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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board of Directors (the "**Board**") of Enviro Energy International Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June** **2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Unaudited)
Revenue	*4*	**46,223**	622,991
Cost of sales		**(44,041)**	(617,956)
Gross profit		**2,182**	5,035
Other gains, net		**69**	1,105
Interest income		**7,975**	8,791
Administrative and operating expenses		**(12,481)**	(11,698)
Operating (loss)/profit		**(2,255)**	3,233
Finance cost	*5*	**(8,794)**	(13,927)
Loss before income tax	*6*	**(11,049)**	(10,694)
Income tax expenses	*7*	**–**	(2,403)
Loss for the period attributable to owners of the Company		**(11,049)**	(13,097)
Loss per share attributable to owners of the Company (expressed in HK cent per share)	*9*		
– Basic and diluted		**(0.12)**	(0.15)
Dividends	*8*	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(11,049)**	(13,097)
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
– Exchange differences arising from translation of foreign operations	**(542)**	(13,142)
– Release of reserves upon disposal of a subsidiary	**–**	(692)
Other comprehensive loss for the period, net of tax	**(542)**	(13,834)
Total comprehensive loss for the period attributable to owners of the Company	**(11,591)**	(26,931)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**711**	750
Right-of-use assets		**3,936**	–
Loan receivable		**170,619**	170,764
Investment properties	*10*	**177,785**	177,936
Intangible assets		**780**	780
Rental deposits		**1,210**	1,387
		355,041	351,617
Current assets			
Trade receivables	*11*	**20,091**	18,211
Deposits, prepayments and other receivables	*12*	**449,081**	441,949
Bank balances and cash		**854**	2,123
		470,026	462,283
Total assets		**825,067**	813,900
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**22,620**	22,620
Reserves		**541,580**	553,171
Total equity		**564,200**	575,791

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,132**	–
Deferred loan interest income – non-current portion		**614**	1,163
Asset retirement obligation		**495**	495
		2,241	1,658
Current liabilities			
Trade and other payables	*13*	**56,878**	44,304
Deferred loan interest income – current portion		**1,137**	1,138
Lease liabilities		**3,299**	–
Shareholder's loan		**10,661**	4,200
Bank borrowings	*14*	**184,269**	184,425
Income tax payable		**2,382**	2,384
		258,626	236,451
Total liabilities		**260,867**	238,109
Total equity and liabilities		**825,067**	813,900

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Interim Financial Statements have been prepared under the historical cost convention, except for investment properties which are measured at fair values. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company. The Interim Financial Statements are presented in thousands of Hong Kong dollars (HK$'000), which is the Company's functional and the Group's presentation currency.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2019. Except for HKFRS 16 "Leases", the adoption of other new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group and did not require retrospective adjustments. The Group has not applied any standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 ("Leases")

HKFRS 16 replaces HKAS 17 "Leases", and the related interpretations, HK(IFRIC) 4 "Determining whether an arrangement contains a lease", HK(SIC) 15 "Operating leases — incentives", and HK(SIC) 27 "Evaluating the substance of transactions involving the legal form of a lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and the effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(c) Lessor accounting

The Group leases out its investment properties as the lessor of operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

(d) Transitional impact

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.3%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in Note 34 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000* (Unaudited)
Operating lease commitments at 31 December 2018	5,698
Less: total future interest expenses	(373)
Lease liabilities recognised at 1 January 2019	5,325

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *HK$'000* (Audited)	**Capitalisation of operating lease contracts** *HK$'000* (Unaudited)	**Carrying amount at 1 January 2019** *HK$'000* (Unaudited)
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	5,325	5,325
Total non-current assets	351,617	5,325	356,942
Lease liabilities (current)	–	2,747	2,747
Current liabilities	236,451	2,747	239,198
Net current assets	225,832	(2,747)	223,085
Total assets less current liabilities	577,449	2,578	580,027
Lease liabilities (non-current)	–	2,578	2,578
Total non-current liabilities	1,658	2,578	4,236
Net assets	575,791	–	575,791

(e) ***Impact on the financial result and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The total cash outflows for leases under operating and financing activities during the six months ended 30 June 2019 were HK$1,558,000 and HK$1,011,000, respectively.

The impact of adoption of HKFRS 16 on the Group's financial results and cash flows was not significant for the six months ended 30 June 2019.

3. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Chief Executive Officer of the Company (the "**CEO**"), the Group has presented the following reportable segments:

(i) Properties investment

(ii) Investment holding

(iii) Trading of building materials

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 assets with the exception of rental deposits, right-of-use assets, intangible assets and other unallocated head office and corporate assets.

(b) Segment liabilities include all liabilities with the exception of shareholder's loan, lease liabilities, 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 gains, net 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 Interim Financial Statements.

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

	Properties investment *HK$'000* **(Unaudited)**	**Investment holding** *HK$'000* **(Unaudited)**	**Trading of building materials** *HK$'000* **(Unaudited)**	**Consolidated** *HK$'000* **(Unaudited)**
For the six months ended 30 June 2019				
Segment revenue	**2,070**	**–**	**44,153**	**46,223**
Gross profit	**2,070**	**–**	**112**	**2,182**
Other gains, net	**6**	**–**	**–**	**6**
Administrative and operating expenses	**(675)**	**–**	**(634)**	**(1,309)**
Segment results	**1,401**	**–**	**(522)**	**879**
Unallocated:				
Other gains, net				**8,038**
Administrative and operating expenses				**(11,172)**
Operating loss				**(2,255)**
Finance cost				**(8,794)**
Loss before income tax				**(11,049)**
Income tax expenses				**–**
Loss for the period				**(11,049)**

	Properties investment *HK$'000* (Unaudited)	Investment holding *HK$'000* (Unaudited)	Trading of building materials *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
As at 30 June 2019				
Segment assets	**321,535**	**2**	**313,700**	**635,237**
Unallocated assets				**189,830**
Total assets				**825,067**
Segment liabilities	**(211,532)**	**(4,610)**	**(4,613)**	**(220,755)**
Unallocated liabilities				**(40,112)**
Total liabilities				**(260,867)**
For the six months ended 30 June 2019				
Capital expenditures (including additions of investment properties and property, plant and equipment)	**19**	**–**	**–**	**19**

	Properties investment HK$'000 (Unaudited)	Investment holding HK$'000 (Unaudited)	Trading of building materials HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
For the six months ended 30 June 2018				
Segment revenue	2,196	–	620,795	622,991
Gross profit	2,196	–	2,839	5,035
Other gains, net	290	–	214	504
Gain on disposal of a subsidiary	960	–	–	960
Administrative and operating expenses	(1,270)	–	(1,202)	(2,472)
Segment results	2,176	–	1,851	4,027
Unallocated:				
Other gains, net				8,432
Administrative and operating expenses				(9,226)
Operating profit				3,233
Finance cost				(13,927)
Loss before income tax				(10,694)
Income tax expenses				(2,403)
Loss for the period				(13,097)

	Properties investment HK$'000 (Unaudited)	Investment holding HK$'000 (Unaudited)	Trading of building materials HK$'000 (Unaudited)	Consolidated HK$'000 (Unaudited)
As at 30 June 2018				
Segment assets	353,372	85	346,828	700,285
Asset classified as held for sale				40,695
Unallocated assets				255,678
Total assets				996,658
Segment liabilities	(317,317)	(4,610)	(88,832)	(410,759)
Unallocated liabilities				(9,592)
Total liabilities				(420,351)
For the six months ended 30 June 2018				
Capital expenditures (including additions of investment properties and property, plant and equipment)	6,369	–	–	6,369
Unallocated capital expenditures				103
				6,472

4. REVENUE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Trading of materials	**44,153**	620,795
Revenue from contract with customers	**44,153**	620,795
Rental income	**2,070**	2,196
	46,223	622,991

For the six months ended 30 June 2019

Segments	**Trade of building material** ***HK$'000*** **(Unaudited)**
Geographical markets	
The PRC	**44,153**
Timing of revenue recognition	
At a point in time	**44,153**

For the six months ended 30 June 2018

Segments	Trade of building material *HK$'000* (Unaudited)
Geographical markets	
The PRC	620,795
Timing of revenue recognition	
At a point in time	620,795

5. FINANCE COST

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**169**	–
Interest on bank borrowings wholly repayable within one year	**8,625**	13,927
	8,794	13,927

6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**(1)**	(79)
Interest income from entrusted loan	**(558)**	(293)
Interest income on loan receivable	**(7,416)**	(8,419)
Gain on disposal of a subsidiary	**–**	(960)
Cost of inventories sold	**44,041**	617,956
Depreciation of property, plant and equipment	**58**	60
Depreciation of right-of-use assets	**1,389**	–
Operating lease payments	**–**	2,543
Staff costs, including directors' emoluments		
– Salaries, allowances and other benefits	**4,170**	1,971
– Retirement benefit scheme contributions	**161**	134
Exchange loss/(gain), net	**11**	(26)

7. INCOME TAX EXPENSES

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime for qualifying corporations, was substantively enacted with effect from the year assessment 2018/2019. Under the two-tiered profit tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at the rate of 8.25% and assessable profits above HK$2 million continued to be subject to the tax rate of 16.5%. Such tax regime is applicable to the Company and its subsidiaries incorporated in Hong Kong during the six months ended 30 June 2019. The tax rate for Hong Kong profits tax was 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2018. No Hong Kong Profits Tax had been provided as the Group did not have any assessable profits in Hong Kong for the six months ended 30 June 2019 on management's estimates (Six months ended 30 June 2018: Nil).

No Enterprise Income Tax had been provided as the Group did not have any assessable profits in the PRC for the six months ended 30 June 2019 based on management's estimates (Six months ended 30 June 2018: Enterprise Income Tax of HK$2,403,000 charged).

8. DIVIDENDS

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

9. LOSS PER SHARE

(a) The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share:	**(11,049)**	(13,097)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**9,047,844**	9,047,844

(b) The Group had share options outstanding as at 30 June 2019 and 2018. The share options did not have dilutive effect on loss per share for the six months ended 30 June 2019 (Six months ended 30 June 2018: the share options did not have a dilutive effect on loss per share).

10. INVESTMENT PROPERTIES

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
At fair value		
At 1 January	**177,936**	383,173
Disposal	**–**	(84,391)
Disposal through disposal of subsidiaries	**–**	(96,481)
Exchange differences	**(151)**	(18,996)
Change in fair value	**–**	(5,369)
At 30 June/31 December	**177,785**	177,936

As at 30 June 2019, the investment properties were valued at fair values by the best estimation of the directors of the Company by reference to recent market evidence of transaction prices for similar properties in similar location and condition. No valuation was performed by independent qualified professional valuers. There are no significant change in fair values of the investment properties for the current period.

As at 30 June 2019, the investment properties with carrying amount of HK$177,785,000 (31 December 2018: HK$177,936,000) were pledged for bank borrowings (Note 14).

11. TRADE RECEIVABLES

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Trade receivables	**20,469**	18,604
Less: Provision for expected credit loss	**(378)**	(393)
Trade receivables, net	**20,091**	18,211

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 as at the reporting dates, based on invoice date, is as follows:

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Within 30 days	**99**	–
31–60 days	**353**	–
61–90 days	**352**	–
91–120 days	**1,079**	1,444
Over 120 days	**18,208**	16,767
	20,091	18,211

Movement in provision for expected credit loss of trade receivables:

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
At 1 January	**393**	330
Increase in provision for expected credit loss for the period/year	**–**	63
Currency translation reserve	**(15)**	–
At 30 June/31 December	**378**	393

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Deposits	**30**	33
Prepayments for purchase of:		
– trading materials *(Note)*	**293,040**	293,824
– others	**4,991**	4,672
Interest receivable	**17,480**	9,762
Less: loss allowance of interest receivable	**(1,210)**	(1,206)
Consideration receivable from disposal of assets classified as held for sale	**48,997**	49,034
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	**(694)**	(690)
Consideration receivable from disposal of investment properties	**87,260**	87,329
Less: loss allowance of consideration receivable from disposal of investment properties	**(813)**	(809)
	449,081	441,949

Note:

Amounts were deposited to certain trading suppliers with which the Group had transactions during the year ended 31 December 2018 and the six months ended 30 June 2019. 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.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables *(Note)*	**3,705**	3,648
Other payables	**40,349**	29,723
Receipt in advance from a customer	**4,610**	4,610
Accrued liabilities	**8,214**	6,323
	56,878	44,304

Note:

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

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

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**–**	119
31–120 days	**–**	79
Over 120 days	**3,705**	3,450
	3,705	3,648

14. BANK BORROWINGS

As at 30 June 2019, the analysis of the carrying amount of bank borrowings is as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current		
Bank borrowings – secured	**184,269**	184,425

The bank borrowings are dominated in RMB and are secured by the Group's investment properties, which have a carrying amount of HK$177,785,000 (31 December 2018: HK$177,936,000) as at 30 June 2019.

As at 30 June 2019, these bank borrowings carried a fixed rate ranging from 9.0% to 9.5% (31 December 2018: 7.1% to 9.5%) per annum. The exposure of these bank borrowings to interest rate changes and the contractual repricing dates at 30 June 2019 are one year (31 December 2018: one year).

15. RELATED PARTY TRANSACTIONS

Key management compensation including accrued bonuses, amounted to approximately HK$2,659,000 for the six months ended 30 June 2019 (Six months ended 30 June 2018: HK$1,103,000).

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period presentation.

17. EVENT AFTER THE END OF THE REPORTING PERIOD

(i) Pursuant to the poll results of an annual general meeting dated 28 June 2019, the Company's Share Consolidation (as defined below) has been approved by the shareholders of the Company. Every twenty issued and unissued ordinary shares of par value of HK$0.0025 each in the share capital of the Company be consolidated into one share of par value of HK$0.05 each (the "**Share Consolidation**") which effected on 2 July 2019. Following the implementation of the Share Consolidation, the Company's authorised share capital becomes HK$50,000,000 divided into 1,000,000,000 shares of par value of HK$0.05 each, and its issued share capital becomes HK$22,619,610 divided into 452,392,207 shares of par value of HK$0.05 each.

(ii) On 28 August 2019, the Company, as borrower, has entered into the loan facilities agreement for the loan of HK$10,000,000 (the "**Loan**") at the fixed rate of 10% per annum for a 12 months period with the lender (a connected person of the Company under Listing Rules)(the "**Lender**") and Mr. Li Sen (the Chairman, Executive Director and a substantial shareholder of the Company), as guarantor. Pursuant to the loan facilities agreement, the third party (the mortgagor and controlling shareholder of the Company)(the "**Mortgagor**") shall deposit: (1) cast not less than HK$44,000,000; or (2) 110,374,271 ordinary shares of the Company registered in the name of the Mortgagor or any securities with market value not less than HK$44,000,000 as collateral for the purpose of securing the Loan.

    Under the Listing Rules, the provision of the Loan is constituted as a connected party transaction. Pursuant to the loan facilities agreement, the Loan is made on normal commercial terms and there is no security over the assets of the Group relating to the provision of the Loan. Accordingly, the provision of the Loan is fully exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Details of the provision of the Loan are set out in the announcement of the Company dated 28 August 2019.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

MANAGEMENT DISCUSSION AND OUTLOOK

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group engaged in properties investment, investment holding and trading of building materials businesses.

Properties investment

The Group's investment properties comprise 23 commercial units situated in Yingkou city, Liaoning province, the PRC, with gross floor area of approximately 7,891 square meters. These properties are currently being leased out for rental income.

The Group 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.

During the six months ended 30 June 2019, the Group's rental income amounted to approximately HK$2,070,000 (Six months ended 30 June 2018: HK$2,196,000). As a whole, this business segment recorded a profit of HK$1,401,000 for the six months ended 30 June 2019 (Six months ended 30 June 2018: HK$2,176,000).

Investment holding

For the six months ended 30 June 2019, the Group had no revenue (Six months ended 30 June 2018: Nil) and profit (Six months ended 30 June 2018: Nil) from investment holding, respectively.

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**").

During the six months ended 30 June 2019, the trading of building materials segment contributed a revenue of approximately HK$44,153,000 (Six months ended 30 June 2018: HK$620,795,000), representing 95.5% of total revenue. The segment contributed a gross profit of approximately HK$112,000, representing 5.1% (Six months ended 30 June 2018: HK$2,839,000) of total gross profit for the six months ended 30 June 2019.

The significant decrease in sale revenue from trading of building materials during the six months ended 30 June 2019 was mainly due to keen market competition, the shortfall of funding need for the expansion of said business and the uncertainty over the China's and Hong Kong's economies resulting from the US-China trade war. Accordingly, the Group limited their purchases on building materials for trading activities during the six months ended 30 June 2019, leading to decrease in revenue from trading of building materials of approximately 92.9% recorded under the building materials trading business compared to the last financial period.

BUSINESS PROSPECTS AND FUTURE PLANS

As set forth in the section headed "Business Review" in this report, the Group significant reduces its scale of building material trading business during the six months ended 30 June 2019. Despite this, the market of building material trading in the Southeast Region of the PRC is expected to grow in the foreseeable future because the increase in expected demand for properties in the Greater Bay Area will stimulate the revenue from trading of building materials following the economic growth in the Greater Bay Area benefited from the PRC national policies promulgated by the government of the PRC.

Given that the Group's funding needs for the business operation and the potential investment, the Group will actively consider to explore different avenues by obtaining new bank borrowings and carrying out fund raising including, but not limited to, right issue, open offer, placing of new shares and issuance of other convertible bonds. If materialize, additional funds will be provided to the Group for the expansion of the building materials trading business which will bring a huge amount of profit in the long run.

At present, the economy development of Liaoning Province did not grow as expected and lagged behind the national economy growth. Subsequent to completion of acquisition of the investment properties in Liaoning Province in the second half of 2016, certain investment properties of the Group were vacant for some time due to the persistent depressed state of the property market in Liaoning Province and adverse situation in property demand in the region where such properties are located. In this connection, the Group did not acquire any investment properties in the Northeast Region of the PRC since 2017. 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 30 June 2019, 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 in a prudent manner and balance the investment risks.

Looking ahead, the Group has been facing a series of challenges, such as the US-China trade tension and slowdown of economic growth in the PRC, and the rapid change in overall economic environment is posing uncertainties on the political and financial risks in short term.

Under these circumstances, cost cutting measures will be implemented as a priority for improving operating performances of the Group. The Group will also adopt measures and exploring other means to cope with these challenges and to turn them into opportunities. The Group will continuously restructure and reorganize its businesses, adopt measures that are beneficial to the growth of its existing businesses, expand its marketing channels and customer base, pursuing quality suppliers, and taking a proactive role to boost business and profit growth.

The Board remains cautiously optimistic about perpetuating the steady growth in the markets of properties investment and building materials trading in the Southeast Region of the PRC as a result of the economic and financial reform driven by the States with the PRC national policies related to the Greater Bay Area. 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.

FINANCIAL REVIEW

Overall Results

For the six months ended 30 June 2019, the Group recorded a consolidated revenue of approximately HK$46,223,000 (Six months ended 30 June 2018: 622,991,000), representing an decrease by 92.6% when compared with the six months ended 30 June 2018. The significant decrease in revenue was mainly due to the decrease in revenue recorded under the Group's building material trading business by 92.9% during the six months ended 30 June 2019 resulting from the reduction in trading volume of building material as discussed in the above "Business Review" section.

The Group's gross profit for the six months ended 30 June 2019 was approximately HK$2,182,000 (Six months ended 30 June 2018: HK$5,035,000) with an average gross profit margin of 4.7% (Six months ended 30 June 2018: 0.8%), which resulted in a decrease of approximately HK$2,853,000, representing an decrease of approximately 56.7% when compared with the six months ended 30 June 2018.

The Group's net loss was approximately HK$11,049,000 for the six months ended 30 June 2019 (Six months ended 30 June 2018: HK$13,097,000). The decrease in the loss by approximately HK$2,048,000 was mainly attributable to the decrease in finance cost by HK$5,133,000 as a result of the disposal of subsidiaries during the previous financial year.

Both the basic and diluted loss per share attributable to owners of the Company for the six months ended 30 June 2019 were HK$0.12 as compared with HK$0.15 for the six months ended 30 June 2018.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the Group had current assets of HK$470,026,000 comprising trade deposit paid in advance of approximately HK$293,040,000 (31 December 2018: HK$293,824,000) and receivables of approximately HK$134,750,000 (31 December 2018: HK$134,864,000) from disposal of investment properties during the previous financial year. The Group's current ratio, calculated based on current assets of HK$470,026,000 (31 December 2018: HK$462,283,000) over current liabilities of HK$258,626,000 (31 December 2018: HK$236,451,000), was about 1.82 at 30 June 2019 (31 December 2018: 1.96).

As at the six months ended 30 June 2019, the Group's current liabilities increased by 9.4% to HK$258,626,000 (31 December 2018: HK$236,451,000) during the six months ended 30 June 2019 and the increase was primarily due to recognition of lease liabilities of HK$3,299,000, increase in shareholders's loan and accrued expense by HK$6,461,000 and HK$5,600,000 respectively. As at 30 June 2019, all bank borrowings amounted to HK$184,269,000 (31 December 2018: HK$184,425,000) were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year.

As at 30 June 2019, the equity attributable to owners of the Company amounted to HK$564,200,000 (31 December 2018: HK$575,791,000).

As at 30 June 2019, the Group had cash and bank balances of approximately HK$854,000 (31 December 2018: HK$2,123,000).

As at 30 June 2019, 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 33% (31 December 2018: 32%) and 33% (31 December 2018: 32%) respectively.

With the amount of liquid assets on hand, 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

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2019.

The Group had no significant investments held during the six months ended 30 June 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) Pursuant to the poll results of an annual general meeting dated 28 June 2019, the Company's Share Consolidation (as defined below) has been approved by the shareholders of the Company. Every twenty issued and unissued ordinary shares of par value of HK$0.0025 each in the share capital of the Company be consolidated into one share of par value of HK$0.05 each (the "**Share Consolidation**") which effected on 2 July 2019. Following the implementation of the Share Consolidation, the Company's authorised share capital becomes HK$50,000,000 divided into 1,000,000,000 shares of par value of HK$0.05 each, and its issued share capital becomes HK$22,619,610 divided into 452,392,207 shares of par value of HK$0.05 each.

(ii) On 28 August 2019, the Company, as borrower, has entered into the loan facilities agreement for the loan of HK$10,000,000 (the "Loan") at the fixed rate of 10% per annum for a 12 months period with the lender (a connected person of the Company under Listing Rules)(the "Lender") and Mr. Li Sen (the Chairman, Executive Director and a substantial shareholder of the Company), as guarantor. Pursuant to the loan facilities agreement, the third party (the mortgagor and controlling shareholder of the Company)(the "Mortgagor") shall deposit: (1) cast not less than HK$44,000,000; or (2) 110,374,271 ordinary shares of the Company registered in the name of the Mortgagor or any securities with market value not less than HK$44,000,000 as collateral for the purpose of securing the Loan.

Under the Listing Rules, the provision of the Loan is constituted as a connected party transaction. Pursuant to the loan facilities agreement, the Loan is made on normal commercial terms and there is no security over the assets of the Group relating to the provision of the Loan. Accordingly, the provision of the Loan is fully exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Details of the provision of the Loan are set out in the announcement of the Company dated 28 August 2019.

MATERIAL EVENTS

Proposed Convertible Bonds

On 31 January 2019, the Company entered into a convertible bonds subscription agreement (the "**Proposed CB 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. The Proposed CB Agreement has lapsed on 1 April 2019. Details of the issue of proposed convertible bonds are set out in the announcement of the Company dated 31 January 2019 and 2 April 2019.

First Proposed Subscription

On 2 April 2019, the Company entered into the subscription agreement (the "**First Proposed Subscription Agreement**") with the independent third party subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for 1,809,568,828 new shares of the Company at the issue price of HK$0.0496 per share of the Company (the "**First Proposed Subscription**"). The First Proposed Subscription Agreement has lapsed on 4 April 2019. Details of the First Proposed Subscription are set out in the announcement of the Company dated 2 April 2019 and 4 April 2019.

Second Proposed Subscription

On 4 April 2019, the Company entered into the subscription agreement (the "**Second Proposed Subscription Agreement**") with the independent third party subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for 1,809,568,828 new shares of the Company at the issue price of HK$0.05022 per share of the Company (the "**Second Proposed Subscription**"). The Second Proposed Subscription Agreement has lapsed on 1 June 2019. Details of the Second Proposed Subscription are set out in the announcement of the Company dated 4 April 2019 and 3 June 2019.

Gearing Ratio

Gearing ratio is calculated based on our total debts divided by our total equity as of the end of each period. Our gearing ratio was 34% as at 30 June 2019 (31 December 2018: 32%).

Charge on Group Assets

As at 30 June 2019, the investment properties of the Group with carrying amount of approximately HK$177,785,000 (31 December 2018: HK$177,936,000) were pledged to secure certain bank borrowings.

Foreign Exchange Exposure

During the six months ended 30 June 2019, 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 30 June 2019, the Group did not have significant capital commitments (31 December 2018: Nil).

Contingent Liabilities

As at 30 June 2019, the Group did not have significant contingent liabilities (31 December 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of Directors and Chief Executive Officer since the publication of the Company's 2018 annual report are disclosed as below pursuant to Rule 13.51B(1) of the Listing Rules:

1. With effect from the conclusion of the Annual General Meeting ("**AGM**") held on 28 June 2019, (i) Mr. Zhou Xuesheng ("**Mr. Zhou**") and Mr. Wei Junqing ("**Mr. Wei**") retired from their positions as executive directors; (ii) Mr. Hou Chaohui retired from his positions as independent non-executive director, Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee; (iii) Mr. Jiang Maolin retired from his position as independent non-executive director, Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee; and (iv) Mr. Wen Guangwei resigned as independent non-executive director of the Company, as well as Chairman of the Audit Committee, and member of Remuneration Committee and Nomination Committee.

2. Mr. Jiang Senlin ("**Mr. Jiang**") has been appointed as Executive Director of the Company since 28 June 2019.

3. Mr. Zhong Jinhua ("**Mr. Zhong**") has been appointed as Executive Director of the Company since 28 June 2019.

4. Ms. Liu Yan ("**Ms. Liu**") has been appointed as the Independent Non-executive Director, Chairman of the Audit Committee, and member of Remuneration Committee and Nomination Committee of the Company since 28 June 2019.

5. Mr. Li Jinyuan ("**Mr. Li**") has been appointed as the Independent Non-executive Director, Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee of the Company since 28 June 2019.

6. Mr. Du Hongwei ("**Mr. Du**") has been appointed as the Independent Non-executive Director, Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee of the Company since 28 June 2019.

7. With effect from the conclusion of the AGM held on 28 June 2019, Mr. Wei, former executive director of the Company whose retirement was effective from the conclusion of the AGM, has been appointed as the Chief Executive Officer (the "**CEO**") of the Company. In conjunction with the appointment of Mr. Wei as the CEO of the Company, Mr. Zhou ceased to be CEO of the Company with effect from the conclusion of the AGM held on 28 June 2019.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019 with the following compliance:

CODE PROVISION A.2.1

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

Compliance

With effect from the conclusion of the AGM held on 28 June 2019, Mr. Wei, former executive director of the Company whose retirement was effective from the conclusion of the AGM, has been appointed as the Chief Executive Officer (the "**CEO**") of the Company. In conjunction with the appointment of Mr. Wei as the CEO of the Company, Mr. Zhou ceased to be CEO of the Company with effect from the conclusion of the AGM held on 28 June 2019.

As at the date of this interim results, the position of the Chairman of the Board is held by Mr. Li Sen and the position of CEO is held by Mr. Wei. The Code Provision A.2.1 of the CG Code has been complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issue (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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. After gathering the management responses from the subsidiaries and the Company's responses and replies of each finding as mentioned in the Internal Control Review report, the Internal Control Review report was finalised and has been reviewed and approved by the Board of Directors on 7 August 2019. An announcement for the results of Internal Control Review has been published on 27 August 2019 on the websites of the Stock Exchange and the Company.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Ms. Liu Yan (Chairman), Mr. Li Jinyuan and Mr. Du Hongwei (with Ms. Liu Yan possessing the appropriate professional qualifications and accounting and related financial management expertise).

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2019 has not been audited, but has been reviewed by the Audit Committee of the Company and is duly approved by the Board under the recommendation of the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results is published on the websites of the Company (www.enviro-energy.com.hk) and the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2019 interim report of the Company for the six months ended 30 June 2019 will be dispatched to the shareholders and made available on the same website in due course.

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

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Sen (Chairman), Mr. Jiang Senlin and Mr. Zhong Jinhua and three independent non-executive Directors, namely Ms. Liu Yan, Mr. Li Jinyuan and Mr. Du Hongwei.

* *Literal translation of the Chinese Name*