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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "**Board**") of Enviro Energy International Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 together with comparative figures in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*5*	**531,504**	269,577
Cost of sales		**(490,259)**	(252,835)
Gross profit	*6*	**41,245**	16,742
Other gains, net		**1,603**	164
Administrative and operating expenses		**(16,804)**	(10,007)
Interest income		**268**	2
Fair value loss on investment properties		**(28,943)**	(35,795)
Impairment loss on trade and other receivables, net		**(133)**	(517)
Impairment loss on loan and interest receivables		**–**	(215,290)
Impairment loss on intangible assets		**–**	(330)
Gain on disposal of subsidiaries		**–**	7,229
Loss on deregistration of subsidiaries		**–**	(208)

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Loss from operations		**(2,764)**	(238,010)
Finance costs	*7*	**(12,001)**	(10,709)
Loss before tax	*8*	**(14,765)**	(248,719)
Income tax expense	*9*	**(9,521)**	(3,685)
Loss for the year		**(24,286)**	(252,404)
(Loss)/income for the year attributable to:			
— Owners of the Company		**(35,750)**	(257,028)
— Non-controlling interests		**11,464**	4,624
		(24,286)	(252,404)
Loss per share (in HK cent)			
Basic and diluted	*11*	**(6.59)**	(47.39)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Loss for the year	**(24,286)**	(252,404)
Other comprehensive income/(loss), after tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**573**	(12,566)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	**–**	3,681
Other comprehensive income/(loss) for the year, net of tax	**573**	(8,885)
Total comprehensive loss for the year	**(23,713)**	(261,289)
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the Company	**(35,001)**	(265,797)
— Non-controlling interests	**11,288**	4,508
	(23,713)	(261,289)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**21**	23
Investment properties		**94,118**	126,434
		94,139	126,457
Current assets			
Inventories		**16,229**	20,226
Trade receivables	*12*	**28,331**	100,731
Deposits, prepayments and other receivables		**137,878**	138,568
Bank and cash balances		**28,027**	8,143
		210,465	267,668
Total assets		**304,604**	394,125
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**27,120**	27,120
Reserves		**(106,800)**	(71,799)
		(79,680)	(44,679)
Non-controlling interests		**15,796**	4,508
Total deficit		**(63,884)**	(40,171)

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Other borrowings		**3,949**	–
		3,949	–
Current liabilities			
Trade and other payables	*13*	**115,559**	189,270
Contract liabilities		**5,760**	–
Shareholders' loans		**11,410**	9,986
Loans from fellow subsidiaries		**29,570**	28,139
Amount due to a fellow subsidiary		**–**	114
Loans from related parties		**3,887**	–
Other borrowings		**196,682**	202,287
Income tax payable		**1,671**	4,500
		364,539	434,296
Total liabilities		**368,488**	434,296
Total equity and liabilities		**304,604**	394,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 sales of materials business and properties investment in the People's Republic of China (the "**PRC**").

In the opinion of the directors of the Company (the "**Directors**"), as at 31 December 2023, Wonderland International Investment Holdings Limited (the "**Controlling Shareholder**"), a company incorporated in Hong Kong, is the immediate and ultimate holding company of the Company, and Mr. Li Gang ("**Mr. Li**"), Executive Director and Chairman of the Board, is the ultimate controlling party of the Company.

These consolidated financial statements are presented in thousand of Hong Kong dollars (HK$'000), which is the Company's functional and the Group's presentation currency, unless otherwise stated.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to the owners of the Company of approximately HK$35.8 million for the year ended 31 December 2023. In addition, as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK$154.1 million and HK$63.9 million, respectively and the Group's bank and cash balances of approximately HK$28.0 million is insufficient to cover the current liabilities of approximately HK$364.5 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

These consolidated financial statements 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 liabilities as they fall due within the next twelve months from 31 December 2023. In addition, as disclosed in note 14 to the annual results announcement, subsequent to the year-end date on 25 January 2024, the Company entered into a settlement agreement with certain creditors of the Group by way of capitalising the debts with a total carrying amount of approximately HK$44.9 million. In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements 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 consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these amendments has had no significant impact on the results and financial position of the Group. The Group has not changed significantly on its material accounting policies or make retrospective adjustments as a result of adopting these amendments.

The Group has not applied the new and revised HKFRSs 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, who are the chief operating decision makers, the Group has presented the following reportable segments:

(i) Sale of materials business; and

(ii) Properties investment.

For the purposes of assessing segment performance and allocating resources between segments, the executive Directors monitor the results, assets and liabilities attributable to each reportable segment on the following basis:

(a) Segment assets include all tangible assets and current assets with the exception of other unallocated head office corporate assets.

(b) Segment liabilities include all liabilities with the exception of shareholders' loans, loans from fellow subsidiaries, loans from related parties, unsecured other borrowings and other unallocated head office corporate liabilities.

(c) Segment results are allocated to reportable segments with reference to sales generated, other gains and expenses incurred, together with fair value change of investment properties, and impairment losses on trade and other receivables, net.

The amounts provided to the executive Directors with respect to the information mentioned above are measured in a manner consistent with that of the consolidated financial statements.

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

	Sale of materials business *HK$'000*	Properties investment *HK$'000*	Total *HK$'000*
For the year ended 31 December 2023			
Revenue from external customers	**530,328**	**1,176**	**531,504**
Gross profit	**40,070**	**1,175**	**41,245**
Other gain, net	**34**	**15**	**49**
Fair value change on investment properties	**–**	**(28,943)**	**(28,943)**
Administrative and operating expenses	**(2,245)**	**(1,781)**	**(4,026)**
Impairment losses on trade and other receivables, net	**–**	**(133)**	**(133)**
Segment results	**37,859**	**(29,667)**	**8,192**
Unallocated:			
Other gains, net and interest income			**1,822**
Administrative and operating expenses			**(12,778)**
Loss from operations			**(2,764)**
Finance costs			**(12,001)**
Loss before tax			**(14,765)**
Income tax expense			**(9,521)**
Loss for the year			**(24,286)**

	Sale of materials business *HK$'000*	Properties investment *HK$'000*	Total *HK$'000*
At 31 December 2023			
Segment assets	**78,466**	**224,738**	**303,204**
Unallocated assets			**1,400**
Total assets			**304,604**
Segment liabilities	**(38,703)**	**(256,933)**	**(295,636)**
Unallocated liabilities			**(72,852)**
Total liabilities			**(368,488)**

	Sale of materials business *HK$'000*	**Properties investment** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2023				
Capital expenditures	–	–	–	–

	Sale of materials business *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
For the year ended 31 December 2022			
Revenue from external customers	268,692	885	269,577
Gross profit	15,857	885	16,742
Fair value change on investment properties	–	(35,795)	(35,795)
Administrative and operating expenses	(494)	(1,409)	(1,903)
Impairment losses of receivables, net	(517)	–	(517)
Segment results	14,846	(36,319)	(21,473)
Unallocated:			
Other gains, net and interest income			166
Administrative and operating expenses			(8,104)
Impairment of intangible assets			(330)
Impairment loss on loan and interest receivables			(215,290)
Loss on deregistration of subsidiaries			(208)
Gain on disposal of subsidiaries			7,229
Loss from operations			(238,010)
Finance costs			(10,709)
Loss before tax			(248,719)
Income tax expense			(3,685)
Loss for the year			(252,404)

	Sale of materials business HK$'000	Properties investment HK$'000	Total HK$'000
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)

	Sale of materials business HK$'000	Properties investment HK$'000	Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2022				
Capital expenditures	–	–	21	21

The Group's revenue for the years ended 31 December 2023 and 2022 and non-current assets as at 31 December 2023 and 2022 are further analysed by geographical location as follows:

	Revenue For the year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
The PRC	**531,504**	269,577

	Non-current assets At 31 December	
	2023	2022
	HK$'000	*HK$'000*
The PRC	**94,118**	126,434
Hong Kong	**21**	23
	94,139	126,457

Revenue individually generated from the following customers contributed more than 10% of the total revenue of the Group:

	2023	2022
	HK$'000	*HK$'000*
Sale of materials business segment		
Customer A	**80,823**	–*
Customer B	**59,372**	–*
Customer C	**58,813**	–*
Customer D	**54,953**	–*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers		
— Sale of materials	**530,328**	268,692
Rental income	**1,176**	885
Total revenue	**531,504**	269,577

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

Sales of materials

The Group sells building materials (2022: building materials, aluminum related products and scrapped copper) to its customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days (2022: 30 to 90 days). For new customers, deposits or cash on delivery may be required.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

6. OTHER GAINS, NET

	2023 HK$'000	2022 HK$'000
Gain on discount of other borrowings	**1,554**	–
Sundry income	**49**	44
Government subsidy *(note)*	**–**	120
	1,603	164

Note: For the year ended 31 December 2022, the government subsidy of approximately HK$120,000 represented grants obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have unfulfilled obligations relating to this program.

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest expenses on		
— Other borrowings	**11,719**	10,374
— Shareholders' loans	**24**	90
— Loans from fellow subsidiaries	**31**	245
— Loans from related parties	**87**	–
Unwinding of discount on other borrowings	**140**	–
	12,001	10,709

8. LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**1,180**	1,150
— Non-audit services	**880**	330
Cost of inventories sold	**490,259**	252,835
Depreciation of property, plant and equipment	**1**	6
Exchange loss/(gain), net	**651**	(3,554)
Impairment losses on		
— Trade receivables	**–**	517
— Other receivables	**133**	–
— Loan and interest receivables	**–**	215,290
— Intangible assets	**–**	330
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**5,775**	5,002
— Retirement benefit scheme contributions	**91**	90
— Social insurance	**357**	120
	6,223	5,212

9. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong Profit Tax	**–**	–
— The PRC Enterprise Income Tax	**9,531**	3,887
	9,531	3,887
Over-provision of prior years		
— Hong Kong Profit Tax	**(10)**	(198)
— The PRC Enterprise Income Tax	**–**	(4)
	(10)	(202)
	9,521	3,685

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK$2 million of assessable profits are taxed at the rate of 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at the rate of 16.5% (2022: 16.5%).

Enterprise Income Tax has been provided at a rate of 25% for subsidiaries in the PRC on its assessable profits during the years ended 31 December 2023 and 2022.

10. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2023 (2022: nil).

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2023	2022
Loss attributable to owners of the Company *(HK$'000)*	**(35,750)**	(257,028)
Weighted average number of ordinary shares in issue *(thousand shares)*	**542,392**	542,392

(b) Diluted

For the years ended 31 December 2023 and 2022, diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares in existence.

12. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**34,389**	106,929
Less: Provision for impairment loss	**(6,058)**	(6,198)
Trade receivables, net	**28,331**	100,731

The Group's credit terms to trade debtors range generally from 30 to 90 days (2022:30 to 90 days).

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**4,821**	67,823
31–60 days	**6,576**	–
61–90 days	**6,053**	31,008
91–120 days	**2,179**	–
121–365 days	**8,702**	–
Over 365 days	**–**	1,900
	28,331	100,731

13. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables *(note(i))*	**30,976**	112,504
Other payables	**48,598**	50,767
Received in advance	**715**	2,998
Interest payable	**21,500**	10,114
Accrued liabilities	**13,770**	12,887
	115,559	189,270

Note:

(i) The amounts are repayable according to normal credit terms of 30 to 60 days (2022: 30 to 60 days).

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**11,030**	72,286
31–60 days	**9,448**	28,024
61–90 days	**737**	12,194
91–120 days	**5,540**	–
121–365 days	**3,749**	–
Over 365 Days	**472**	–
	30,976	112,504

14. EVENT AFTER THE REPORTING PERIOD

On 25 January 2024, the Company entered into a settlement agreement with certain creditors of the Group, pursuant to which the Company has conditionally agreed to capitalise the indebted amount owed to these creditors by the Company, the creditors has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 896,993,536 capitalisation shares at the issue price of HK$0.05 per capitalisation share under a specific mandate of the Company to be sought at the extraordinary general meeting. As at 31 December 2023, the carrying amount of the total indebted amount owed to these creditors by the Company was approximately HK$44.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the People's of 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 COVID-19 precaution measures in the PRC, outbreak of the Russian Ukrainian War and surge in international freight and shipping costs.

To safeguard the interest of the Company, the Group has no alternative but temporary ceased the supply of aluminum and related products to its overseas customers in 2022, while exploring for other business opportunities based on its existing supply of building material business network 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, the Hangzhou Junheng become a subsidiary of the Company. Leveraging on the construction and renovation services provided by Hangzhou Zhongji, the Group benefit for the introduction of customers for downstream expansion, the financial result of the Group was substantially improved since then.

During the year ended 31 December 2023 (the "**Year**"), the sales of materials contributed a revenue of approximately HK$530.3 million (year ended 31 December 2022 (the "**Previous Year**"): HK$268.7 million), representing 99.8% of total revenue of the Group (Previous Year: 99.7%).

Properties investment

The Group's investment properties comprise certain commercial units and lands situated in Yingkou city, Liaoning province, the PRC. During the Year, the Group's rental income amounted to approximately HK$1.2 million were generated from properties investment (Previous Year: HK$0.9 million).

BUSINESS PROSPECTS AND FUTURE PLANS

With the experience accumulated in the aluminum industry, the Group became aware that major international aluminum products manufacturers have increasing interests in aluminum related products from the PRC as their pricing are generally more competitive as compared to other origins. Since late 2020, the Group began to supply aluminum related products, including but not limited to, copper, magnesium and silicon which are essential for the production of aluminum alloy. In early 2021, the Group successfully became approved suppliers for certain leading international aluminum companies.

As the Group has successfully entered into the aluminum supply chain industry with satisfactory results in its supply of aluminum related products in the PRC and overseas, the Group is ready to harness its business networks and experience to transform from a supply of aluminum related products business to a comprehensive aluminum related products and building materials supplier with the inclusion of more value-added services.

However, the Group have had an extremely challenging start to 2022. 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, the Group has no choice but to temporarily suspend its principal business 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 challenge 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 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 network includes property developers in the PRC. The Company is of the view that the establishment of Hangzhou Junheng allow 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 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

During the Year, the Group recorded a revenue of approximately HK$531.5 million (Previous Year: HK$269.6 million), representing an increase by 97.2% when compared with the Previous Year.

The significant increase in revenue was mainly attributed to the establishment of Hangzhou Junheng in October 2022, which principally engaged in the supply of building materials to construction and renovation projects in the PRC. The Group has the advantage of sourcing building materials at a competitive price and favourable credit terms, the Group's revenue generated from supply of building materials have substantially improved since the establishment of Hangzhou Junheng.

Gross profit

The Group's gross profit for the Year increased by HK$24.5 million to approximately HK$41.2 million (Previous Year: HK$16.7 million). The overall gross profit margin increased from 6.2% for the Previous Year to 7.8% for the Year, which mainly due to the lower gross profit margin for sales of building materials in Previous Year for the purpose of expanding the Group's client portfolio.

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 increased by HK$6.8 million or 67.9% from HK$10.0 million for the Previous Year to HK$16.8 million for the Year, which was mainly due to (i) recognition of exchange loss of HK$0.7 million during the Year (Previous Year: exchange gain of HK$3.6 million); and (ii) increase in staff costs and directors' remuneration to HK$6.2 million during the Year (Previous Year: HK$5.2 million).

Fair value change on investment properties

The Group's investment properties comprise certain commercial units and lands situated in Yingkou city, Liaoning province, the PRC. The valuation was carried out by an independent professional valuer. The Group recorded a fair value loss on investment properties amounted to HK$28.9 million for the Year (Previous Year: HK$35.8 million).

Impairment losses

Trade receivables

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions. Receivables relating to trade debtors with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. During the Year, no loss allowance was recognised with respect to the Group's trade receivables (Previous Year: HK$0.5 million).

Loan and Interest receivables

As disclosed in the 2021 Annual Report, the Auditor issued a qualified opinion on the recoverability on the Loan Receivable and Interest Receivable (defined hereafter).

Reference is made to the notes 20 in the financial statements of the Company in the 2021 Annual Report. In 2017, Qianhai Guoxing Financial Leasing (Shenzhen) Co., Ltd.* (前海國興融資租賃(深圳)有限公司) ("**Qianhai Guoxing**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shenzhen Aquatic Products Co., Ltd* (深圳市水產有限公司) ("**Shenzhen Aquatic**"), pursuant to which Qianhai Guoxing should acquire the certain commercial properties in Shenzhen (the "**Properties**") at a consideration of RMB150 million. On the same day, a finance lease agreement was entered into between Qianhai Guoxing and Shenzhen Aquatic, pursuant to which Qianhai Guoxing should lease the Properties to Shenzhen Aquatic for a term of 3 years up to 27 December 2020. Upon maturity of the said finance lease agreement, Shenzhen Aquatic should return the principal of RMB150 million to Qianhai Guoxing (the "**Loan Receivable**").

On the same day, Qianhai Guoxing further entered into another agreement with Shenzhen Aquatic, pursuant to which Qianhai Guoxing agreed to lease the Properties back to Shenzhen Aquatic for a period of 3 years starting from 29 December 2017. Lease payments, calculated as interest charged at a fixed rate of 9% per annum against a principal of RMB150 million, were repayable quarterly (the "Interest Receivable"). At the end of the lease period, upon full settlement of all outstanding principal and interest, Shenzhen Aquatic could repurchase the Properties from Qianhai Guoxing for RMB1.

In 2021, the Group filed an application to the court for seizure of the Properties from Shenzhen Aquatic in view of recovering the Loan Receivable and Interest Receivable (the "Litigation"). However, on 30 June 2022, the court ruled against the Group based on the following principal reasons:

(i) the Group could not provide the original copies of the relevant documents to the court, which the Group could not locate after the Unauthorised Dilution as the documents for Qianhai Guoxing was stored in the office Qianhai Shitong in Shenzhen; and

(ii) Reference is made to the notes 34(b) in the financial statements of the Company in the 2017 Annual Report. On 13 December 2017, Qianhai Guoxing entered into a loan agreement with Shenzhen Dongyin Financial Holdings Co., Ltd.* (深圳市東銀金融控股有限公司) ("**Shenzhen Dongyin**") to borrow RMB200 million. Based on the record of the Company, Qianhai Guoxing draw down RMB150 million from Shenzhen Dongyin and transferred RMB150 million to Shenzhen Aquatic during 27 to 29 December 2017, where the loan from Shenzhen Dongyin was fully settled by the Group before 31 March 2018.

As stated in the ruling, Shenzhen Aquatic alleged that, in March 2020, Qianhai Guoxing entered into an agreement (the "**Purported Agreement**") with Shenzhen Dongyin. Pursuant to the Purported Agreement, it is alleged that the fund used for financing loan transferred from Qianhai Guoxing to Shenzhen Aquatic (the "**Fund Source**") belonged to Shenzhen Dongyin, therefore Shenzhen Aquatic claimed that it is not required to repay to Qianhai Guoxing the Loan Receivable and Interest Receivable as there are no substance regarding the Loan Receivable and Interest Receivable.

Based on publicly available information, the ultimate beneficial owner of Shenzhen Dongyin is Mr. Li Sen, the then controlling shareholder and chairman of the Company who is now facing criminal charges in the PRC. As the Purported Agreement is dated March 2020, the current Board members were not aware of the Purported Agreement and unable to verify its authenticity.

Accordingly, the court considered the Group, as the plaintiff, could not provide sufficient evidence to support Shenzhen Aquatic is liable for the repayment of the Loan Receivable and Interest Receivable, and the Group has no right to claim the repayment of the Loan Receivable and Interest Receivable from Shenzhen Aquatic. As such, the Company considered it is uncertain as to whether the Group may recover the Loan Receivable and Interest Receivable, impairment loss of HK$215.3 million was therefore provided during the Previous Year.

Finance costs

The Group's finance costs mainly represented interest expenses on other borrowings, shareholders' loans, loans from fellow subsidiaries and loans from related parties. The increase in finance costs from HK$10.7 million for the Previous Year to HK$12.0 million for the Year was mainly due to the increase in average borrowings during the Year.

Loss for the year

As a result of the foregoing, loss for the Year attributable to the owners of the Company was approximately HK$35.8 million (Previous Year: HK$257.0 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 31 December 2023, all other borrowings, shareholders' loan, loans from fellow subsidiaries and loans from related parties of the Group bore fixed interest rate, the maturity and currency profile are set out as follows:

	Within 1 year	**2nd to 5th years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Renminbi	196,682	3,949	200,631
Hong Kong Dollar	44,867	–	44,867
	241,549	3,949	245,498

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts is calculated as the sum of other borrowings, shareholders' loans, loans from fellow subsidiaries and loans from related parties, less bank and cash balances. Total capital represents total deficit as shown on the consolidated statement of financial position of the Group plus net debts. The gearing ratios as at 31 December 2023 and 2022 were as follows:

	2023	2022
	HK$'000	*HK$'000*
Other borrowings	**200,631**	202,287
Shareholders' loans	**11,410**	9,986
Loans from a fellow subsidiaries	**29,570**	28,139
Loans from related parties	**3,887**	–
Less: Bank and cash balances	**(28,027)**	(8,143)
Net debts	**217,471**	232,269
Total deficit	**(63,884)**	(40,171)
Total capital	**153,587**	192,098
Gearing ratio	**141.6%**	120.9%

As at 31 December 2023, the total deficit attributable to the owners of the Company was approximately HK$79.7 million (31 December 2022: HK$44.7 million), the increase was mainly contributed by the operating loss during the Year. As at 31 December 2023, the Group's current assets and current liabilities amounted to approximately HK$210.5 million and HK$364.5 million respectively (31 December 2022: HK$267.7 million and HK$434.3 million), of which approximately HK$28.0 million (31 December 2022: HK$8.1 million) was bank and cash balances.

As at 31 December 2023, the Group had bank and cash balances of approximately HK$28.0 million (31 December 2022: HK$8.1 million), of which approximately 95.4%, 4.6% and 0% (31 December 2022: 95.0%, 2.5% and 2.5%) were denominated in Renminbi ("**RMB**"), Hong Kong Dollar ("**HK$**") and United States Dollar ("**US$**") respectively.

The Group's current ratio, calculated based on current assets over current liabilities, was 0.6 at 31 December 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 and unutilised loan facility, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational needs.

Investment properties

The Group's investment properties contain offices and retail shops in Mainland China and are leased to third parties under operating leases for rental income. As at 31 December 2023, the Group's investment properties amounted to approximately HK$94.1 million (2022: HK$126.4 million) and were revalued based on valuations performed by an independent professionally qualified valuer.

Charge on Group Assets

As at 31 December 2023, the investment properties of the Group with carrying amount of approximately HK$94.1 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 31 December 2023 and 2022, investment properties of the Group is under awaiting 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 Year. However, the management will monitor the Group's foreign currency exposure should the need arise.

Capital Commitments

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

Contingent Liabilities

As at 31 December 2023, 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 31 December 2023 (31 December 2022: Nil).

Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 28 employees in Hong Kong and the PRC (31 December 2022: 27 employees). Staff costs (including directors' emoluments) amounted to approximately HK$6.2 million for the Year (Previous Year: HK$5.2 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.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the Year (Previous Year: nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investment held and material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

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 Rules Governing the Listing of Securities on the Stock Exchange (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.

Litigation

In 2019, two wholly-owned subsidiaries of the Group (the "**Yingkou Subsidiaries**") entered into certain loan agreements (the "**Original Loan Agreements**") with a bank in the PRC (the "**Bank**"), pursuant to which the Bank shall provide loans with an aggregate principal of RMB162.0 million (the "**Original Loan**") to the Yingkou Subsidiaries which carry interest rate ranging from 9.0045% to 9.5265% per annum and was secured by the investment properties held by the Yingkou Subsidiaries (the "**Yingkou Properties**"). The respective Original Loan and the respective accrued interests became overdue in December 2019 and January 2020 respectively.

On 3 March 2020, the Bank assigned its entire rights over the Original Loan to an independent third party (the "**Lender A**") at an aggregate consideration of approximately RMB166.6 million (the "**Lender A Receivables**"). On 18 August 2020, Lender A assigned its entire rights over the Lender A Receivables to another independent third party (the "**Lender B**") at an aggregate consideration of approximately RMB176.8 million.

On 31 August 2020, Yingkou Subsidiaries entered into two agreements with Lender B (the "**Extended Loan Agreements**"), pursuant to which (i) the balance of the Original Loan and accrued interest as at 18 August 2020 shall amount to approximately RMB176.8 million, which the Lender B is entitled to the rights of such receivable from the Yingkou Subsidiaries; (ii) the Lender B shall extend the repayment date of such RMB176.8 million (the "**Extended Loan**") by the Yingkou Subsidiaries to 17 August 2023, and the Extended Loan shall carry an interest rate of 5%.

As the Group did not repay the Extended Loan and respective accrued interest pursuant to the Extended Loan Agreements, the Extended Loan and the respective accrued interest became overdue on 17 August 2023.

Lender A had pledged its rights to the Lender A Receivables to the Bank and there was a dispute between the Bank and Lender A. The Bank had filed a claim against the Lender A and the Yingkou Subsidiaries and other defendants for the repayment of outstanding loans and interest due to default in certain loan agreements between the Bank and Lender A.

In 2022, the Group received a civil judgment and it was adjudged that (i) Yingkou Subsidiaries are obliged to repay the outstanding balance under the Extended Loan and respective accrued interest to the Bank; and (ii) the Bank or the relevant court in the PRC may have the right to dispose the Yingkou Properties by way of auction or sale. Should the judgement debts borne by the Group less than the aforesaid repayment amount under Extended Loan Agreements, the remaining amount shall be repaid to Lender B.

As at 31 December 2023, the balance of the Extended Loan and respective accrued interest amounted to approximately HK$218.2 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 31 December 2023, the Yingkou Properties with carrying amount of HK$94.1 million (2022: HK$126.4 million) is under awaiting seizure (輪侯查封) pursuant to the civil judgement. Transfer of ownership on the Yingkou Properties is restricted.

EVENT AFTER THE REPORTING PERIOD

Debt capitalisation

On 25 January 2024, the Company entered into the settlement agreement with certain creditors (the "**Creditors**"), pursuant to which the Company has conditionally agreed to capitalise the aggregate indebted amount of approximately HK$44.9 million owed to the Creditors by the Company, the Creditors has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 896,993,536 capitalisation shares at the issue price of HK$0.05 per capitalisation share under a specific mandate of the Company to be sought at the extraordinary general meeting (the "**Debt Capitalisation**").

As at 31 December 2023, the Group has a net current liabilities and net liabilities of approximately HK$154.1 million and HK$63.9 million respectively and coupled with the recent cautious investment sentiment and the prevailing high interest rate in the debt market, the Group had difficulties in seeking debt or equity financing to finance its business development. The Debt Capitalisation offers the Group with a valuable chance of reaching a full settlement of its outstanding debt without utilising existing financial resources of the Company and exerting pressure on the cashflow position of the Group.

For further details, please refer to the announcements of the Company dated 7 February, 28 February and 28 March 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the Year.

CORPORATE GOVERNANCE

The Company complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules for the Year, save for the code provisions 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 Year, 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 office 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 BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as the Group's code of conduct regarding Directors' Securities Transaction. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Model Code during the Year.

AUDIT COMMITTEE

The consolidated financial statements of the Company for the Year have been reviewed by the audit committee of the Company (the "**Audit Committee"**) and have been duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's independent auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by ZHONGHUI ANDA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The section below is an extract of the independent auditor's report by ZHONGHUI ANDA regarding the consolidated financial statements of the Group for the Year:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Consideration receivables and impairment loss of loan receivables and interest receivables

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of consideration receivables of approximately HK$130,383,000 and HK$134,099,000 as at 31 December 2023 and 31 December 2022 respectively; in addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriate timing for recognition of (i) the impairment loss of loan receivables of approximately HK$176,040,000 and (ii) the impairment loss of interest receivables of approximately HK$39,250,000 for the year ended 31 December 2022.

There are no other satisfactory audit procedures that we could adopt to determine whether the above amounts are fairly stated in the consolidated financial statements.

In respect of the consideration receivables, the management is still in the progress of taking various actions, including but not limited to legal actions, against the respective debtors. No result from actions is available up to the date of this announcement for justifying the extent of the recoverability of consideration receivables. In the absence of information in relation to the financial status of the debtors on assessing the respective abilities for settlement, the management considered that there is uncertainty on recovering the consideration receivables.

In respect of the loan receivables and interest receivables, the management, after receiving the court order with a result unfavourable to the Group in respect of recovering the loan and interest receivables, provided for an impairment loss of loan receivables of approximately HK$176,040,000 and an impairment loss of the relevant interest receivables of approximately HK$39,250,000 for the year ended 31 December 2022. The management could not provide us with sufficient appropriate audit evidence to justify whether the impairment loss of loan receivables and impairment loss of interest receivables should be made in the year ended 31 December 2022 or in the prior years.

2. **Provision for repayment obligations**

Due to the uncertainties in relation to the civil judgement as disclosed in note 26(ii) to the consolidated financial statements, we have been unable to obtain sufficient appropriate audit evidence for us to assess whether no additional provision has been provided concerning the repayment obligations under the civil judgement as at 31 December 2023 and 31 December 2022 are fairly stated and the profit or loss effect on the additional provision of repayment obligations for the year ended 31 December 2023 and 31 December 2022 are properly reflected.

3. **Limited accounting books and records of certain subsidiaries of the Group and the relevant gain on disposal of subsidiaries**

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group, namely Qianhai Shitong Supply Chain (Shenzhen) Company Limited and Qianhai Guoxing Finance Lease (Shenzhen) Company Limited ("**Certain Subsidiaries**") for the period from 1 January 2022 to 30 December 2022 (being the date of disposal of Certain Subsidiaries) (the "**Period Ended 2022**"), we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the Period Ended 2022 and the segment information and other related disclosure notes in relation to certain subsidiaries of the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

(a) ***Income and expenses:***

	For the Period Ended 2022 *HK$'000*
Impairment losses on loan and interest receivables	(215,290)
Gain on disposal of subsidiaries	7,229
Loss for the year	(208,061)

(b) ***Related party transactions and disclosures:***

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the Period Ended 2022 in relation to Certain Subsidiaries and their operations as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Any adjustments to the figures as described above points 1 to 3 might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2023 and 2022 and the financial positions of the Group as at 31 December 2023 and 2022, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to the owners of the Company of approximately HK$35.8 million for the year ended 31 December 2023, and as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK$154.1 million and HK$63.9 million, respectively. In addition, as at 31 December 2023, the Group's bank and cash balances of approximately HK$28.0 million is insufficient to cover the current liabilities of approximately HK$364.5 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the website of the Company (http://www.enviro-energy.com.hk/) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the Year will be despatched to the Shareholders and 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, 28 March 2024

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.