

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Enviro Energy International Holdings Limited (Stock Code: 1102) and two directors

SANCTIONS AND DIRECTIONS

The Listing Committee of the Exchange (**Listing Committee**)

CENSURES:

- (1) **Enviro Energy International Holdings Limited** (Stock Code: 1102) (**Company**);
- (2) **Mr Pu Wei (Mr Pu)**, former executive director and co-chief executive officer of the Company; and
- (3) **Mr Zhang Yuan Qing (Mr Zhang)**, former executive director and co-chief executive officer of the Company.

AND DIRECTS:

Mr Pu to attend 18 hours of training on regulatory and legal topics and Listing Rule compliance, including at least three hours on each of (i) directors' duties; (ii) the Corporate Governance Code; and (iii) the requirements under Chapter 13 of the Listing Rules, within 90 days; and

Mr Zhang to attend 18 hours of training on regulatory and legal topics and Listing Rule compliance, as a pre-requisite of any future appointment as a director of any company listed or to be listed on the Exchange. The training must include three hours on each of (i) directors' duties; (ii) the Corporate Governance Code; and (iii) the requirements under Chapter 13 of the Listing Rules.

(Mr Pu and Mr Zhang are collectively referred to as the **Relevant Directors**)

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SUMMARY OF FACTS***Prepayments A and A2***

On 13 June 2017, the Company's subsidiary, Yingkou Hailanggu Travel Co. (**Yingkou**), and a supplier entered into a procurement agreement for the purchase of construction materials for a refurbishment project at a consideration of RMB 93 million, pursuant to which around RMB 79 million was paid to the supplier (**Prepayment A**). No payment date or place for delivery were specified.

In August 2017, the Company purportedly decided to suspend the refurbishment project and sell the properties that were to be refurbished. Yingkou then demanded a refund of Prepayment A from the supplier. The supplier made a partial refund of RMB 1.5 million.

On 20 September 2017, Yingkou and the supplier agreed to assign the liability to pay the remaining refund of Prepayment A in the sum of RMB 77.5 million to another entity (**Assignee**). The Assignee paid the balance of Prepayment A to Yingkou on 21 March 2018.

On the same day, Yingkou made another prepayment (**Prepayment A2**) in the sum of RMB 74.1 million to another supplier, also purportedly to purchase further construction materials for the refurbishment project. Again, due to a purported change of business plan, the Company requested a refund of Prepayment A2, and Yingkou received the refund in full on 28 March 2018.

Prepayments A and A2 each amounted to over 8 per cent of assets ratio of the Company. There was no apparent commercial substance or business rationale for the prepayments. The Company did not announce the respective prepayments in a timely manner as required under the Listing Rules.

Prepayment A was subsequently disclosed in the Independent Auditor's Report in the Company's FY2017 annual results and report on 2 April 2018 and 27 April 2018 respectively (**FY2017 Results and Report**). Prepayment A2 was disclosed in a supplemental announcement on 24 July 2018 (**Supplemental Announcement**). However, the disclosures did not include the relevant details required to be given under Rule 13.15 of the Listing Rules.

Prepayments B and B2

On 17 August 2017, another subsidiary of the Company, Huan Neng Industrial (Yingkou) Company Limited (**Huan Neng**), entered into another procurement agreement with a supplier to purchase aluminum materials for a building materials trading business in the Northeast region of the PRC at a consideration of RMB 125.85 million, pursuant to which a total of approximately RMB 117 million was paid to the supplier (**Prepayment B**). No payment date was specified.

Shortly after, the Company changed its business plan again (by moving the building materials trading business to Shenzhen instead of the Northeast region). On 25 November 2017, by a supplemental agreement, Huan Neng requested, and the supplier agreed, to suspend the procurement agreement. The terms of the supplemental agreement included, among others, (i) the supplier can deliver the goods at the “*right timing*” at Huan Neng’s request; and (ii) the supplier does not need to refund Prepayment B immediately but would do so in full or in part at Huan Neng’s request.

In a subsequent telephone call, Huan Neng requested the supplier to refund Prepayment B, and the same was refunded by the supplier in full on 20 March 2018.

On the same day, Huan Neng made another prepayment (**Prepayment B2**) in the sum of RMB 117 million to another entity. The Company submitted that when it became aware of the prepayment, it requested a refund from the entity. The next day, the entity repaid Prepayment B2 in full.

Again, both Prepayments B and B2 each amounted to over 8 per cent of assets ratio of the Company. There was no apparent commercial substance or business rationale for these prepayments. The Company did not announce the respective prepayments in a timely manner as required under the Listing Rules.

Prepayment B was subsequently disclosed in the Independent Auditor’s Report in the FY2017 Results and Report. Prepayment B2 was also disclosed in the Supplemental Announcement without the details as required under the Listing Rules.

EXCHANGE’S LISTING RULE REQUIREMENTS

Rule 13.13 requires issuers to announce as soon as reasonably practicable details of any advance to an entity which exceeds 8 per cent under the assets ratio. Rule 13.11(2)(c) defines “*advance to an entity*” as the aggregated amount due from and all guarantees given on behalf of an entity and the entity’s subsidiaries.

Rule 13.15 requires issuers to announce the details of the advance to entity, including details of the balances, the nature of events or transactions giving rise to the amounts, the identity of the debtor group, interest rate, repayment terms and collateral.

The Relevant Directors were under an obligation under the *Declaration and Undertaking with regard to Directors* given to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (**Undertakings**) to, among other things, use their best endeavours to procure the Company’s compliance with the Listing Rules.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The Company breached Rules 13.13 and 13.15 by failing to announce as soon as reasonably practicable details of the advances to an entity in accordance with the announcement requirements set out in Rule 13.15 in respect of the prepayments.
- (2) Each of the Relevant Directors breached his Undertaking to use his best endeavours to procure the Company's compliance with the Listing Rules:
 - (a) Mr Zhang, being directly involved in the decision to enter into the relevant procurement agreement, failed to properly consider and take steps to ensure (i) that the Board was aware of and had considered the potential Rule implications involved, and (ii) that the Company complied with the Listing Rule requirements at the relevant time;
 - (b) Mr Pu, despite asserting he had no personal involvement in entering into the procurement agreements, being an executive director and the co-chief executive officer of the Company, should not have only relied on Mr Zhang's verbal assurance of the Company's Rule compliance at the relevant time and should have also actively considered and ensured the Board was aware of and had considered the potential Rule implications; and
 - (c) As such, on the basis of individual and collective responsibility, Mr Pu should be held equally responsible as Mr Zhang for the Company's breaches.

CONCLUSION

The Listing Committee decided to impose the sanctions and directions set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the sanctions above apply only to the Company and the Relevant Directors, and not to any other past or present members of the board of directors of the Company.

Hong Kong, 5 January 2022