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 2023

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 2023 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**242,428**	–
Cost of sales		**(222,158)**	–
Gross profit		**20,270**	–
Other gains, net		**15**	47
Interest income		**57**	1
Administrative and operating expenses		**(7,102)**	(7,295)
Operating profit/(loss)		**13,240**	(7,247)
Finance cost	*6*	**(5,041)**	(305)

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Profit/(loss) before income tax	*7*	**8,199**	(7,552)
Income tax (expenses)/credit	*8*	**(4,845)**	202
Profit/(loss) for the period		**3,354**	(7,350)
Profit/(loss) for the period attributable to:			
— Owners of the Company		**(2,500)**	(7,350)
— Non-controlling interests		**5,854**	–
		3,354	(7,350)
Loss per share (in HK cent)			
— Basic and diluted	*10*	**(0.46)**	(1.36)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**3,354**	(7,350)
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
— Exchange differences arising from translation of foreign operations	**(234)**	(6,087)
Other comprehensive loss for the period, net of tax	**(234)**	(6,087)
Total comprehensive income/(loss) for the period	**3,120**	(13,437)
Total comprehensive income/(loss) for the period attributable to:		
— Owners of the Company	**(2,419)**	(13,437)
— Non-controlling interests	**5,539**	–
	3,120	(13,437)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**21**	23
Investment properties		**120,832**	126,434
		120,853	126,457
Current assets			
Inventories		**21,875**	20,226
Trade receivables	*11*	**47,620**	100,731
Deposits, prepayments and other receivables	*12*	**130,905**	138,568
Bank and cash balances		**23,104**	8,143
		223,504	267,668
Total assets		**344,357**	394,125
EQUITY			
Equity attributable to owners of the Company			
Share capital		**27,120**	27,120
Reserves		**(74,218)**	(71,799)
		(47,098)	(44,679)
Non-controlling interests		**10,047**	–
Total deficit		**(37,051)**	(44,679)

	Notes	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	*13*	**141,649**	189,270
Shareholders' loan		**15,036**	9,986
Loan from a fellow subsidiary		**28,139**	28,139
Amount due to a fellow subsidiary		**109**	114
Contract liabilities		**214**	–
Other borrowings		**193,323**	202,287
Income tax payable		**2,938**	4,500
		381,408	434,296
Total liabilities		**381,408**	434,296
Total equity and liabilities		**344,357**	394,125

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Enviro Energy International Holdings Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 20/F, No. 9 Des Voeux Road West, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") engaged in sale of materials business and properties investment in Hong Kong and the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

This condensed consolidation interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The preparation of condensed consolidation interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial information have been prepared under the historical cost convention, except for investment properties which are measured at fair values. The condensed consolidated interim financial information are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

The condensed consolidated interim financial information are unaudited, but have been reviewed by the audit committee of the Company.

2.1 Going Concern Basis

As at 30 June 2023, the Group's bank and cash balances of approximately HK$23.1 million is insufficient to cover the current liabilities of approximately HK$381.4 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

This condensed consolidated interim financial information have been prepared on a going concern basis, the validity of which depends upon the financial support of the Controlling Shareholder, at a level sufficient to finance the working capital requirements of the Group. The Controlling Shareholder has agreed to provide adequate funds for the Group to meet its financial obligations as and when they fall due within next twelve months from 30 June 2023. The directors of the Company are therefore of the opinion that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated interim financial information to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated interim financial information.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for adoption of the new and amended standards as set out below.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these new and amended HKFRSs did not result in significant impact to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

3.2 Impact of standards issued but not yet applied by the Group

The Group has not applied the new and amended standards, interpretations and accounting guidelines that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position. The Group does not intend to early adopt these standards before their respective effective dates.

4. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the executive directors of the Company, who are the chief operating decision-maker, the Group has presented the following reportable segments:

(i) Sales of materials business; and

(ii) Properties investment

For the purposes of assessing segment performance and allocating resources between segments, the executive directors 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 bank and cash balances and other unallocated head office corporate assets as these assets were managed on a group basis.

(b) Segment liabilities include all liabilities with the exception of other borrowings, shareholders' loan, loan from a fellow subsidiary, amount due to a fellow subsidiary and other unallocated head office corporate liabilities as these liabilities were managed on a group basis.

(c) Segment results represent the profit or loss resulted by each segment and exclude interest income, finance cost and unallocated corporate expenses.

The management assesses the performance of the Group from a geographic perspective based on the place of domicile. The geographical location of non-current assets other than intangible assets (the "**specified non-current assets**") is based on the physical location in which the assets are located.

An analysis of the Group's revenue from external customers and the specified non-current assets for by geographical location is as follows:

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The Mainland China	**242,428**	–	**120,853**	126,434
Hong Kong	**–**	–	**–**	23
	242,428	–	**120,853**	126,457

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

	Sales of materials business *HK$'000* (Unaudited)	Properties investment *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
For the six months ended 30 June 2023			
Segment revenue	**242,286**	**142**	**242,428**
Segment results	**19,788**	**(648)**	**19,140**
Unallocated:			
Interest income			**57**
Finance cost			**(5,041)**
Unallocated corporate expense			**(5,957)**
Profit before income tax			**8,199**

Other segment information:

	Sales of materials business *HK$'000* (Unaudited)	Properties investment *HK$'000* (Unaudited)	Unallocated *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
For the six months ended 30 June 2023				
Depreciation of property, plant and equipment	**–**	**–**	**(1)**	**(1)**
Other gains, net	**–**	**15**	**–**	**15**
Interest income	**–**	**–**	**57**	**57**
Finance cost	**–**	**–**	**(5,041)**	**(5,041)**
Income tax expense	**(4,845)**	**–**	**–**	**(4,845)**

	Sales of materials business	**Properties investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
As at 30 June 2023			
Segment assets	**71,896**	**249,180**	**321,076**
Unallocated assets			**23,281**
Total assets			**344,357**
Segment liabilities	**(69,502)**	**(52,823)**	**(122,325)**
Unallocated liabilities			**(259,083)**
Total liabilities			**(381,408)**

	Sales of materials business	Properties investment	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2022			
Segment revenue	–	–	–
Segment results	(478)	(798)	(1,276)
Unallocated:			
Interest income			1
Finance cost			(305)
Unallocated corporate income			40
Unallocated corporate expense			(6,012)
Loss before income tax			(7,552)

Other segment information:

	Sales of materials business *HK$'000* (Unaudited)	Properties investment *HK$'000* (Unaudited)	Unallocated *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
For the six months ended 30 June 2022				
Depreciation of property, plant and equipment	–	(3)	(1)	(4)
Other gains, net	–	7	40	47
Interest income	–	–	1	1
Finance cost	–	–	(305)	(305)
Income tax credit	202	–	–	202

	Sales of materials business *HK$'000* (Audited)	Properties investment *HK$'000* (Audited)	Total *HK$'000* (Audited)
As at 31 December 2022			
Segment assets	132,172	261,230	393,402
Unallocated assets			723
Total assets			394,125
Segment liabilities	(121,033)	(252,117)	(373,150)
Unallocated liabilities			(61,146)
Total liabilities			(434,296)

5. REVENUE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
— Sales of materials	**242,286**	–
Rental income	**142**	–
	242,428	–

All revenue from contracts with customers are recognised at a point time.

6. FINANCE COST

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on other borrowings	**4,991**	–
Interest on shareholders' loan	**50**	60
Interest on loan from a fellow subsidiary	**–**	245
	5,041	305

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**221,715**	–
Depreciation of property, plant and equipment	**1**	4
Exchange loss, net	**1,029**	680
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**2,659**	2,141
— Retirement benefit scheme contributions	**210**	104

8. INCOME TAX (EXPENSES)/CREDIT

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for current tax		
— PRC Corporate Income Tax ("**CIT**")	**(4,878)**	4
— Hong Kong Profits Tax	**–**	198
	(4,878)	202
Over-provision in prior years		
— PRC CIT	**23**	–
— Hong Kong Profits Tax	**10**	–
	33	–
	(4,845)	202

For the six months ended 30 June 2023 and 2022, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2.0 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

CIT is provided on the assessable income of entities within the Group incorporated in the Mainland China. For the six months ended 30 June 2023, the applicable CIT tax rate is 25% unless preferential tax rates were applicable (six months ended 30 June 2022: same).

There were no material unrecognised deferred tax assets and liabilities as at 30 June 2023 (31 December 2022: Nil).

9. DIVIDENDS

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2023 (Six months ended 30 June 2022: Nil).

10. 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	
	2023	2022
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company *(HK$'000)*	**(2,500)**	(7,350)
Weighted average number of ordinary shares in issue *(thousand shares)*	**542,392**	542,392
Basic loss per share *(HK cents)*	**(0.46)**	(1.36)

(b) For the six months ended 30 June 2023, diluted loss per share is the same as the basic loss per share as there was no potential dilutive ordinary shares in existence.

For the six months ended 30 June 2022, the share options issued were not assumed to be exercised as they would have an anti-dilutive impact to the basic loss per share.

11. TRADE RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**48,724**	106,929
Less: Provision for impairment	**(1,104)**	(6,198)
Trade receivables, net	**47,620**	100,731

The Group's credit terms to trade debtors range generally from 30 to 180 days.

The ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
0 to 30 days	**45,300**	67,823
61 to 90 days	**1,257**	31,008
91 to 180 days	**1,063**	–
Over 365 days	**–**	1,900
	47,620	100,731

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
Deposits	**36**	36
Prepayments for:		
— purchase of building materials	**2,148**	1,612
— others	**3,460**	3,887
Less: loss allowance of prepayment for:		
— others	**(3,460)**	(3,459)
Other receivables	**565**	2,393
Consideration receivable from disposal of assets classified as held for sale	**46,436**	48,589
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	**(748)**	(782)
Consideration receivable from disposal of investment properties	**83,106**	86,959
Less: loss allowance of consideration receivable from disposal of investment properties	**(638)**	(667)
	130,905	138,568

13. TRADE AND OTHER PAYABLES

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables *(Note (i))*	**64,759**	112,504
Other payables	**48,842**	50,767
Receipt in advance	**1,256**	2,998
Interest payable	**14,460**	10,114
Accrued liabilities	**12,332**	12,887
	141,649	189,270

Note:

(i) 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 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**57,924**	72,286
31 to 60 days	**–**	28,024
61 to 90 days	**923**	12,194
91 to 180 days	**4,630**	–
181 to 365 days	**1,282**	–
	64,759	112,504

14. OTHER BORROWINGS

	As at 30 June 2023	As at 31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current		
Other borrowings — secured	**193,323**	202,287

As at 30 June 2023, the other borrowings are denominated in RMB and secured by the Group's investment properties, which have a carrying amount of approximately HK$120.8 million (31 December 2022: HK$126.4 million).

Prior to March 2020, the Group's wholly-owned subsidiaries, namely Huan Neng International Trading (Yingkou) Company Limited* (環能營口有限公司) ("**HNYK**") and Liaoning Taoqibao Mall Management Co. Ltd.* (遼寧淘氣寶商城管理有限公司) ("**Liaoning Taoqibao**"), had certain loans and accrued interests with a bank in the PRC (the "**Bank**"). In March 2020, the Bank assigned the entire rights to the loans and relevant accrued interests owed by HNYK and Liaoning Taoqibao at an aggregate consideration of approximately RMB166.6 million (equivalent to approximately HK$182.4 million) (the "**Debt Receivables A**") to an independent third party (the "**Lender A**"). Subsequently, in August 2020, Lender A assigned the entire rights to the Debt Receivables A at an aggregate consideration of approximately RMB176.8 million (equivalent to approximately HK$216.3 million) to another independent third party (the "**Lender B**"). The Group then entered into a loan agreement with the Lender B of approximately RMB176.8 million (equivalent to approximately HK$210.0 million) for a period of three years at a fixed rate of 5% per annum, with interest payable annually. In June 2021, the Lender and the Group entered into an interest waiver agreement, pursuant to which the Lender agreed to waive the right to collect interest on other borrowings from 18 August 2020 to 31 December 2021, resulting in a gain on waiver of interest of other borrowings of approximately HK$8.7 million during the year ended 31 December 2021.

During the year ended 31 December 2022, the Group received a civil judgment dated 9 June 2022, pursuant to which the Bank claimed against Lender A, HNYK, Liaoning Taoqibao and other defendants for the repayment of outstanding loans and interests due to defaulting on the loan agreements between the Bank and Lender A (the "**Dispute Loan Agreements**") in March 2022. According to the civil judgement, it was adjudged that HNYK and Liaoning Taoqibao are obliged to repay the relevant outstanding loans and interests upon Lender A defaulting on the Dispute Loan Agreements due to the fact that Lender A pledged the rights to Debt Receivables A to the Bank for the Dispute Loan Agreements.

As advised by the Company's PRC legal advisor, HNYK and Liaoning Taoqibao shall prioritise repaying the Bank with the outstanding loans and interests in accordance with the civil judgement, and any remaining amount after the aforesaid repayment shall be repaid to Lender B in accordance with the loan agreement with the Lender B. As at 30 June 2023, the maximum obligation that the Group may be indebted to the Bank under the civil judgement amounted to approximately RMB241.6 million (equivalent to approximately HK$275.1 million) (31 December 2022: RMB233.2 million (equivalent to approximately HK$266.8 million)).

In the opinion of the Directors, the Group is not necessarily to repay the relevant outstanding loans and interests because, as advised by the Company's PRC legal advisor, Lender A and other defendants have priority over HNYK and Liaoning Taoqibao for the repayment obligations, and therefore no additional provision should be provided concerning the civil judgement. However, up to the date of this announcement, the Group is not able to ascertain the repayment status of Lender A and other defendants nor their financial abilities to fulfil the repayment obligations, which led to uncertainties on the extent and financial impact arising from the civil judgement on the Group's condensed consolidated interim financial information.

15. MATERIAL EVENTS

Update on listing status

On 18 December 2020, the Company has received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to carry out a business with sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares (the "**Decision**"). Pursuant to Rules 2B.06(1) and 2B.08(1) of the Listing Rules, the Company submitted a written request for the Decision to be referred to the Listing Committee of the Stock Exchange for review on 13 January 2021 (the "**Review**"). On 18 May 2021, the Company received a letter from the Listing Committee in upholding the Decision (the "**LC Decision**"). On 27 May 2021, the Company submitted a written request to the Listing Review Committee pursuant to Rule 2B.06(2) of the Listing Rules for reviewing of the LC Decision (the "**Second Review**"). The Listing Review Committee may endorse, modify or vary the LC Decision or make its own decision.

On 14 September 2021, the Company received a decision letter from the Listing (Review) Committee (the "**Decision Letter**") which upheld the decision of the Listing Committee and concluded that having assessed the Company's case under Rule 13.24 of the Listing Rules as set out in the Decision Letter, the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares.

On 19 October 2021, the Company received a letter (the "**Letter**") from the Stock Exchange, in which, among other things, the Stock Exchange sets out the following resumption guidance (the "**Resumption Guidance**") for the Company:

1. demonstrate its compliance with Rule 13.24 of the Listing Rules; and

2. announce all material information for the Company's shareholders and investors to appraise the Company's position.

The Letter also states that the Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange further indicates that it may modify or supplement the Resumption Guidance if the Company's situation changes. The Company is committed to working towards the resumption of trading in the Shares and has been in discussions with professional advisers of the Group to explore and consider opportunities available to the Company in formulating a viable resumption proposal to address matters set out in the Resumption Guidance.

On 4 May 2023, the Company announced the fulfillment of the Resumption Guideline imposed by The Stock Exchange. The trading in the shares of the Company was resumed from 9:00 a.m. on 5 May 2023.

Recoverability in relation to consideration receivables

The Board has, at its best endeavors, swiftly taken numerous measures in investigating the background of the consideration receivables and seeking legal opinions for exploring possible legal actions, in view of recovering the consideration receivables, including but not limited to the followings:

1. The Company was assessing the feasibility of commencing litigation and the financial capability of the counterparties of the consideration receivables.

2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain consideration receivables. The Company is assessing the cost and benefit of such proposals as compared to recovering such balances through other means.

The recoverability of the consideration receivables is subject to the outcome of any negotiations or litigations which are yet to materialise, it is premature to evaluate whether any portion of the consideration receivables is recoverable.

MANAGEMENT DISCUSSION AND OUTLOOK

BUSINESS REVIEW

Enviro Energy International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") principally engaged in sales of materials businesses and properties investment in Hong Kong and the People's Republic of China (the "**PRC**").

Sales of materials business

Since 2017, the Group commenced the sales of materials business in the PRC, the materials mainly include aluminum, steel products, timber logs, base metals, etc., which are primarily used at the early stages of construction projects or for manufacturing of building or surfacing materials.

The business provided steady income for the Group until it experienced a downturn in 2019 and 2020. To refine its business, the Group established warehouses in the PRC in early 2021 with inventory management to provide products readily available for its customers. The warehouses are in close proximity to major ports and its customers and suppliers in the PRC, which may (i) allow the Group to respond to customers' orders in a timely manner; and (ii) provide inventory management services to customers, such as procurement, inventory storage and delivery.

In late 2020, the Group started to expand its customer base to international aluminum products manufacturers by leveraging its foundation in sourcing aluminum ingots.

The Group experienced a temporary downturn of its principal business in 2022 as a result of a number of force majeure factors causing the abnormal and significant price fluctuation in aluminum related products, including but not limited to COVID-19 precaution measures in the PRC, outbreak of the Russian Ukrainian War and surge in international freight and shipping costs. In view of the above price instability in the aluminum price and to safeguard the interest of the Company in 2022, the Group had no alternative but temporarily ceased the supply of aluminum and related products to its overseas customers, while exploring for other business opportunities based on its existing supply of building material business networks in the PRC.

In October 2022, the Group has jointly established Hangzhou Junheng Building Materials Company Limited* (杭州峻衡建材有限公司) ("**Hangzhou Junheng**") with Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd.* (杭州中機建築裝飾工程有限公司) ("**Hangzhou Zhongji**"). Accordingly, Hangzhou Junheng become a subsidiary of the Company. Leveraging on the construction and renovation services provided by Hangzhou Zhongji, the Group benefits from the introduction of customers for downstream expansion, the financial result of the Group was substantially improved since then.

During the six months ended 30 June 2023 (the "**Period**"), the sales of materials contributed a revenue of approximately HK$242.3 million (six months ended 30 June 2022 (the "**Previous Period**"): Nil).

Properties investment

The Group's investment properties comprise certain commercial units and lands situated in Yingkou city, Liaoning province, the PRC. During the Period, the Group recorded rental income amounted to HK$0.1 million (Previous Period: Nil).

BUSINESS PROSPECTS AND FUTURE PLANS

With the unprecedented disruption caused by COVID-19 and the Russian Ukrainian War to the aluminum supply chain industry and the subsequent price fluctuation in aluminum related products and increasing global freight cost in early 2022, the Group has no choice but to temporarily suspend its principal business in first half of 2022 to avoid erosion of working capital in order to safeguard the interest of the Group. Nevertheless, the Group continued to maintain its business relationship with its customers and suppliers to look for collaboration opportunities and a suitable timing for the resumption of businesses between the parties.

Notwithstanding the challenges of the inflation and price instability in building materials, the management explored other business opportunities based on its existing supply of building material business network in the PRC and identified the significant demand of building materials in the Hangzhou. In October 2022, the Group and Hangzhou Zhongji jointly established Hangzhou Junheng. The Group is responsible for sourcing, procurement, quality control and selection of suppliers for building materials, while Hangzhou Zhongji introduces customers and new projects for construction and renovation services to Hangzhou Junheng by its extensive business networks including property developers in the PRC. The Company is of the view that the establishment of Hangzhou Junheng allows the Group to expand its sales channel, which will provide more business opportunities to the supply of materials business of the Group by enhancing its sales network and customer base in the construction industry in the PRC, the prospect look promising.

The first half of 2023 has been a positive period for the Group. Since the establishment of Hangzhou Junheng and the optimisation of COVID-19 control policy in late 2022, we have seen a trend of continued improvement in the performance of our sales of materials business in the second half of 2023. Our confidence in the long-term future of our sales of materials business remains resolute.

The Board will continue to look out for opportunities to make investments in any 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. The Board is fully confident in the future business development of the Group.

FINANCIAL REVIEW

Revenue and gross profit

During the Period, the Group recorded a revenue and gross profit of HK$242.4 million and HK$20.3 million (Previous Period: Nil and Nil). As a result of the serious disruption in the freight industry caused by COVID-19 result in a mammoth increase in freight and transportation cost, the Group had no alternative but temporarily ceased the supply of aluminum and related products in the Previous Period.

In October 2022, the Group and Hangzhou Zhongji jointly established Hangzhou Junheng, which allow the Group enhancing its sales network and customer base in the construction industry in the PRC, which lead to substantial improvement in financial performance during the Period.

Administrative and operating expenses

The Group's administrative and operating expenses mainly consisted of (i) staff costs; (ii) depreciation; (iii) legal and professional fee; (iv) office and utility expenses; and (v) other administrative expenses.

Administrative and operating expenses remained relatively stable from HK$7.3 million for the Previous Period to HK$7.1 million for the Period.

Profit/(loss) for the Period

As a result of the foregoing, the Group recorded profit for the Period amounted to HK$3.4 million (Previous Period: loss of HK$7.4 million).

Liquidity, Financial Resources and Capital Structure

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize the value of its shareholders (the "**Shareholders**").

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to the Shareholders, issue new shares, obtain bank and other borrowings, or sell assets to reduce debt.

As at 30 June 2023, all other borrowings, shareholders' loan and loan from a fellow subsidiary of the Group bore fixed interest rates, the maturity and currency profile are set out as follows:

	Within 1 year
	HK$'000
Renminbi	193,323
Hong Kong Dollar	43,175
	236,498

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the sum of other borrowings, shareholders' loan and loan from a fellow subsidiary, less bank and cash balances. Total equity represents total equity as shown on the condensed consolidated statement of financial position of the Group. As at 30 June 2023, the Group's gearing ratio was 121.0% (31 December 2022: 120.9%).

As at 30 June 2023, the total deficit attributable to the owners of the Company was approximately HK$47.1 million (31 December 2022: HK$44.7 million), the decrease was mainly contributed by the operating profit during the Period. As at 30 June 2023, the Group's current assets and current liabilities amounted to approximately HK$223.5 million and HK$381.4 million respectively (31 December 2022: HK$267.7 million and HK$434.3 million), of which approximately HK$23.1 million (31 December 2022: HK$8.1 million) was bank and cash balances.

As at 30 June 2023, the Group had bank and cash balances of approximately HK$23.1 million (31 December 2022: HK$8.1 million), of which approximately 99%, 1% and 0% (31 December 2022: 95%, 2.5% and 2.5%) were denominated in Renminbi ("**RMB**"), United States Dollar ("**US$**") and Hong Kong Dollar ("**HK$**") respectively.

The Group's current ratio, calculated based on current assets over current liabilities, was 0.6 at 30 June 2023 (31 December 2022: 0.6).

In managing the liquidity risk, the Group monitors and maintains a level of bank and cash balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities.

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.

Charge on Group Assets

As at 30 June 2023, the investment properties of the Group with carrying amount of approximately HK$120.8 million (31 December 2022: HK$126.4 million) were pledged to secure certain other borrowings. Save for the above, the Group did not have any charges on its assets.

As at 30 June 2023 and 31 December 2022, investment properties of the Group is under dormant seizure (輪侯查封) pursuant to civil judgement, please refer to section "Material Events — Litigation" for the details of litigation.

Foreign Exchange Exposure

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Period. However, the management will monitor the Group's foreign currency exposure should the need arise.

Capital Commitments

As at 30 June 2023, the Group did not have significant capital commitments (31 December 2022: Nil).

Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the repayment obligations borne by the Group under the civil judgement as disclosed in section "Material Events — Litigation" is subject to the outcome of any court order or actions which are yet to materialise, no contingent liabilities was therefore recognised in this regard.

Save for the above, the Group did not have significant contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of 35 employees in Hong Kong and the PRC (31 December 2022: 27 employees). Staff costs (including directors' emoluments) amounted to approximately HK$2.9 million for the Period (Previous Period: HK$2.2 million). The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

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 Period.

The Group had no significant investments held during the Period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (Previous Period: Nil).

MATERIAL EVENTS

Update on listing status

On 18 December 2020, the Company has received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to carry out a business with sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares (the "**Decision**"). Pursuant to Rules 2B.06(1) and 2B.08(1) of the Listing Rules, the Company submitted a written request for the Decision to be referred to the Listing Committee of the Stock Exchange for review on 13 January 2021 (the "**Review**"). On 18 May 2021, the Company received a letter from the Listing Committee in upholding the Decision (the "**LC Decision**"). On 27 May 2021, the Company submitted a written request to the Listing Review Committee pursuant to Rule 2B.06(2) of the Listing Rules for reviewing of the LC Decision (the "**Second Review**"). The Listing Review Committee may endorse, modify or vary the LC Decision or make its own decision.

On 14 September 2021, the Company received a decision letter from the Listing (Review) Committee (the "**Decision Letter**") which upheld the decision of the Listing Committee and concluded that having assessed the Company's case under Rule 13.24 of the Listing Rules as set out in the Decision Letter, the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares.

On 19 October 2021, the Company received a letter (the "**Letter**") from the Stock Exchange, in which, among other things, the Stock Exchange sets out the following resumption guidance (the "**Resumption Guidance**") for the Company:

1. demonstrate its compliance with Rule 13.24 of the Listing Rules; and

2. announce all material information for the Company's shareholders and investors to appraise the Company's position.

The Letter also states that the Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange further indicates that it may modify or supplement the Resumption Guidance if the Company's situation changes. The Company is committed to working towards the resumption of trading in the Shares and has been in discussions with professional advisers of the Group to explore and consider opportunities available to the Company in formulating a viable resumption proposal to address matters set out in the Resumption Guidance.

On 4 May 2023, the Company announced the fulfillment of the Resumption Guideline imposed by The Stock Exchange. The trading in the shares of the Company was resumed from 9:00 a.m. on 5 May 2023.

For further details, please refer to the announcements of the Company dated 20 December 2020, 7 January 2021, 15 January 2021, 18 May 2021, 27 May 2021, 15 September 2021, 21 October 2021, 14 March 2022, 14 June 2022, 14 September 2022, 14 December 2022, 24 March 2023 and 4 May 2023.

Recoverability in relation to consideration receivables

The Board has, at its best endeavors, swiftly taken numerous measures in investigating the background of the consideration receivables and seeking legal opinions for exploring possible legal actions, in view of recovering the consideration receivables, including but not limited to the followings:

1. The Company was assessing the feasibility of commencing litigation and the financial capability of the counterparties of the consideration receivables.

2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain consideration receivables. The Company is assessing the cost and benefit of such proposals as compared to recovering such balances through other means.

The recoverability of the consideration receivables is subject to the outcome of any negotiations or litigations which are yet to materialise, it is premature to evaluate whether any portion of the consideration receivables is recoverable.

Litigation

Prior to March 2020, the Group's wholly-owned subsidiaries, namely Huan Neng International Trading (Yingkou) Company Limited* (環能營口有限公司) ("**HNYK**") and Liaoning Taoqibao Mall Management Co. Ltd.* (遼寧淘氣寶商城管理有限公司) ("**Liaoning Taoqibao**"), had certain loans and respective accrued interests with a bank in the PRC (the "**Bank**"). In March 2020, the Bank assigned the entire rights to the loans and relevant accrued interests owed by HNYK and Liaoning Taoqibao at an aggregate consideration of approximately RMB166.6 million (equivalent to approximately HK$182.4 million) (the "**Debt Receivables A**") to an independent third party (the "**Lender A**"). Subsequently, in August 2020, Lender A assigned the entire rights to the Debt Receivables A at an aggregate consideration of approximately RMB176.8 million (equivalent to approximately HK$216.3 million) to another independent third party (the "**Lender B**"). The Group then entered into a loan agreement ("**Loan Agreement B**") with the Lender B of approximately RMB176.8 million (equivalent to approximately HK$210.0 million) for a period of three years at a fixed rate of 5% per annum, with interest payable annually.

During the year ended 31 December 2022, the Group received a civil judgment pursuant to which the bank claimed against Lender A, HNYK, Liaoning Taoqibao and other defendants for the repayment of outstanding loans and interests due to defaulting on the loan agreements between the Bank and Lender A (the "**Dispute Loan Agreements**"). According to the civil judgement, it was adjudged that HNYK and Liaoning Taoqibao are obliged to repay the relevant outstanding loans and interests upon Lender A defaulting on the Dispute Loan Agreements due to the fact that Lender A pledged the rights to Debt Receivables A to the Bank for the Dispute Loan Agreements.

Accordingly, HNYK and Liaoning Taoqibao shall repay the outstanding loans and respective interest under Loan Agreement B to the Bank instead of Lender B. Should the judgement debts borne by the Group less than the aforesaid repayment amount under Loan Agreement B, the remaining amount shall be repaid to Lender B.

As at 30 June 2023, the total outstanding loans and interests amounted to approximately RMB241.6 million (equivalent to approximately HK$275.1 million) (31 December 2022: approximately RMB233.2 million (equivalent to approximately HK$266.8 million)), being the obligation indebted by the Group to the Bank under the civil judgement, which was fully reflected in the Group's consolidated financial statements.

As at 30 June 2023, investment properties of the Group is under dormant seizure (輪候查封) pursuant to the civil judgement. Transfer of ownership on the said investment properties is restricted, however, the judicial seizure does not affect the Group's right to possess, use and benefit from the relevant investment properties as the owner.

EVENT AFTER THE END OF THE REPORTING PERIOD

There were no significant events occurred after the end of the Period and up to the date of this announcement.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix 14 to the Listing Rules for the Period, save for the code provision C.2.1 of the CG Code.

CODE PROVISION C.2.1 OF THE CG CODE

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Period, Mr. Li Gang is the chairman of the Board and the Company has not appointed a chief executive officer. Accordingly, the duties of the chief executive officer have been undertaken by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the chief executive officer. Appointment will be made to fill the post to comply with the code provision C.2.1 of the CG Code, if necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 have been made by the Company with all the Directors and the Directors have confirmed that they have complied with the Model Code during the Period.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Liu Qin (Chairman), Mr. Zhong Jian and Mr. Pan Yongye (with Mr. Liu Qin possessing the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules).

The condensed consolidated interim financial information of the Company for the Period has not been audited, but has been reviewed by the Audit Committee 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 2023 interim report of the Company for the Period will be dispatched to the Shareholders and made available on the above websites in due course.

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

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Li Gang (Chairman), Mr. Pan Lihui, Mr. Jiang Senlin and Mr. Cao Zhongshu; and three independent non-executive Directors, namely Mr. Zhong Jian, Mr. Pan Yongye and Mr. Liu Qin.

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*