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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 ACQUISITION IN RELATION TO ACQUISITION OF 100% OF THE ISSUED SHARES OF THE TARGET COMPANY**

**Financial adviser to the Company**



#### **THE ACQUISITION**

The Board is pleased to announce that after trading hours on 28 June 2022, the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire for and the Vendors have conditionally agreed to sell the Sale Shares, which represented the entire issued shares of the Target Company, at a consideration of RMB30 million (equivalent to approximately HK\$35.3 million).

On 12 July 2022, the Company and the Vendors further entered into the Supplemental Agreement to the Sale and Purchase Agreement to amend certain terms of the Sale and Purchase Agreement.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Acquisition constitutes a major acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

The EGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) a notice of the EGM, will be despatched by the Company to the Shareholders on or before 10 September 2022, as additional time is required by the Company for the preparation of certain financial information in the circular.

**Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfilment or waiver of the conditions precedent (as the case maybe) and Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.**

## INTRODUCTION

The Board is pleased to announce that after trading hours on 28 June 2022, the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire for and the Vendors have conditionally agreed to sell the Sale Shares, which represented the entire issued shares of the Target Company, at a consideration of RMB30 million (equivalent to approximately HK\$35.3 million).

## THE SALES AND PURCHASE AGREEMENT

The principal terms of the Sales and Purchase Agreement (as supplemented by the Supplemental Agreement) are set out as below:

Purchaser: The Company

Vendors: (i) Zhejiang Zhongnan Construction; and  
(ii) Zhejiang Zhongnan Cultural Tourism

Assets to be acquired: The Sale Shares, being 100% of the issued shares of the Target Company.

- Restructuring                    The Vendors shall conduct restructuring of the shareholding structure of Hangzhou Zhongji, where Hangzhou Zhongji shall become a wholly-owned subsidiary of the Target Company.
- Due diligence:                    Upon signing of the Sales and Purchase Agreement, the Company and its professional advisers may conduct due diligence on the Target Company and Hangzhou Zhongji. The Vendors shall provide all the necessary information and documents in a timely and holistic manner.
- Consideration:                    The Consideration for the Sale Shares is RMB30 million, which is determined after arm's length negotiations between the Company and the Vendors on normal commercial terms with reference to (i) the net asset value of Hangzhou Zhongji; and (ii) future prospect of the Hangzhou Zhongji.
- Payment terms:                    The Consideration shall be settled by the way of issuance of Promissory Notes with a principal amount of RMB30 million by the Company to the Vendors, the principal terms of which is disclosed in "The Promissory Note" in this announcement.
- Conditions precedents:            Completion of the Acquisition is subject to:
- (a) (1) all necessary authorisations, consents and approval from the Stock Exchange in relation to the Acquisition having been obtained; and (2) passing by the shareholders of the Company resolutions at the general meeting of the Company approving the Sale and Purchase Agreement and the Acquisition;
  - (b) the Company having completed the legal and financial due diligence review on the Target Company and Hangzhou Zhongji and being satisfied with the results in all respects;
  - (c) the Vendors having completed the due diligence review on the Company and being satisfied with the results in all respects, including but not limited to the ability of the Company in settling the Promissory Note;
  - (d) there applicable, passing by the board and shareholders resolutions of the Purchaser and the Vendors in respect of the Sale and Purchase Agreement;
  - (e) there being no material liabilities and no material adverse change in the management, business operation, assets, financial position and prospect of the Target Company having occurred, and the warranties of the Vendors contained in the Sale and Purchase Agreement remaining true and accurate in any material respect up to the date of the Completion; and

(f) the Restructuring being duly completed and the Purchaser being satisfied with the Restructuring.

None of the above conditions precedent (a), (d) and (f) are capable of being waived by the Purchaser or the Vendors. The Purchaser may waive conditions (b) and/or (e) above. The Vendors may waive conditions (c) above.

In the event the conditions precedent are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the Purchaser and the Vendors may terminate the Sale and Purchase Agreement.

Share charge: As the security of the settlement of the Promissory Note, the Company guarantees to the Vendors that (i) the Company shall resume trading of the Shares on the Stock Exchange on or before 31 December 2022; and (ii) the Company shall charge the Sale Shares in favour of the Vendors upon Completion.

In the event the Company fails to resume the trading of the Shares on the Stock Exchange on or before 31 December 2022, the Vendors has the right to repurchase the Sale Shares from the Company by way of the Vendors returning to the Company the Promissory Notes issued by the Company.

## **THE PROMISSORY NOTE**

Pursuant to the Sale and Purchase Agreement, the Company will issue the Promissory Note in the principal amount of RMB30 million to the Vendors (or its nominee) as settlement of the Consideration upon Completion.

The principal terms of the Promissory Note are summarised as follows:

Issuer:	The Company
Issue Date:	Completion Date
Principal amount:	RMB30,000,000
Interest:	4.5% per annum from the date of issue of the Promissory Note and payable on the Maturity Date
Maturity Date:	The second anniversary date upon the issue of the Promissory Note
Transferability:	Subject to the prior written consent of the Company, the Promissory Notes are freely transferrable
Early redemption:	Subject to the prior written consent of the Vendors, the Company (or its nominee) may choose to redeem all or part of outstanding principal amount (together with the outstanding accrued interests) of the Promissory Note before the Maturity Date

## INFORMATION OF THE TARGET COMPANY AND HANGZHOU ZHONGJI

The Target Company is a limited company to be incorporated in the British Virgin Islands by the Vendors, which will hold the entire equity interest of Hangzhou Zhongji upon completion of the Restructuring.

Hangzhou Zhongji is a limited liability company established in the PRC on 15 July 2020 and is principally engaged in the provision of construction and renovation services in the PRC. As at the date of this announcement, Hangzhou Zhongji is owned as to 80% by Zhejiang Zhongnan Construction and 20% by Zhejiang Zhongnan Cultural. Pursuant to the Sale and Purchase Agreement, upon completion of the Restructuring, Hangzhou Zhongji shall become a wholly-owned subsidiary of the Target Company.

Hangzhou Zhongji is engaged in a number of construction and/or renovation projects as the subcontractor for provision of construction services to property developers; and renovation services to tenants or property owners. Hangzhou Zhongji generally sources customers for construction services through tendering bidding to property developers, and sources customers for renovation services through directly promoting its services with potential property buyers or tenants of various properties.

Set out below is the financial information of Hangzhou Zhongji for the period from 15 July 2020 (date of incorporation) to 31 December 2020 and the financial year ended 31 December 2021.

	<b>For the period from 15 July 2020 (date of incorporation) to 31 December 2020</b>	<b>For the year ended 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	29,065	191,865
Gross profit	581	1,090
Profit before income tax	470	512
Profit after income tax	470	384

The total asset and net asset value of Hangzhou Zhongji as at 31 December 2021 is approximately RMB19,453,000 and RMB10,854,000 respectively.

## INFORMATION OF THE VENDORS

Hangzhou Zhongji is owned as to 80% by Zhejiang Zhongnan Construction and 20% by Zhejiang Zhongnan Cultural Tourism as at the date of this announcement. Zhejiang Zhongnan Construction is principally engaged in the construction and engineering industry in the PRC, where Zhejiang Zhongnan Cultural Tourism is principally engaged in the construction of cultural and tourism projects in the PRC. The ultimate beneficial owner of the Vendors is Mr. Wu Jianrong.

To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendors and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## **REASONS FOR THE ACQUISITION**

The Company is principally engaged in the supply of building materials business. The Group sources various kind of building materials and provide inventory management services or its customers in the PRC.

Leveraging on the Group's experience and network in supply of building materials business in the PRC, the Company considers the construction and renovation services provided by Hangzhou Zhongji may create synergy effect to its supply of building materials business, where (i) the Group may become a one-stop construction services provider for the sourcing of building materials, provision of renovation and construction services for its customers and sourcing of building materials for its customers instead of merely providing sourcing services; (ii) the Group may source building materials for Hangzhou Zhongji, as its extensive business network includes property developers in the PRC, which would also allow Hangzhou Zhongji to source more customers by providing its construction and renovation services at a more competitive pricing.

Taking into account of the above factors, the Company considers the Acquisition may improve the profitability of Hangzhou Zhongji and the Group as a whole. The Group is of the view that the Group will have sufficient level of operations after Completion as it will provide more comprehensive services to its customers to obtain higher customer coverage in the building materials and construction business. As such, the Company considers the Acquisition represents an excellent opportunity for upstream expansion of the Group in the construction industry.

The Directors consider that the terms of the Sale and Purchase Agreement, including the consideration, are fair and reasonable and on normal commercial terms and the Acquisition is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Acquisition constitutes a major acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

The EGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) a notice of the EGM, will be despatched by the Company to the Shareholders on or before 10 September 2022, as additional time is required by the Company for the preparation of certain financial information in the circular.

## CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 15 September 2021. Trading in the Shares will remain suspended pending fulfilment of the resumption guidance issued by the Stock Exchange and any supplement or medication thereto.

**Shareholders and potential investors should note that completion of the Acquisition is subject to the fulfilment or waiver of the conditions precedent (as the case maybe) and Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the Acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong, the PRC and the British Virgin Islands, except a Sunday, a Saturday, a public holiday, and a day on which a tropical cyclone warning signal no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong, the PRC and the British Virgin Islands at any time between 9:00 a.m. and 5:00 p.m.
“Company”	Enviro Energy International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of the Completion, being five (5) Business Days after Completion
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of RMB30 million for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve, inter alia, the Sale and Purchase Agreement and the transactions contemplated thereunder

“Group”	the Company and its subsidiaries
“Hangzhou Zhongji”	Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd.* (杭州中機建築裝飾工程有限公司), a company incorporated in the PRC with limited liability, which is owned as to 80% by Zhejiang Zhongnan Construction and 20% by Zhejiang Zhongnan Cultural Tourism as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2022, or any other date the parties may agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note”	the promissory note in the principal amount of RMB30 million to be issued by the Company
“Restructuring”	the restructuring of the shareholding structure of Hangzhou Zhongji pursuant to the Sale and Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28 June 2022 (as supplemented by the Supplemental Agreement) entered into between the Vendors and the Company in relation to the Acquisition
“Sale Shares”	100% of the issued shares of the Target Company held by the Vendors
“Share(s)”	the ordinary share(s) of par value of HK\$0.05 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
“Supplemental Agreement”	the supplemental agreement dated 12 July 2022 entered into between the Vendors and the Company to amend certain terms of the Sale and Purchase Agreement



“Target Company”	a company to be incorporated in the British Virgin Islands by the Vendors, which will hold the entire equity interest of Hangzhou Zhongji upon completion of the Restructuring
“Vendors”	Zhejiang Zhongnan Construction and Zhejiang Zhongnan Cultural Toursim
“Zhejiang Zhongnan Construction”	Zhejiang Zhongnan Construction Group Company Limited* (浙江中南建設集團有限公司), a limited company established in the PRC
“Zhejiang Zhongnan Cultural Tourism”	Zhejiang Zhongnan Cultural Tourism Group Company Limited* (浙江中南文旅集團有限公司), a limited company established in the PRC
“%”	per cent

\* *For identification purpose only*

By order of the Board  
**Enviro Energy International Holdings Limited**  
**Li Gang**  
*Chairman and Executive Director*

Hong Kong, 21 July 2022

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Li Gang (Chairman), Mr. Pan Lihui and Mr. Jiang Senlin and three Independent Non-executive Directors, namely Mr. Zhong Jian, Mr. Du Hongwei and Mr. Liu Qin.*