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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)

MAJOR AND CONNECTED TRANSACTION

AND

**CLARIFICATION ANNOUNCEMENT REGARDING
THE COMPANY'S ANNOUNCEMENT ON
ITS INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 JUNE 2018**

**Provision of financial assistance to an independent third party
for repayment of its indebtedness
owing to Dongyin Finance, a connected person**

QH Finance and the Borrower entered into the Original Loan Agreement in respect of the Loan Facility. Under the Original Loan Agreement, the Loan Facility is agreed to be available for drawdown from 1 May 2018 onward, and the maturity date of the principal amounts so drawn under the Loan Facility is 31 December 2018.

By the Supplemental Agreement 3 May 2018 and entered into by QH Finance, the Borrower and Dongyin Finance, the Borrower directed QH Finance to make payment of the amounts drawn under the Loan Facility to Dongyin Finance for the purpose of settling the DYF Indebtedness.

During the period from May to August 2018, a total of approximately RMB57.7 million was drawn by instalments under the Loan Facility and paid by QH Finance (as directed by the Borrower) to Dongyin Finance for repayment of the DYF Indebtedness.

LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratios in respect of the Loan exceeds 25%, but all the applicable percentage ratios are less than 100%, the grant of the Loan Facility under the Original Loan Agreement constitutes a major transaction under Chapter 14 of the Listing Rules.

As at the date of the Supplemental Agreement, Dongyin Finance was wholly owned by Shenzhen Guangshen Investment Group Limited* (深圳市廣森投資集團有限公司), in which Mr. Li had (and still has) a controlling interest. Accordingly, Dongyin Finance was (and still is) a connected person of the Company. As the drawings under the Loan Facility were paid to Dongyin Finance for repayment of the DYF Indebtedness, the Supplemental Agreement and the related drawings pursuant to it are deemed to constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios in respect of the Loan exceeds 25%, and the total value of the financial assistance plus any monetary advantage to Dongyin Finance is more than HK\$10 million, the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve and ratify the Supplemental Agreement and the transactions contemplated thereunder.

A circular containing, among other information, (i) further details of the Original Loan Agreement and the Supplemental Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matter; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to all Shareholders. Such circular is expected to be despatched on or before 16 November 2018, as additional time is required to prepare and finalise certain information to be included in the circular.

THE ORIGINAL LOAN AGREEMENT

QH Finance and the Borrower entered into the Original Loan Agreement dated 1 May 2018 in respect of the Loan Facility of up to RMB60 million. Under the Original Loan Agreement, the Loan Facility is agreed to be available for drawdown from 1 May 2018 onward, and the maturity date of the principal amounts so drawn under the Loan Facility is 31 December 2018.

The principal terms of the Original Loan Agreement are set out as follows:

Date	:	1 May 2018
Parties	:	(a) QH Finance (as lender); and (b) the Borrower (as borrower)
Principal amount(s) which may be drawn under the Loan Facility	:	up to RMB60 million, the exact principal amount is the aggregate amounts drawn by the Borrower from QH Finance

Interest	:	interest shall accrue at an annualized rate of 15%, from the date(s) of drawdown(s) under the Loan Facility, until the repayment and payment of the principal amount and accrued interest in full
Term	:	the Loan Facility is available to be drawn from 1 May 2018 onward, and the maturity date of the principal amounts so drawn under the Loan Facility is 31 December 2018
Purpose	:	used as general working capital of the Borrower
Penalty	:	daily interest rate of 0.05% on the principal amount and accrued interest of the Loan until repayment in full
Security	:	No security or guarantee is given in favour of the Company in respect of the Loan

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, each of the Borrower and its ultimate beneficial owners is an Independent Third Party, other than it has lending-borrowing relationship with Dongyin Finance (including the DYF Indebtedness owing by the Borrower to Dongyin Finance as of 3 May 2018).

Mr. Tang Zhiqiang is the sole director of QH Finance, and he is also a supervisor of each of the Borrower and Dongyin Finance. In connection with the Original Loan Agreement, the Borrower was introduced by Mr. Tang Zhiqiang to the management of QH Finance.

QH Finance conducted internal risk assessment and legal and financial due diligences before entering into the Original Loan Agreement, which included but not limited to obtaining the Borrower's background information, audited financial statements and the latest management accounts. The industry of electronic components in which the Borrower is engaged in is currently at the beginning of a new cycle's uptrend as this industry continues to grow. As a distributor of electronic components in the industry which provides room to grow, the Borrower is considered to have become a direct beneficiary as potentials in the new applications of semi-conductors are being developed. As of March 2018, the asset size of the Borrower was approximately RMB384 million. Its operating income in the last three years (from 2015 to 2017) was approximately RMB270 million, RMB450 million and RMB630 million respectively.

After the granting of the Loan Facility, management accounts were obtained by the Group from the Borrower at the end of every quarter for timely monitor of its financial position.

THE SUPPLEMENTAL AGREEMENT

By the Supplemental Agreement dated 3 May 2018 and entered into by QH Finance, the Borrower and Dongyin Finance, the Borrower directed QH Finance to make payment of the amounts drawn under the Loan Facility to Dongyin Finance for the purpose of settling the DYF Indebtedness. Under the Supplemental Agreement, any drawing from the Loan Facility and paid to Dongyin Finance is solely provided to be settlement of the same amount under the DYF Indebtedness.

During the period from May to August 2018, a total of approximately RMB57.7 million was drawn by instalments under the Loan Facility and paid by QH Finance (as directed by the Borrower) to Dongyin Finance for repayment of the DYF Indebtedness.

Despite the entering into of the Supplemental Agreement, the interests accrued on the Loan remain to be payable by the Borrower to QH Finance on the maturity date of the Loan. No interest is payable by Dongyin Finance to QH Finance.

At the time of the Supplemental Agreement being entered into, the Handling Director (an executive Director) was informed about such Supplemental Agreement to be entered into. However, due to some misunderstanding that the Loan was an entrustment loan (委託貸款, which involved the relevant sum being lent by the Group to the Borrower (which is an Independent Third Party) which used the Loan to repay an existing loan owing by the Borrower to Dongyin Finance), the Handling Director approved the Loan without notifying or seeking approval from the Board (including Mr. Li, the Chairman of the Board) or the finance department and company secretarial department of the Company in Hong Kong.

During the preparation of the interim results for the six months ended 30 June 2018, the making of the Loan came to the notice of the management of the Company and such information (together with the financial information of the Group and the draft interim results announcement) was given to the Board for consideration in mid-August 2018.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE ORIGINAL LOAN AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

The principal activity of QH Finance is financial leasing business. The granting of the Loan to the Borrower pursuant to the Original Loan Agreements is in the ordinary course of business of the Group. The Loan was funded by the Group's internal funding resources. The management of the Company is of the view that the entering into of the Original Loan Agreement and the Supplemental Agreement (i) provided the Group with better return than deposits generally offered by commercial banks in Hong Kong and the PRC; and (ii) would bring positive returns to the Group.

The terms of the Original Loan Agreement were negotiated on an arm's length basis between QH Finance and the Borrower with reference to the prevailing market interest rates and the amount of the Loan. The Directors (excluding the INEDs whose views will be given after receiving the comments thereon from the independent financial adviser) are of the view that the terms of the Original Loan Agreement were entered into on normal commercial terms. It is expected that a stable revenue will arise from the interest paid to the Group. The Directors (excluding the INEDs whose views will be given after receiving the comments thereon from the independent financial adviser) consider that the terms of the Original Loan Agreement and the entering into of the Original Loan Agreement are fair and reasonable and in the interest of the Company and the Shareholders taken as a whole. Save for Mr. Li, no Director is required to abstain from voting on the Board resolutions for approving the Original Loan Agreement.

The Directors (excluding the INEDs whose views will be given after receiving the comments thereon from the independent financial adviser) are of the view that the terms of the Supplemental Agreement are fair and reasonable, and the payment of the Loan to Dongyin Finance was directed by the Borrower and is on normal commercial terms and in the interest of the Company and the Shareholders as a whole. Save for Mr. Li, no Director is required to abstain from voting on the Board resolutions for approving the Supplemental Agreement.

INFORMATION OF THE PARTIES

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

The Borrower is principally engaged in the supply chain service of electronic components.

QH Finance is principally engaged in the provision of financial leasing services.

Dongyin Finance is principally engaged in financial information consultancy, provision of financial agency services, and carrying financial service subcontracts upon commissions from financial institutions.

IMPLICATIONS OF THE LISTING RULES

Since one of the applicable percentage ratios in respect of the Loan exceeds 25%, but all the applicable percentage ratios are less than 100%, the grant of the Loan Facility under the Original Loan Agreement constitutes a major transaction under Chapter 14 of the Listing Rules.

As at the date of the Supplemental Agreement, Dongyin Finance was wholly owned by Shenzhen Guangshen Investment Group Limited* (深圳市廣森投資集團有限公司), in which Mr. Li had (and still has) a controlling interest. Accordingly, Dongyin Finance was (and still is) a connected person of the Company. As the drawings under the Loan Facility were paid to Dongyin Finance for repayment of the DYF Indebtedness, the Supplemental Agreement and the related drawings pursuant to it are deemed to constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Since one of the applicable percentage ratios in respect of the Loan exceeds 25%, and the total value of the financial assistance plus any monetary advantage to Dongyin Finance is more than HK\$10 million, the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve and ratify the Supplemental Agreement and the transactions contemplated thereunder.

Written resolutions were passed by the Directors on 2 October 2018 to ratify and approve the Supplemental Agreement and the transactions contemplated thereunder. As Mr. Li is concurrently a director of the Company and Dongyin Finance, he is required to abstain from voting on the relevant resolutions for considering the Supplemental Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the Supplemental Agreement and the transactions contemplated thereunder, who are required to abstain from voting on the relevant Board resolutions.

By virtue of Mr. Li's interests in the Supplemental Agreement, Mr. Li and his associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the date of this announcement, Mr. Li (through his solely-owned company, namely, Able Victory Enterprises Limited) held 2,207,485,423 Shares, representing about 24.4% of the entire issued share capital in the Company.

To the best of the Directors' knowledge and information, no Shareholders (other than Mr. Li and his associates) have a material interest in the Supplemental Agreement and the transactions contemplated thereunder, and no Shareholders (other than Mr. Li and his associates) are required to abstain from voting on the ordinary resolutions in relation to the Supplemental Agreement and the transactions contemplated thereunder to be proposed at the EGM.

The Independent Board Committee has been formed, comprising all the INEDs (namely, Mr. Wen Guangwei, Dr. Hou Chaohui and Dr. Chiao Li). It will make recommendations to the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the Original Loan Agreement and the Supplemental Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the same matter; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to all Shareholders. Such circular is expected to be despatched on or before 16 November 2018, as additional time is required to prepare and finalise certain information to be included in the circular.

REMEDIAL MEASURES TAKEN AND TO BE TAKEN

Subsequent to the meeting of the audit committee of the Board and the Board meeting held on 31 August 2018 at which the interim results for the six months ended 30 June 2018 were considered, the Board has directed the finance department and company secretarial department of the Company to send notices to all senior and middle-management of each of the Company's subsidiaries, reminding them to observe and comply with the financial reporting and internal control policy of the Company.

The Handling Director has also been requested and reminded to inform the finance department and company secretarial department of the Company in Hong Kong on all transactions having contract amount which is RMB2.6 million (or HK\$3 million) or above (for connected transaction cases) and RMB10 million (or HK\$11.5 million) or above (for any other cases) (before such transactions being entered into) and to provide such departments with additional information about the counterparties, and to cooperate with the finance department and company secretarial department in supplying information for such department to assess whether any disclosure or approval steps will be required under the Listing Rules or other applicable laws or regulations.

Management of the Company has also drawn the incident to AVISTA PRO-WIS Risk Advisory Limited (“AVISTA”), which has been retained as internal control consultant to the Company to review the internal control system of the Company and its subsidiaries. The Company will ensure that the recommendations and guidance given by AVISTA for enhancing the Group’s internal control system and policies will be implemented.

CLARIFICATION

Reference is made to the Company’s announcement dated 31 August 2018 (“IR Announcement”) in relation to the interim results of the Group for the six months ended 30 June 2018.

Certain information in the fourth paragraph on page 23 of the IR Announcement needs revision, which should read as follows (with changes made being underlined below):

“As at 30 June 2018, a fund advance of approximately HK\$61,306,000 (31 December 2017: nil) was recorded pursuant to a loan agreement entered into in May 2018 by the Group with a PRC enterprise which is an Independent Third Party. Drawings were made and (at the request of such borrower) paid to a related party for purpose of repayment of outstanding indebtednesses owing by such borrower to the related party. The amount owing from such borrower is unsecured and carried interest at an annualized rate of 15%, and the maturity date is 31 December 2018. As the drawings were made to retire outstanding indebtednesses owing by the borrower to the related party, no interest is carried in respect of the payments by the Group to the related party (which payments were so made at the request of the said borrower). No guarantees or other collaterals had been given in respect of the loan owing by the borrower. As at 30 June 2018, the above related company is beneficially owned or controlled by Mr. Li Sen, the Chairman, executive Director and Chief Executive Officer of the Company.”

Save as disclosed above, the Board confirms that the rest of the contents of the IR Announcement remain unchanged.

DEFINITIONS

Unless the context requires otherwise, the following terms and expressions in this announcement have the following meanings:

“Board”	board of Directors
“Borrower”	深圳市瑞迅嘉科技有限公司 (Shenzhen Ruixunjia Information Technology Company Limited*), a company established in the PRC and an Independent Third Party which, however, had lending-borrowing relationship with Dongyin Finance (including the DYF Indebtedness owing to Dongyin Finance)
“Company”	Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1102)

“connected person”	has the meaning ascribed to such term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongyin Finance”	深圳市東銀金融控股有限公司(Shenzhen Dongyin Financial Holdings Company Limited*), a company established in the PRC, in which Mr. Li has a controlling interest
“DYF Indebtedness”	the indebtedness in the sum of RMB66.5 million owing by the Borrower to Dongyin Finance, some of which was repaid during the period from May to August 2018 through the application of the Loan Facility
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and (if thought fit) approve and ratify the Supplemental Agreement and the transactions contemplated thereunder, or any adjournment thereof
“Group”	the Company and its subsidiaries
“Handling Director”	Mr. Zhou Xuesheng, an executive Director of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the INEDs (namely Mr. Wen Guangwei, Dr. Hou Chaohui and Dr. Chiao Li) established to make recommendations to the Independent Shareholders with regard to the Supplemental Agreement and the transactions contemplated thereby
“Independent Third Party(ies)”	individual(s) or company(ies) who, so far as the Directors aware, is not (or are not) connected person(s) of the Company
“Independent Shareholder(s)”	Shareholder(s) who is(are) not required to abstain from voting at the EGM to approve (among other matters) the Supplemental Agreement and the transactions contemplated thereunder
“INED(s)”	independent non-executive Director(s) of the Company

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan drawn under the Loan Facility granted by QH Finance to the Borrower pursuant to the Original Loan Agreement
“Loan Facility”	the facility of up to RMB60 million which may be drawn by the Borrower and lent by QH Finance pursuant to the Original Loan Agreement
“Mr. Li”	Mr. Li Sen (李森), who is an executive Director, the chairman of the Board and a substantial shareholder of the Company
“Original Loan Agreement”	the loan agreement dated 1 May 2018 and entered into between QH Finance and Borrower in respect of the grant of the Loan Facility
“QH Finance”	前海國興融資租賃(深圳)有限公司 (Qianhai Guoxing Finance Lease (Shenzhen) Company Limited*), a company established in the PRC and an indirect wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to such term under the Listing Rules
“substantial shareholder”	has the meaning ascribed to such term under the Listing Rules

“Supplemental Agreement”

the supplemental agreement dated 3 May 2018 and entered into between QH Finance, the Borrower and Dongyin Finance, pursuant to which the Borrower directed QH Finance to make payment to Dongyin Finance of the principal amounts drawn under the Loan Facility

* *For identification purposes only*

By Order of the Board
Enviro Energy International Holdings Limited
Wei Junqing
Executive Director

Hong Kong, 2 October 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, Dr. Hou Chaohui and Dr. Chiao Li.

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.15 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.