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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)

DISCLOSEABLE TRANSACTION

Reference is made to the April Announcement and the 2017 Annual Report of the Company.

On 7 April 2017, the Group entered into the Bond Subscription Agreement with Huajun, pursuant to which the Group agreed to subscribe at the price of HK\$30 million for, and Huajun agreed to issue, the Bond in an aggregate principal amount of HK\$30 million.

At the material time, the Company classified the Subscription as non-notifiable transaction without taking into consideration the gross profit ratio as the potential alternative test to the profits ratio as there was net loss to the Group for the year ended 31 December 2016. The Subscription would be classified as discloseable transaction should the gross profit ratio be applied. The Company considers that it was an inadvertent omission and an unintentional non-compliance with the Listing Rules due to a different interpretation of the applicability of alternative test. The details of the Subscription are set out below.

THE SUBSCRIPTION

Major terms of the Bond Subscription Agreement are set out as follows:

Date 7 April 2017

Parties (a) EEITL
(b) Huajun

To the best of the Company's knowledge and belief, and having made all reasonable enquiries, Huajun and its ultimate beneficial owner(s) are Independent Third Parties.

Principal amount HK\$30 million

Maturity:	The date falling 12 months following the date of issue of the Bond
Interest:	The Bond will carry interest at the rate of 6% per annum, payable semi-annually in arrear
Redemption:	Unless previously redeemed or purchased and cancelled in accordance with the terms and conditions of the Bond, the Bond shall be redeemed in full at 100% of their principal amount on its maturity date.
Early redemption:	<p>EEITL shall have the right to request Huajun to redeem whole of the outstanding principal amount of the Bond at an amount equals to the principal amount of the Bond together with accrued interest at any time before the maturity date by giving to Huajun not less than 7 Business Days' prior written notice of its intention to request for such redemption.</p> <p>Huajun shall have the right to redeem whole of the outstanding principal amount of the Bond at an amount equals to the principal amount of the Bond together with accrued interest by at any time before the maturity date by giving to EEITL not less than 7 Business Days' prior written notice.</p>

Completion of the Subscription took place on 7 April 2017.

CURRENT STATUS

As disclosed in the April Announcement and the 2017 Annual Report, on 27 October 2017, the Bond was redeemed by Huajun and the full principal amount (in the sum of HK\$30 million) and interest income accrued (in the sum of about HK\$977,000) under the Bond were received by the Group.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

In order to maximise the utilisation of the idle funds, the Group utilised certain idle funds to subscribe for the Bond which was considered to be a low-risk investment product with high return. The then management of the Company was of the view that (i) the Subscription provided the Group with better return than deposits generally offered by commercial banks in Hong Kong; (ii) the Subscription was funded from the Group's idle funds which would not affect the working capital or the operation of the Group; and (iii) the Subscription would bring positive returns to the Group.

The Directors consider that the terms of the Bond Subscription Agreement are fair and reasonable, and the Subscription is on normal commercial terms or better (having such meaning as ascribed to such expression under Chapter 14 of the Listing Rules) and in the interests of the Company and its Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND HUAJUN

The Group is principally engaged in trading of building materials, investment holding and properties investment.

To the best of the knowledge, information and belief of the Directors, the principal activities of Huajun include printing, trading and logistics, property development and investments, solar photovoltaic and financial services.

IMPLICATION UNDER THE LISTING RULES

As the Group recorded a net loss for the year ended 31 December 2016, at the material time in April 2017, management of the Company considered that the profits ratio for the Subscription would be inapplicable. The management further considered the gross profits ratio as an alternative test to be inappropriate for the reasons stated below. If the gross profits ratio were to be used as an alternative test pursuant to Rule 14.20 of the Listing Rules, such ratio would exceed 5% but less than 25%. Accordingly, the Subscription would constitute a discloseable transaction under Chapter 14 of the Listing Rules and as such, the Subscription was subject to the announcement and reporting requirements under the Listing Rules but was exempted from the circular, independent financial advice and shareholders' approval requirements.

The Company inadvertently disregarded the gross profits ratio as an alternative test for the Subscription, as (i) the result of the gross profit ratio was anomalous (*vis-à-vis* other applicable percentage ratios which were all smaller than 5%); (ii) no other alternative test could be identified; and (iii) the Company intended to exercise its early redemption right within one year and therefore the amount of annual interest payable under the Bond would not reflect accurately the actual size of the Subscription. The then management of the Company did not seek the Stock Exchange's prior consent to the use of the gross profits ratio (or disregarding such ratio) before entering into the Subscription.

The Company's failure to (i) seek the Stock Exchange's prior consent for the use of the gross profits ratio (or disregarding such ratio) as an alternative test; and (ii) comply with the announcement requirements under the Listing Rules at the time when the Group subscribed for the Bond constituted non-compliance of the Listing Rules. In order to prevent similar incidents in the future, the Company has taken or will take the following remedial actions:

- (a) Generally, all material contracts having contract sum exceeding RMB10 million (supported by detailed business plans and proposal) are required to be approved by the chief financial controller of the Company and approved by the board of Directors.

- (b) The Company will (by its own staff or its advisers) consult the Stock Exchange, if any percentage ratio in respect of any proposed transaction produces an anomalous result or if the Company has any doubt on any procedure or requirement under the Listing Rules.
- (c) An internal control consultant has been appointed to carry out a review of internal control system of the Company and its subsidiaries to identify the Group’s internal control deficiencies and to formulate new policy to enhance the internal control functions of the Group.
- (d) The Company will from time to time consult its Hong Kong legal advisers (and, where applicable, other advisers) on compliance issues (including those concerning the Listing Rules) in respect of any proposed transactions and will also request such advisers to provide training to the Directors and senior management in such connection on a regular basis (at intervals of no less than 12 months).

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2017 Annual Report”	the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018
“April Announcement”	the announcement of the Company published on 2 April 2018
“Bond”	each bond issued pursuant to the Bond Subscription Agreement which shall be in the principal amount stated on the certificate for such Bond, and where the context so requires, the Bond
“Bond Subscription Agreement”	the subscription agreement dated 7 April 2017 entered into between Enviro Energy Information Technology Limited and Huajun relating to the subscription and issue of the Bond
“Business Day”	any day (other than Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“Company”	Enviro Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 1102)
“connected persons”	has the meaning ascribed to it in the Listing Rules

“Director(s)”	director(s) of the Company
“EEITL”	Enviro Energy Information Technology Limited (環能資訊科技有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries
“Huajun”	Huajun International Group Limited (formerly known as Huajun Holdings Limited), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 377)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholders”	holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Bond by the Company in accordance with the terms of the Bond Subscription Agreement

By Order of the Board
Enviro Energy International Holdings Limited
Li Sen

Chairman, Chief Executive Officer and executive Director

Hong Kong, 13 July 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Sen (Chairman and Chief Executive Officer), Mr. Zhou Xuesheng and Mr. Wei Junqing and three independent non-executive Directors, namely Mr. Wen Guangwei, Mr. Chiang Bun and Dr. Chiao Li.