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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

The Board of Directors (the “**Board**”) of Enviro Energy International Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2018 together with comparative figures as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*FOR THE YEAR ENDED 31 December 2018*

	<i>NOTES</i>	<b>2018</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>
<b>Continuing operations:</b>			
Revenue		<b>885,871</b>	54,531
Cost of sales		<b>(876,711)</b>	(46,994)
Gross profit		<b>9,160</b>	7,537
Other income, net	4	<b>18,261</b>	8,046
Interest income		<b>22,126</b>	768
Fair value change on investment properties		<b>(5,369)</b>	(20,866)
Administrative and operating expenses		<b>(35,211)</b>	(24,420)
Operating profit/(loss)		<b>8,967</b>	(28,935)
Finance cost		<b>(21,408)</b>	(21,521)
Loss before taxation	5	<b>(12,441)</b>	(50,456)
Income tax expense	6	<b>(2,090)</b>	(399)
Loss from continuing operations		<b>(14,531)</b>	(50,855)

	<i>NOTES</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Discontinued operations:</b>			
Loss for the year from discontinued operations		—	(43,045)
Loss for the year attributable to owners of the Company		<u>(14,531)</u>	<u>(93,900)</u>
<b>Loss per share from continuing operations attributable to owners of the Company</b> (expressed in HK cent per share)			
Basic and diluted	8	<u>(0.16)</u>	<u>(0.65)</u>
<b>Loss per share attributable to owners of the Company</b> (expressed in HK cent per share)			
Basic and diluted	8	<u>(0.16)</u>	<u>(1.21)</u>
<b>Dividend</b>	7	<u>—</u>	<u>—</u>

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2018

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(14,531)</u>	<u>(93,900)</u>
<b>Other Comprehensive (loss)/income:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operation	(9,465)	19,058
Release of reserves upon disposal of subsidiaries	<u>(3,121)</u>	<u>48,348</u>
Other comprehensive (loss)/income for the year	<u>(12,586)</u>	<u>67,406</u>
<b>Total comprehensive loss for the year attributable to owners of the Company</b>	<u><u>(27,117)</u></u>	<u><u>(26,494)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	<i>NOTES</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		750	764
Loan receivable		170,764	180,000
Investment properties	9	177,936	383,173
Intangible assets		780	330
Rental deposits		1,387	1,387
		<u>351,617</u>	<u>565,654</u>
<b>Current assets</b>			
Inventories		–	129
Trade receivables	10	18,211	60,463
Deposit, prepayment and other receivables	11	441,949	363,709
Bank balance and cash		2,123	154,140
		<u>462,283</u>	<u>578,441</u>
Assets classified as held for sale		–	41,207
		<u>462,283</u>	<u>619,648</u>
<b>Total assets</b>		<b><u>813,900</u></b>	<b><u>1,185,302</u></b>
<b>Capital and reserves</b>			
Share capital		22,620	22,620
Reserves		553,171	580,618
		<u>575,791</u>	<u>603,238</u>
<b>Non-current liabilities</b>			
Shareholder's loan		–	2,000
Deferred loan interest			
income – non-current portion		1,163	2,400
Asset retirement obligation		495	495
		<u>1,658</u>	<u>4,895</u>

	<i>NOTES</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>44,304</b>	83,623
Deferred loan interest income – current portion		<b>1,138</b>	1,200
Loan from a related company		–	62,331
Shareholder's loan		<b>4,200</b>	–
Bank borrowings	<i>13</i>	<b>184,425</b>	429,600
Income tax payable		<b>2,384</b>	415
		<u><b>236,451</b></u>	<u>577,169</u>
<b>Total liabilities</b>		<u><b>238,109</b></u>	<u>582,064</u>
<b>Total equity and liabilities</b>		<u><b>813,900</b></u>	<u>1,185,302</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2018

## 1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The shares of the Company are listed on the the Stock Exchange of Hong Kong Limited.

As at 31 December 2018, the Board considers that Able Victory Enterprises Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company of the Company, and Mr. Li Sen, an Executive Director and the Chairman of the Board, as the ultimate controlling party of the Company.

The Group is principally engaged in trading business, investment holding and properties investment via its subsidiary companies in the People's Republic of China (the "PRC") (the Company and its subsidiaries are thereafter referred as the "Group").

These consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional and the Group's presentation currency.

These consolidated financial statements have been approved for issue by the Board on 29 March 2019.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2018. So far the Company has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

#### *HKFRS 16 "Leases"*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The directors of the Company anticipate that the application of HKFRS 16 in the future may have an impact on the disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a detailed review.

### 3. SEGMENT INFORMATION

In order to broaden the sources of income and improve operating profits, the Group commenced the trading business as one of the principal business activities of the Group during the year ended 31 December 2017. The Board considered that the business can broaden the revenue base and improve the financial position of the Group and that will be in the interest of the Group.

Furthermore, following the disposal of Aces Diamond Holding Limited (“**Aces Diamond**”), the holding company of PT. Bara Hugo Energy (“**BHE**”) and PT. Grasada Multinational (“**GM**”), the Board decided to discontinue the operation of natural resources and energy related business and information technology and related business in December 2017. Hence, the results of these segments were presented as discontinued operations for the years ended 31 December 2018 and 2017.

On 9 November 2018, Mr. Li Sen (“**Mr. Li**”), an Executive Director and the Chairman, has been re-designated from Chief Executive Officer (“**CEO**”) to the Co-Chief Executive Officer of the Company and Mr. Zhou Xuesheng (“**Mr. Zhou**”), an Executive Director, has been appointed as the Co-Chief Executive Officer of the Company.

On 27 November 2018, Mr. Li resigned as Co-Chief Executive Officer of the Company and Mr. Zhou has been re-designated from Co-Chief Executive Officer to the CEO of the Company.

In a manner consistent with the way in which information is reported internally to the CEO, the Group has presented the following reportable segments:

- (i) Properties investment
- (ii) Investment holding
- (iii) Trading business
- (iv) Natural resources and energy related business (discontinued operation)
- (v) Information technology and related business (discontinued operation)

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

- (a) Segment assets include all tangible and intangible assets and current assets with the exception of assets classified as held for sale, rental deposits, club memberships and other unallocated head office and corporate assets.
- (b) Segment liabilities include all liabilities with the exception of shareholder’s loan, asset retirement obligation and other unallocated head office and corporate liabilities.
- (c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, together with other income, net, fair value change of investment properties, and administrative and operating expenses.

The amounts provided to the CEO with respect to the information mentioned above are measured in a manner consistent with that of the consolidated financial statements.

An analysis of the Group's revenue, results, certain assets, liabilities and capital expenditures for the Group's reportable segments is as follows:

	Continuing operations				Discontinued operations			Consolidated HK\$'000
	Property investment HK\$'000	Investment holding HK\$'000	Trading business HK\$'000	Subtotal HK\$'000	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Subtotal HK\$'000	
<b>For the year ended</b>								
<b>31 December 2018</b>								
Segment revenue	4,270	-	881,601	885,871	-	-	-	885,871
Gross profit	4,270	-	4,890	9,160	-	-	-	9,160
Other income/(loss), net	11,688	-	(2,654)	9,034	-	-	-	9,034
Gain on disposal of subsidiaries	9,203	-	-	9,203	-	-	-	9,203
Fair value change on investment properties	(5,369)	-	-	(5,369)	-	-	-	(5,369)
Administrative and operating expenses	(2,570)	-	(11,973)	(14,543)	-	-	-	(14,543)
Segment result	17,222	-	(9,737)	7,485	-	-	-	7,485
Unallocated:								
Other income, net								22,150
Administrative and operating expenses								(20,668)
Operating profit								8,967
Finance cost								(21,408)
Loss before taxation								(12,441)
Income tax expense								(2,090)
Loss for the year								(14,531)
<b>At 31 December 2018</b>								
Segment assets	319,287	85	314,683	634,055	-	-	-	634,055
Unallocated assets								179,845
Total assets								813,900
Segment liabilities	(202,122)	(4,610)	(4,770)	(211,502)	-	-	-	(211,502)
Unallocated liabilities								(26,607)
Total liabilities								(238,109)
<b>For the year ended</b>								
<b>31 December 2018</b>								
Capital expenditures	-	105	-	105	-	-	-	105



	Continuing operations				Discontinued operations			Consolidated HK\$'000
	Property investment HK\$'000	Investment holding HK\$'000	Trading business HK\$'000	Subtotal HK\$'000	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Subtotal HK\$'000	
<b>For the year ended 31 December 2017</b>								
Segment revenue	3,967	977	49,587	54,531	4,697	-	4,697	59,228
Gross profit	3,666	977	2,894	7,537	137	-	137	7,674
Other income, net	-	8,652	-	8,652	-	-	-	8,652
Loss on disposal of subsidiaries	-	-	-	-	(43,182)	-	(43,182)	(43,182)
Fair value change on investment properties	(20,866)	-	-	(20,866)	-	-	-	(20,866)
Administrative and operating expenses	(4,732)	-	(925)	(5,657)	-	-	-	(5,657)
Segment result	(21,932)	9,629	1,969	(10,334)	(43,045)	-	(43,045)	(53,379)
Unallocated: Other income, net								162
Administrative and operating expenses								(18,763)
Operating loss								(71,980)
Finance cost								(21,521)
Loss before taxation								(93,501)
Income tax expense								(399)
Loss for the year								(93,900)
<b>At 31 December 2017</b>								
Segment assets	474,530	336,002	214,788	1,025,320	852	-	852	1,026,172
Unallocated assets								117,923
Assets classified as held for sale								41,207
Total assets								1,185,302
Segment liabilities	(18,981)	(3,600)	(57,714)	(80,295)	(4,702)	-	(4,702)	(84,997)
Unallocated liabilities								(497,067)
Total liabilities								(582,064)
<b>For the year ended 31 December 2017</b>								
Capital expenditures	31,882	-	-	31,882	-	-	-	31,882
Unallocated capital expenditures								754
Total capital expenditure								32,636

The Group's non-current assets other than loan receivables as at 31 December 2018 and 2017 are further analysed as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong (place of domicile)	<b>2,901</b>	2,439
The PRC	<b>177,952</b>	383,215
	<b>180,853</b>	385,654

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	<b>261,485</b>	–
Customer B	<b>145,646</b>	–
Customer C	<b>135,263</b>	–
Customer D	<b>102,541</b>	–
Customer E	<b>101,741</b>	–
Customer F	–	22,634
Customer G	–	13,580
Customer H	–	10,612
Customer I	–	3,826

Revenue from external customers/sources by geographical locations, based on the location of the external customers/sources:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong (place of domicile)	–	977
The PRC	<b>885,871</b>	53,554
	<b>885,871</b>	54,531

#### 4. OTHER INCOME, NET

	2018 HK\$'000	2017 HK\$'000
Gain on disposal of available-for-sale investment	–	8,000
Impairment loss on an available-for-sale investment	–	(200)
Expected credit loss	(2,768)	–
Gain on disposal of subsidiaries	9,203	–
Gain on disposal of investment properties	2,129	–
Gain on disposal of asset held for sales	7,137	–
Others, net	2,560	246
	<u>18,261</u>	<u>8,046</u>

#### 5. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging the following:

	Continuing operations		Discontinued operations		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Cost of inventories sold	876,711	46,693	–	4,560	876,711	51,253
Depreciation of property, plant and equipment	118	12	–	–	118	12
Auditor's remuneration						
– audit service	1,050	2,400	–	–	1,050	2,400
– non-audit service	–	195	–	–	–	195
Operating lease payments	3,636	1,474	–	–	3,636	1,474
Staff costs, including directors' emoluments						
– Salaries, allowances and other benefits	6,276	9,852	–	–	6,276	9,852
– Retirement benefit scheme contributions	151	259	–	–	151	259
– Social insurance	132	150	–	–	132	150
Exchange loss, net	39	1,223	–	–	39	1,223
	<u>876,711</u>	<u>46,693</u>	<u>–</u>	<u>4,560</u>	<u>876,711</u>	<u>51,253</u>

#### 6. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits in Hong Kong for the year ended 31 December 2018 (2017: nil).

Enterprise Income Tax of HK\$2,090,000 has been provided for a subsidiary in the PRC for its assessable profits during the year ended 31 December 2018 (2017: HK\$399,000).

#### 7. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2018 (2017: nil).

## 8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Loss attributable to owners of the Company for the purpose of calculating basic loss per share:		
– Continuing operations	(14,531)	(50,855)
– Discontinued operations	–	(43,045)
	<u>(14,531)</u>	<u>(93,900)</u>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><b>9,047,844</b></u>	<u>7,767,162</u>

The Group had share options outstanding as at 31 December 2018 and 2017. The share options did not have a dilutive effect on loss per share for the years ended 31 December 2018 and 2017.

## 9. INVESTMENT PROPERTIES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>At fair value</b>		
At 1 January	<b>383,173</b>	358,279
Transfer from prepayment for an investment property	–	25,022
Acquired through acquisition of subsidiaries	–	28,672
Additions	–	3,210
Disposal	(84,391)	–
Disposal through disposal of subsidiaries	(96,481)	–
Currency translation differences	(18,996)	30,063
Change in fair value	(5,369)	(20,866)
Transferred to assets classified as held for sale	–	(41,207)
	<u><b>177,936</b></u>	<u>383,173</u>

## 10. TRADE RECEIVABLES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<u><b>18,211</b></u>	<u>60,463</u>

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 180 days.

The ageing analysis of the trade receivables of the Group as at the end of reporting period, based on invoice date, is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
within 30 days	–	60,463
31 – 60 days	–	–
61 – 90 days	–	–
91 – 120 days	<b>1,444</b>	–
121 – 150 days	–	–
over 150 days	<b>16,767</b>	–
	<hr/>	<hr/>
At 31 December	<b>18,211</b>	60,463
	<hr/> <hr/>	<hr/> <hr/>

#### 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Current</b>		
Deposits	<b>33</b>	11
Prepayments for:		
– trading business ( <i>note</i> )	<b>293,824</b>	–
– purchases of construction materials	–	90,276
– purchases of aluminum materials	–	140,400
– others	<b>4,672</b>	9,390
Entrusted loan receivable	–	15,120
Interest receivable	<b>8,556</b>	–
Consideration receivable from disposal of assets held for sales	<b>48,344</b>	–
Consideration receivable from disposal of investment properties	<b>86,520</b>	–
Consideration receivable from disposal of an available-for-sale investment	–	108,000
Other receivables	–	512
	<hr/>	<hr/>
	<b>441,949</b>	363,709
	<hr/> <hr/>	<hr/> <hr/>

*notes:*

Amounts were deposited to certain trading suppliers with which the Group had transactions during the year ended 31 December 2018. These suppliers require the Group to make prepayments in view of bulky purchase and short lead time in delivery and no credit period would be granted.

## 12. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables ( <i>note</i> )	3,648	56,643
Construction and other costs payables	–	3,129
Receipt in advance from customers	4,610	4,702
Accrued liabilities	6,323	2,641
Other payables	29,723	16,508
	<u>44,304</u>	<u>83,623</u>

*notes:*

The amounts are repayable according to normal credit terms of 30 to 60 days.

The ageing analysis of the trade payables as at the end of reporting period, based on invoice date, is as follows:

	2018 HK\$'000	2017 HK\$'000
within 30 days	119	56,643
91 – 120 days	79	–
over 150 days	3,450	–
	<u>3,648</u>	<u>56,643</u>

## 13. BANK BORROWINGS

As at 31 December 2018, the analysis of the carrying amount of bank borrowings is as follows:

	2018 HK\$'000	2017 HK\$'000
<b>Current</b>		
Bank borrowings – secured	<u>184,425</u>	<u>429,600</u>

The bank borrowings are denominated in RMB and are secured by the Group's investment properties, which have a carrying amount of HK\$177,936,000 (2017: HK\$424,380,000) as at 31 December 2018.

As at 31 December 2018, these bank borrowings carried a fixed rate ranging from 7.1% to 9.5% (2017: 7.1% to 7.5%) per annum. The exposure of these bank borrowings to interest rate changes and the contractual repricing dates at 31 December 2018 are one year (2017: one year).

## 14. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 31 January 2019, the Company entered into a convertible bonds subscription agreement for the issue of 15% convertible bonds due 2020 with the third party in the principal amount of HK\$50 million which are convertible into 844,594,595 shares upon conversion of the convertible bonds at the exercise price of HK\$0.0592 per share. Up to the date of this announcement, the issue of convertible bonds is not completed. Details of the issue of convertible bonds are set out in the announcement of the Company dated 31 January 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the year ended 31 December 2018, the Group engaged in properties investment, investment holding and trading of building materials businesses.

### REVIEW BY BUSINESS SEGMENTS OF CONTINUING OPERATIONS

#### Properties investment

The Group's investment properties comprise 40 commercial units situated in Yingkou city, Liaoning province, the PRC, with gross floor area of approximately 14,182 square meters. In September 2017, 13 commercial units have been contracted to be disposed to two parties who are third parties independent of and not connected with the Company and its connected person(s) (within the meaning ascribed to such term in the Listing Rules) ("**Independent Third Parties**") for a total consideration of RMB29,326,000. In January 2018, 4 commercial units were contracted to be disposed of to other two Independent Third Parties for a total consideration of RMB13,139,000. All of these disposal transactions have completed during the year ended 31 December 2018.

The Group owned investment properties, which comprise the fourth floor and the fifth floor of a building situated in Dalian city, Liaoning province, the PRC with a total gross floor area of approximately 2,843 square meters. During the year ended 31 December 2018, these properties were disposed to the Independent Third Parties at a total consideration of HK\$86,520,000.

The Group also owns a piece of land of gross floor area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross floor area of approximately 17,800 square meters. This property is situated in Yingkou city, Liaoning province, the PRC and is currently being leased out for rental income.

In August 2018, the Group disposed of two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC with gross floor area of approximately 59,245 square meters through the disposal of entire equity interest in Yingkou Hailanggu Travel Co., Limited (營口海浪谷旅遊有限公司) ("**Hailanggu**") to two Independent Third Parties of the Company at a total consideration of RMB2 (equivalent to approximately HK\$2). The disposals have been completed during the year ended 31 December 2018. Details on the disposal are set out in the announcements of the Company dated 28 August 2018 and 4 December 2018.

The Group, through Yingkou Haida Property Service Company Limited (營口海達物業服務有限公司) (“**Haida**”), an indirect wholly owned subsidiary of the Company, owned a piece of land with gross floor area of approximately 5,000 square meters and two blocks of buildings with a total gross floor area of approximately 5,022 square meters. The said lands and the properties were situated in Yingkou city, Liaoning province, the PRC. During the year ended 31 December 2018, the Group disposed of the said lands and the properties through the disposal of entire equity interest in Haida to an Independent Third Party of the Company at a consideration of RMB24,000,000 (equivalent to approximately HK\$27,352,000). The disposal was completed on 19 June 2018. Details of the disposal are set out in the announcement of the Company dated 18 May 2018.

During the year ended 31 December 2018, the Group’s rental income amounted to approximately HK\$4,270,000 (2017: approximately HK\$3,967,000). The properties investment segment recorded valuation loss of approximately HK\$5,369,000 (2017: approximately HK\$20,866,000) on its investment properties, as a whole, this business segment recorded a profit of approximately HK\$17,222,000 for the year ended 31 December 2018 (2017: loss of approximately HK\$21,932,000).

### **Investment holding**

For the year ended 31 December 2018, the Group had no revenue and profit from investment holding (2017: approximately HK\$977,000 and HK\$9,629,000).

### **Trading of building materials**

The Group has commenced its building materials trading business since the second half of 2017 through its indirect wholly owned subsidiary, Qianhai Shitong Supply Chain (Shenzhen) Company Limited (“前海世通供應鏈(深圳)有限公司”) (“**Qianhai Shitong**”). The Board considered that this new business can broaden revenue base of the Group which would be in the interests of the Company and the shareholders as a whole.

During the year ended 31 December 2018, the trading of building materials segment contributed a revenue of approximately HK\$881,601,000 (2017: approximately HK\$49,587,000), representing 99.5% of total revenue from continuing operations. The segment contributed a gross profit of approximately HK\$4,890,000, representing 53.4% (2017: approximately HK\$2,894,000) of total gross profit from continuing operations for the year ended 31 December 2018.

During the year ended 31 December 2018, the Group had over 10 key customers, all of which are Independent Third Parties. Among these customers, two are subsidiaries of companies listed in Hong Kong and/or in the PRC. During the same year, the Group had about 15 key suppliers, all of which are Independent Third Parties. Among these suppliers, two are subsidiaries of companies listed in Hong Kong and/or the PRC.



## **BUSINESS PROSPECTS AND FUTURE PLANS**

The Group is optimistic about the prospect of its building materials trading business because when demand for properties grows in the Greater Bay Area, demand for building materials is expected to increase correspondingly. The Company plans to continue developing this business segment by recruiting additional staff and adopt more proactive approach to select and solicit quality suppliers and customers. Following the economic growth in the Greater Bay Area benefited from the recent PRC national policies promulgated by the government of the PRC for the region, demand for properties is expected to increase, which will in turn stimulate the revenue from trading of building materials, bringing a turnaround to profit in the long run.

Subsequent to completion of acquisition of the investment properties in the Northeast Region by the Group in the second half of 2016, the economy development of Liaoning Province did not grow as expected, and lagged behind the national economy growth. In such connection, certain investment properties had been vacant for some time due to macroeconomic factors. In 2017, the Group did not acquire any investment properties in the Northeast Region. The Group will continue to develop its properties investment business segment given its vast potential and opportunity. Driven by the market potential in the Greater Bay Area and taking advantage of the extensive business network of the Chairman of the Board, Mr. Li Sen, the Group has been and is reviewing its property investment portfolio with the aim to seize new properties investment opportunities in Shenzhen City and Greater Bay Area.

As at 31 December 2018, all investments in securities or bonds were disposed of. Going forward, the Company will continue to actively explore the potential for other strategic investments and capture the opportunities and balance the investment risks.

On 14 March 2018, Enviro Energy Finance (BVI) Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Quick Master Company Limited (“QMS”) at a consideration of HK\$450,000. The acquisition was completed on 14 March 2018. QMS holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Board considers that the acquisition provides a prime opportunity to diversify the Group’s business scope, broaden the Group’s sources of income and achieve better return to the shareholders of the Company. The Board is of the view that the acquisition would be in the interests of the Group and the shareholders as a whole.

Looking ahead, China’s economy is expected to maintain steady in the first half of 2019 as a result of the economic and financial reform driven by the States with the recent PRC national policies related to the “Greater Bay Area”. The markets of property investment and trading of building materials in Mainland China are also expected to grow at a steady pace. With this background, the Board is reviewing the portfolio of investment properties and the Group may acquire investment properties in Greater Bay area and/or Hong Kong when opportunities arise. The Board is fully confident in the future business development of the Group.

The Board will continue to look out for opportunities to make investments in any new business when suitable opportunities arise to diversify revenue streams of the Group and strengthen the Group's financial position, and thereby maximising the benefits of the shareholders as a whole.

To raise fund for the potential investments in the future, the Group is actively considering to explore different avenues for strengthening the Group's cashflows by obtaining new bank borrowings and carrying out fund raising including, but not limited to, rights issue, open offer, placing of new shares and issuance of other convertible bonds.

## **FINANCIAL REVIEW**

### **Overall Results**

For the year ended 31 December 2018, the Group recorded a consolidated revenue of approximately HK\$885,871,000 (2017: approximately HK\$54,531,000) from its continuing operations, representing an increase by over 16.25 times when compared with the year ended 31 December 2017. The significant increase in revenue was mainly attributable to the start up of trading of building materials business at end of 2017.

The Group's gross profit from its continuing operations for the year ended 31 December 2018 was approximately HK\$9,160,000 (2017: approximately HK\$7,537,000) with an average gross profit margin of 1.0% (2017: 13.8%), which resulted in an increase of approximately HK\$1,623,000, representing an increase of approximately 21.5% when compared with the year ended 31 December 2017.

The loss from continuing operations was approximately HK\$14,531,000 for the year ended 31 December 2018 (2017: approximately HK\$50,855,000). The decrease in loss from continuing operations was mainly attributable to (i) decrease in fair value loss on investment properties from HK\$20,866,000 in 2017 to HK\$5,369,000 in 2018 and (ii) the interest income of HK\$21,755,000 (2017: nil) from loan receivables recognised during the year ended 31 December 2018.

Loss from the discontinued operations was nil for the year ended 31 December 2018 (2017: approximately HK\$43,045,000).

The overall net loss attributable to owners of the Company for the year ended 31 December 2018 was approximately HK\$14,531,000 (2017: approximately HK\$93,900,000), representing a decrease of losses by approximately HK\$79,369,000 when compared with the year ended 31 December 2017. Both the basic and diluted loss per share attributable to owners of the Company from continuing and discontinued operations for the year ended 31 December 2018 were HK\$0.16 as compared with HK\$1.21 for the year ended 31 December 2017.

## **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2018, the Group had current assets of approximately HK\$462,283,000 comprising trade deposit paid in advance of approximately HK\$293,824,000 (2017: approximately HK\$230,676,000) and receivables of approximately HK\$134,864,000 from disposal of investment properties and assets held for sale (2017: nil). The Group's current ratio, calculated based on current assets of approximately HK\$462,283,000 (2017: approximately HK\$619,648,000) over current liabilities of approximately HK\$236,451,000 (2017: approximately HK\$577,169,000), was about 1.96 at 31 December 2018 (2017: 1.07).

As at 31 December 2018, the Group's current liabilities decreased by 59% to approximately HK\$236,451,000 (2017: approximately HK\$577,169,000) over last year and the decrease was primarily due to the bank borrowing of approximately HK\$59,198,000 released through the disposal of subsidiaries, bank borrowings of approximately HK\$185,977,000 and loan of approximately HK\$62,331,000 from a related company settled during the year ended 31 December 2018. As at 31 December 2018, all bank borrowings amounted to approximately HK\$184,425,000 (2017: approximately HK\$429,600,000) were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year.

As at 31 December 2018, the equity attributable to owners of the Company amounted to approximately HK\$575,791,000 (2017: approximately HK\$603,238,000).

As at 31 December 2018, the Group had cash and bank balances of approximately HK\$2,123,000 (2017: approximately HK\$154,140,000), representing 98.6% decrease mainly due to the repayment of bank borrowings of approximately HK\$185,977,000 during the year ended 31 December 2018.

As at 31 December 2018, the debt to equity ratio and net debt to equity ratio of the Group, which were calculated by dividing total interest-bearing debt by total equity and dividing total interest-bearing debt less bank balances and cash by total equity, were approximately 32% (2017: 71%) and 32% (2017: 46%) respectively.

With the amount of liquid assets on hand and unutilised loan facility, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational needs.

## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

As set forth in the section headed "Business Review" in this announcement, the Group disposed of entire equity interest in Haida and Hailanggu during the year ended 31 December 2018 and the disposals were completed during the year ended 31 December 2018. Details on the disposals are set out in the announcement of the Company dated 18 May 2018, 28 August 2018 and 4 December 2018 respectively.

Save as the above, there were no other material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2018.

The Group had no significant investments held during the year ended 31 December 2018.

### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

On 31 January 2019, the Company entered into a convertible bonds subscription agreement for the issue of 15% convertible bonds due 2020 with Huajun Group (Asia) Limited in the principal amount of HK\$50 million which are convertible into 844,594,595 shares upon conversion of the convertible bonds at the exercise price of HK\$0.0592 per share. Up to the date of this announcement, the issue of convertible bonds is not completed. Details of the issue of convertible bonds are set out in the announcement of the Company dated 31 January 2019.

### **USE OF NET PROCEEDS FROM THE SUBSCRIPTION**

A subscription agreement dated 25 October 2017 was entered into between the Company and the subscriber in respect of the subscription of 1,507,900,000 new ordinary shares of the Company at the subscription price of HK\$0.13 per share. On 7 November 2017, the subscription of new ordinary shares under the general mandate was completed with a total of 1,507,900,000 new ordinary shares being subscribed, raising net proceeds of approximately HK\$196,027,000. Further details of the subscription of new shares are set out in the announcements of the Company dated 25 October 2017, 27 October 2017 and 7 November 2017 respectively.

The table below sets out the proposed applications of the net proceeds from the subscription and actual usage up to 31 December 2018:

	<b>Proposed application</b> <i>HK\$'000</i>	<b>Actual usage up to 31 December 2018</b> <i>HK\$'000</i>
Investment holding business	6,400	6,400
Future projects or investment*	160,000	160,000
General working capital	29,627	29,627
	<u>196,027</u>	<u>196,027</u>

\* Future projects or investment mainly included the investment in trading of building materials business

### **Gearing Ratio**

Gearing ratio is calculated based on total debts divided by total equity as of the end of each period. Gearing ratio was 32% as at 31 December 2018 (2017: 56%).

### **Charge on Group Assets**

As at 31 December 2018, the investment properties of the Group with carrying amount of approximately HK\$177,936,000 (2017: approximately HK\$424,380,000) were pledged to secure certain bank borrowings.

### **Foreign Exchange Exposure**

During the year ended 31 December 2018, the Group mainly earned revenue and incurred costs in Hong Kong Dollar, Renminbi and United States dollar and no hedging measures had been undertaken. The management will continue to monitor closely the Group's foreign exchange risks by entering into forward contracts and utilising applicable derivatives to hedge out foreign exchange risks when considers appropriate.

### **Capital Commitments**

As at 31 December 2018, the Group did not have any capital commitments (2017: nil).

### **Contingent Liabilities**

As at 31 December 2018, the Group did not have any contingent liabilities (2017: nil).

### **Employees and Remuneration Policies**

The Group had 21 employees in Hong Kong and the PRC as at 31 December 2018 (2017: 12 employees). The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

### **FINAL DIVIDEND**

The Board has resolved not to declare a final dividend for the year ended 31 December 2018 (2017: nil).

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2018.

## UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. On 3 August 2018, Mr. Li Sen (“**Mr. Li**”) has in his personal capacity agreed on a voluntary basis to provide guarantee to all private lenders and investors/ clients for the performance of the payment obligations by some private group companies under a notice issued by them on the same date. The arrangements contemplated under the settlement proposal offered by Mr. Li and the private group companies with the private lenders falls under an event/events described in Rule 13.51(2)(j) and (l) of the Listing Rules. Further details of the settlement proposal are stated in the Company’s announcement dated 28 August 2018.

Mr. Li has been re-designated to Co-Chief Executive Officer on 9 November 2018 and resigned as Co-Chief Executive Officer of the Company on 27 November 2018.

2. Mr. Zhou Xuesheng has been appointed as Co-Chief Executive Officer on 9 November 2018 and re-designated to Chief Executive Officer of the Company on 27 November 2018.
3. Mr. Wen Guangwei (“**Mr. Wen**”) has resigned as an independent director of 利亞德光電股份有限公司 (Leyard Optoelectronic Co., Ltd) (stock code: 300296) (“**Leyard**”), on 29 December 2016 and 北京華誼嘉信整合營銷顧問集團股份有限公司 (Spearhead Integrated Marketing Communication Group) (stock code: 300071) (“**Spearhead**”), on 21 April 2017. Both Leyard and Spearhead are listed on the Shenzhen Stock Exchange. He has been appointed as an independent director of 華潤雙鶴藥業股份有限公司 (China Resources Double-Crane Pharmaceutical Co., Ltd.) (stock code: 600062) with effect from 22 June 2018 whose shares are listed on the Shanghai Stock Exchange.

Mr. Wen is entitled to receive a director’s fee of HK\$270,000 per annum under his letter of salary increment with the Company. The director’s fee of Mr. Wen has been recommended by the Remuneration Committee and approved by the Board on 31 August 2018.

4. Dr. Hou Chaohui (“**Dr. Hou**”) entered into a letter of appointment with the Company, pursuant to which he has been appointed as an independent non-executive Director for a term of twelve-month period, subject to the re-appointment of Dr. Hou by the shareholders of the Company at the forthcoming annual general meeting, which automatically renews for successive twelve month periods unless terminated by either party by two months’ written notice prior to the expiry of the term. The directorship of Dr. Hou will be subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company. Under the appointment letter of Dr. Hou, he is entitled to a director’s fee of HK\$270,000 per annum which has been recommended by the Remuneration

Committee and approved by the Board based on Dr. Hou's qualifications and experience, his level of responsibilities undertaken and the prevailing market conditions. The director's fee of Dr. Hou will be subject to annual review by the Remuneration Committee and the Board.

Dr. Hou has not held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the last three years.

Dr. Hou does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Dr. Hou (i) does not hold any other positions in the Company or its subsidiaries; and (ii) does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

5. Mr. Jiang Maolin (“**Mr. Jiang**”) entered into a letter of appointment with the Company, pursuant to which he has been appointed as an independent non-executive Director for a term of twelve-month period, subject to the re-appointment of Mr. Jiang by the shareholders of the Company at the forthcoming annual general meeting, which automatically renews for successive twelve month periods unless terminated by either party by two months' written notice prior to the expiry of the term. The directorship of Mr. Jiang will be subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company. Under the appointment letter of Mr. Jiang, he is entitled to a director's fee of HK\$270,000 per annum which has been recommended by the Remuneration Committee and approved by the Board based on Mr. Jiang's qualifications and experience, his level of responsibilities undertaken and the prevailing market conditions. The director's fee of Mr. Jiang will be subject to annual review by the Remuneration Committee and the Board.

Mr. Jiang has not held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the last three years.

Mr. Jiang does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Jiang (i) does not hold any other positions in the Company or its subsidiaries; and (ii) does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

## **CORPORATE GOVERNANCE**

The Company had complied with all the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules for the year ended 31 December 2018 except for the following deviation and compliance with reason as explained:

### **Code Provision A.2.1**

According to the code provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

### **Deviation and Compliance**

On 23 January 2018, Mr. Li Sen (“**Mr. Li**”) was both the chairman of the Board and the chief executive officer of the Company. The Board considered that Mr. Li has in-depth knowledge and experience in the property investment related business in the PRC and therefore he is the most appropriate person to take up these two roles. After reviewing of the Board’s structure in 2018, Mr. Li has been re-designated as a Co-Chief Executive Officer and Mr Zhou Xuesheng (“**Mr. Zhou**”) has been appointed as Co-Chief Executive Officer of the Company on 9 November 2018. On 27 November 2018, Mr. Li resigned as a Co-Chief Executive Officer and Mr. Zhou has been appointed as the Chief Executive Officer of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS**

The Company has adopted its own code of conduct regarding directors’ dealing in the Company’s securities (the “**Own Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers. Specific enquiries have been made with the directors and they have confirmed their compliance with the Own Code during the year ended 31 December 2018.

## **ENGAGEMENT OF INTERNAL CONTROL CONSULTANT**

In view of the qualified opinion of the auditors for the year ended 31 December 2017, the Company understands the importance of improving its internal control procedures. On 30 May 2018, the Company engaged AVISTA PRO-WIS Risk Advisory Limited (“**AVISTA**”) as its internal control consultant to conduct a review of the Group’s internal control system for the year ended 31 December 2017 and for the three months ended 31 March 2018, including the Group’s revenue and receipt cycle, trading and procurement cycle, inventory cycle, expenditure cycle, financial reporting cycle, cash management and treasury cycle, property investment and development cycle (the “**Internal Control Review**”), and to make recommendations to the Company for this purpose.



The first review on internal control review report was circulated on 28 September 2018. The Company is now reviewing the report and gathering the management responses from the subsidiaries of each finding as mentioned in the report and the first review report could be finalised once the Company responded and replied. Most of remedial measures are not implemented and the timetable for follow-up review is subject to further discussion with the management of the Company.

## **AUDITORS**

Following the resignation of PricewaterhouseCoopers (“**PwC**”) as auditors of the Company on 27 April 2018, Zhonghui Anda CPA Limited (“**Zhonghui Anda**”) was appointed as new auditors of the Company with effect from 15 November 2018 to fill the casual vacancy, and to hold office until the conclusion of the next annual general meeting of the Company. Save as disclosed above, there were no other changes in the auditors of the Company during the past three years. The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by Zhonghui Anda while the consolidated financial statements for the three preceding years ended 31 December 2015, 2016 and 2017 were audited by PwC. Zhonghui Anda will retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Zhonghui Anda as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The figures in respect of the preliminary announcement of the Group’s consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Group’s independent auditor, Zhonghui Anda, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui Anda on the preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The section below is an extract of the report by Zhonghui Anda, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2018:

## **QUALIFIED OPINION**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR QUALIFIED OPINION**

### **Opening balances and corresponding figures**

The audit opinion on the consolidated financial statements for the year ended 31 December 2017, which forms the basis for the corresponding figures presented in the current year’s consolidated financial statements, was qualified by another auditor in relation to prepayments of approximately HK\$230,676,000 and other payables of approximately HK\$7,990,000, details of which are set out in the auditor’s report dated 31 March 2018. In respect of these balances, we were unable to obtain sufficient appropriate audit evidence to substantiate these balances and to satisfy ourselves whether the effects of these balances, including the related cashflows, have been properly accounted for and disclosed in the consolidated financial statements.

### **Loan receivable, interest receivable, prepayments and consideration receivables**

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of loan receivable of approximately HK\$170,764,000, interest receivable of approximately HK\$8,556,000, prepayments for purchase of trading materials of approximately HK\$293,824,000 and consideration receivables of approximately HK\$134,864,000 as at 31 December 2018. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made in the consolidated financial statements.

Any adjustments to the figures as described above might have a consequential effect on the Group’s financial performance and cash flows for the years ended 31 December 2018 and 2017 and the financial positions of the Group as at 31 December 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

## **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$14,531,000 for the year ended 31 December 2018. In addition, as at 31 December 2018 the Group’s bank balance and cash of approximately HK\$2,123,000 is insufficient to cover the current liabilities of approximately HK\$236,451,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**PUBLICATION OF INFORMATION ON THE WEBSITES OF THE COMPANY  
AND THE STOCK EXCHANGE**

This announcement is published on the website of the Company (<http://www.enviro-energy.com.hk/>) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2018 will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 29 March 2019

*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.*