million (equivalent to approximately HK\$171 million) by 31 December 2020 (five debtors have signed undertaking agreements with the Company to this effect and one debtor has provided the Company with a valuation report of one of its properties to support recoverability); and
2. the remaining balance of approximately HK\$134.8 million consists of (i) consideration receivable from disposal of assets classified as held for sale in the sum of approximately HK\$49 million ended 31 December 2018; less (ii) loss allowance of consideration receivable from disposal of assets classified as held for sale in the sum of approximately HK\$0.69 million; plus (iii) consideration receivable from disposal of investment properties in the sum of approximately HK\$87.3 million; less (iv) loss allowance of consideration receivable from disposal of investment properties in the sum of approximately HK\$0.81 million.

The Board takes the view that the Company has made its best efforts in satisfying the Auditor's requests and the Company believes that all audit requests were satisfied save and except for (i) the Auditor's request to conduct interviews with the relevant debtors; and (ii) the Auditor's request for the audited financial information/management accounts of the said debtors, which are out of the Company's control.

Subject to the view of the Auditor, unless the timing anticipated in the above loan repayment schedule set out above cannot be met, otherwise the Company expects that Audit Qualification (b) would also be removed in the next year's auditors' report. The Company acknowledges that the current undertakings obtained from the debtors may not be sufficient for the Auditor to assess the recoverability of these balances. As such, the Company shall make its best efforts to continue to contact and approach the relevant debtors to sign further undertakings for the remaining portion of the trade deposits to be refunded by the debtors to the Group under the Group's operation of trading of building material business (the "**Trade Deposits**"). Further, as per the Auditor's request, the Company shall also continue to ask the debtors to provide information regarding their financial background such as audited/unaudited financial statements or transaction records which can support the recoverability.

In relation to both Audit Qualifications (a) and (b), the audit committee has reviewed and agreed with the management's position concerning each of the Audit Qualifications.

Material uncertainty to going concern

After taking into account the Group's internal resources and the working capital forecast of monthly administrative expenses of the Group, the Board is of the view that the Group has sufficient working capital for its present requirements for at least the next 12 months, subject to the receipt of (i) Trade Deposits; (ii) an interest-free and unsecured shareholder's loan of HK\$6,600,000 (the "**Shareholder's Loan**"), to be provided by Mr. Li Sen, a substantial shareholder, chairman and executive director of the Company ("**Mr. Li**"); (iii) and an undertaking also executed by Mr. Li, pursuant to which he agreed to grant the Group a loan facility of up to HK\$50 million on or before 30 September 2019.

In view of the above, both the directors and the audit committee believe that the audit opinion on the material uncertainty related to going concern will be removed in next year's audit report.

The Company further understands from the Auditor that the issue on the going concern does not form part of the qualified audit opinion, therefore the removal of audit opinion in the Group's audit report next year should not be a relevant issue as it will be reassessed on the reporting date for the financial year ending 31 December 2019.

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

Hong Kong, 5 September 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.