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Enviro Energy International Holdings Limited

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1102)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	5	–	226,516
Cost of sales		–	(218,538)
Gross profit		–	7,978
Other gains, net		47	4,139
Interest income		1	1
Selling and distribution expenses		–	(3,054)
Administrative and operating expenses		(7,295)	(4,126)
Operating profit		(7,247)	4,938
Finance cost	6	(305)	(881)
(Loss)/profit before income tax	7	(7,552)	4,057
Income tax credit/(expenses)	8	202	(56)
(Loss)/profit for the period attributable to owners of the Company		(7,350)	4,001
(Loss)/earnings per share attributable to owners of the Company (expressed in HK cent per share)			
— Basic and diluted	10	(1.36)	0.75

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(7,350)</u>	<u>4,001</u>
Other comprehensive (loss)/income		
<i>Item that may be reclassified to profit or loss:</i>		
— Exchange differences arising from translation of foreign operations	<u>(6,087)</u>	<u>4,108</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(6,087)</u>	<u>4,108</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company	<u><u>(13,437)</u></u>	<u><u>8,109</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		532	538
Investment properties		166,817	172,528
Intangible assets		330	330
		167,679	173,396
Current assets			
Loan receivable		177,465	183,540
Trade receivables	11	2,418	3,179
Deposits, prepayments and other receivables	12	180,538	186,299
Bank and cash balances		1,058	8,898
		361,479	381,916
Total assets		529,158	555,312
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		27,120	27,120
Reserves		180,561	193,998
Total equity		207,681	221,118

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Other borrowings	<i>14</i>	209,164	216,324
Asset retirement obligation		495	495
		<hr/> 209,659 <hr/>	<hr/> 216,819 <hr/>
Current liabilities			
Trade and other payables	<i>13</i>	73,761	83,313
Shareholders' loan		34,745	10,184
Loan from a fellow subsidiary		–	20,234
Amount due to a fellow subsidiary		118	168
Income tax payable		3,194	3,476
		<hr/> 111,818 <hr/>	<hr/> 117,375 <hr/>
Total liabilities		<hr/> 321,477 <hr/>	<hr/> 334,194 <hr/>
Total equity and liabilities		<hr/> 529,158 <hr/>	<hr/> 555,312 <hr/>

NOTE TO THE UNAUDITED 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 2022 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 2021, 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

The Group incurred a loss attributable to the owners of the Company of approximately HK\$7.4 million for the six months ended 30 June 2022. In addition, as at 30 June 2022, the Group’s bank and cash balances of approximately HK\$1.1 million is insufficient to cover the current liabilities of approximately HK\$111.8 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.

These 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 2022. 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 2021, 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 intangible assets, 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 asset retirement obligation, other borrowings, shareholders' loan, loan from 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 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Unaudited)
Hong Kong	–	195,692	497	828
The Mainland China	–	30,824	166,852	172,568
	–	226,516	167,349	173,396

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 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)
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 (Unaudited)	Properties investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
As at 30 June 2022				
Segment assets		3,506	306,247	309,753
Unallocated assets				<u>219,405</u>
Total assets				<u><u>529,158</u></u>
Segment liabilities		(7,085)	(41,007)	(48,092)
Unallocated liabilities				<u>(273,385)</u>
Total liabilities				<u><u>(321,477)</u></u>
		Sales of materials business HK\$'000 (Unaudited)	Properties investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 30 June 2021				
Segment revenue		<u>226,516</u>	<u>–</u>	<u>226,516</u>
Segment results		4,704	3,193	7,897
Unallocated:				
Interest income				1
Finance cost				(881)
Unallocated corporate income				148
Unallocated corporate expense				<u>(3,108)</u>
Profit before income tax				<u><u>4,057</u></u>

Other segment information:

	Sales of materials business <i>HK\$'000</i> (Unaudited)	Properties investment <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	–	(3)	(2)	(5)
Other gains, net	–	3,991	148	4,139
Interest income	–	–	1	1
Finance cost	–	–	(881)	(881)
Income tax expense	(56)	–	–	(56)

	Sales of materials business <i>HK\$'000</i> (Audited)	Properties investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
As at 31 December 2021			
Segment assets	5,670	316,774	322,444
Unallocated assets			<u>232,868</u>
Total assets			<u><u>555,312</u></u>
Segment liabilities	(9,857)	(258,123)	(267,980)
Unallocated liabilities			<u>(66,214)</u>
Total liabilities			<u><u>(334,194)</u></u>

5. REVENUE

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
— Sales of materials	–	226,516
Rental income	–	–
	<u>–</u>	<u>226,516</u>
	<u><u>–</u></u>	<u><u>226,516</u></u>

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

6. FINANCE COST

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on shareholders' loan	60	701
Interest on loan from a fellow subsidiary	245	78
Interest on factoring of trade receivables	—	102
	<u>305</u>	<u>881</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	—	218,491
Depreciation of property, plant and equipment	4	5
Exchange loss/(gain) net	680	(60)
Freight and transportation expense	—	2,996
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	2,141	3,085
— Retirement benefit scheme contributions	104	163
	<u>104</u>	<u>163</u>

8. INCOME TAX CREDIT/(EXPENSES)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for current tax		
— Hong Kong Profits Tax	198	—
— PRC Corporate Income Tax ("CIT")	4	(56)
	<u>202</u>	<u>(56)</u>

For the six months ended 30 June 2022 and 2021, 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 2022, the applicable CIT tax rate is 25% unless preferential tax rates were applicable (six months ended 30 June 2021: same).

There were no material unrecognised deferred tax assets and liabilities as at 30 June 2022 (31 December 2021: Nil).

9. DIVIDENDS

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company <i>(HK\$'000)</i>	(7,350)	4,001
Weighted average number of ordinary shares in issue <i>(thousand shares)</i>	542,392	542,392
Basic (loss)/earnings per share <i>(HK cents)</i>	(1.36)	0.74

(b) 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)/earnings per share (six months ended 30 June 2021: Same).

11. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	22,665	24,099
Less: Provision for impairment	(20,247)	(20,920)
Trade receivables, net	2,418	3,179

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

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
0–30 days	–	782
121–365 days	–	2,397
Over 365 days	2,418	–
	2,418	3,179

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Current portion		
Deposits	36	36
Prepayments for:		
— purchase of building materials	311,079	321,208
— others	5,752	5,396
Less: loss allowance of prepayment for:		
— purchase of building materials	(311,079)	(321,208)
— others	(3,476)	(3,459)
Interest receivable	40,774	42,169
Less: loss allowance of interest receivable	(1,206)	(1,247)
Consideration receivable from disposal of assets classified as held for sale	50,241	51,961
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	(809)	(837)
Consideration receivable from disposal of investment properties	89,916	92,994
Less: loss allowance of consideration receivable from disposal of investment properties	(690)	(714)
	180,538	186,299

13. TRADE AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Trade payables (<i>Note (i)</i>)	3,817	4,669
Other payables	55,053	62,376
Receipt in advance	3,566	3,180
Accrued liabilities	11,325	13,088
	<u>73,761</u>	<u>83,313</u>

Notes:

(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 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within 30 days	–	722
Over 365 days	3,817	3,947
	<u>3,817</u>	<u>4,669</u>

14. OTHER BORROWINGS

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current Other borrowings — secured (<i>Note</i>)	<u>209,164</u>	<u>216,324</u>

Note:

As at 30 June 2022, the other borrowings are secured by the Group's investment properties, which have a carrying amount of approximately HK\$166.8 million (31 December 2021: HK\$172.5 million).

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.

Recoverability in relation to trade receivables, loan receivables, interest receivables, prepayments, consideration receivables and interest income from loan receivables (collectively, the “Outstanding Receivables”)

The Board has, at its best endeavors, swiftly taken numerous measures in investigating the background of the Outstanding Receivables and seeking legal opinions for exploring possible legal actions, in view of recovering the Outstanding 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 Outstanding Receivables.
2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain Outstanding 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 Outstanding 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 Outstanding Receivables is recoverable.

16. EVENT AFTER THE END OF THE REPORTING PERIOD

On 28 June 2022, the Company entered into the sale and purchase agreement with two independent third parties (the “**Vendors**”), pursuant to which the Company has conditionally agreed to acquire for and the Vendors have conditionally agreed to sell the entire issued shares of the target company, at a consideration of RMB30 million (equivalent to approximately HK\$35.3 million). On 12 July 2022, the Company and the Vendors further entered into the supplemental agreement to the sale and purchase agreement to amend certain terms of the sale and purchase agreement.

The completion of transaction is subject to the fulfillment of certain conditions as set out in the agreement.

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 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.

During the six months ended 30 June 2022 (the “**Period**”), the Group did not generate any revenue from sales of materials (six months ended 30 June 2021 (the “**Previous Period**”): HK\$226.5 million).

The Group experienced a temporary downturn of its principal business as a result of a number of force majeure factors causing the abnormal and significant price fluctuation in aluminum related products of nearly 100% within a short time span that is beyond the control of the Group, including the impact of COVID-19 on global freight cost and the Russian Ukrainian War in early 2022. Also, the Group have been struggling to cope with spiraling shipping costs since the outbreak of COVID-19 that caused by the global shipping container shortage.

In view of the price instability of aluminum and related products and surging freight cost and in order to safeguard the interest of the Company, the Group has no alternative but temporary ceased the supply of aluminum and related products to its customers, while exploring for other business opportunities based on its existing supply of building material business network.

As the aluminum price appeared to be stabilising recently, the Group has been negotiating with its customers to resume supplying the aluminum related products and building materials.

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 did not generate any rental income from properties investment (Previous Period: Nil).

BUSINESS PROSPECTS AND FUTURE PLANS

In early 2021, the establishment of warehouses in the PRC and commencement of inventory management, allowed the Group to quickly respond to the demand of its customers and further strengthened the Group's capability to act as a one-stop building materials supplier for its customers.

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, the prospect looks promising.

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 in early 2022, 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.

As the aluminum price appeared to be stabilised in the second half of 2022, the Group has resumed negotiation with its customers to supply building materials and aluminum related products.

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 June 2022, the Company entered into a sale and purchase agreement with the independent third parties for acquisition of the entire equity interest in Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd. (“**Hangzhou Zhongji**”) (the “**Proposed Acquisition**”), which principally engaged in the provision of construction and renovation services in the PRC.

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

The Group considers the Proposed Acquisition may improve the profitability of Hangzhou Zhongji and the Group as a whole, representing an excellent opportunity for upstream expansion of the Group in the construction industry.

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

The Group did not record any revenue and gross profit of during the Period (Previous Period: HK\$226.5 million and HK\$8.0 million). As a result of COVID-19 and the Russian Ukrainian War, aluminum and related products experienced significant price fluctuation from the last quarter of 2021 till the second quarter of 2022. Also, the serious disruption in the freight industry caused by COVID-19 result in a mammoth increase in freight and transportation cost. As such, the Group has no alternative but temporary ceased the supply of aluminum and related products.

Selling and distribution expenses

The selling and distribution expenses mainly include freight and transportation expenses, staff costs and other selling and distribution expenses.

The Group did not record any selling and distribution expenses during the Period. During the Previous Period, selling and distribution expenses of HK\$3.1 million mainly represented freight and transportation expenses for sales of aluminum related products and scrap copper to overseas customers.

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\$3.2 million from HK\$4.1 million for the Previous Period to HK\$7.3 million for the Period was mainly due to increase in (i) legal and professional fee by HK\$2.7 million; and (ii) exchange loss of HK\$0.7 million.

(Loss)/profit for the period

As a result of the foregoing, loss for the Period attributable to the owners of the Company was approximately HK\$7.4 million (Previous Period: profit of HK\$4.0 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 30 June 2022, 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	2nd year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	–	209,164	209,164
United States Dollar	198	–	198
Hong Kong Dollar	34,547	–	34,547
	<u>34,745</u>	<u>209,164</u>	<u>243,909</u>

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 bank and other borrowings, 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 2022, the Group's gearing ratio was 116.9% (31 December 2021: 107.6%).

As at 30 June 2022, the debt to equity ratio and net debt to equity ratio of the Group, which were calculated by dividing total interest-bearing debt by total equity and dividing total interest-bearing debt less bank and cash balances by total equity, were 117.4% (31 December 2021: 111.6%) and 116.9% (31 December 2021: 107.6%) respectively.

As at 30 June 2022, the equity attributable to owners of the Company decreased to approximately HK\$207.7 million (31 December 2021: HK\$222.1 million) which was mainly due to the operating loss during the Period. As at 30 June 2022, the Group's current assets and current liabilities amounted to approximately HK\$361.5 million and HK\$111.8 million respectively (31 December 2021: HK\$381.9 million and HK\$117.4 million), of which approximately HK\$1.1 million (31 December 2021: HK\$8.9 million) was bank and cash balances.

As at 30 June 2022, the Group had bank and cash balances of approximately HK\$1.1 million (31 December 2021: HK\$8.9 million), of which approximately 19%, 6% and 75% (31 December 2021: 10%, 17% and 73%) were denominated in United States Dollar (“US\$”), Renminbi (“RMB”) and Hong Kong Dollar (“HK\$”) respectively.

The Group's current ratio, calculated based on current assets over current liabilities, was 3.2 at 30 June 2022 (31 December 2021: 3.3).

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 2022, the investment properties of the Group with carrying amount of approximately HK\$166.8 million (31 December 2021: HK\$172.5 million) were pledged to secure certain bank and other borrowings. Save for the above, the Group did not have any charges on its assets.

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 2022, the Group did not have significant capital commitments (31 December 2021: Nil).

Contingent Liabilities

As at 30 June 2022, the Group did not have significant contingent liabilities (31 December 2021: Nil).

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 15 employees in Hong Kong and the PRC (31 December 2021: 19 employees). Staff costs (including directors' emoluments) amounted to approximately HK\$2.2 million for the Period (Previous Period: HK\$3.2 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

Save as disclosed in this announcement, 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 six months ended 30 June 2022 (Six months ended 30 June 2021: 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. 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 and 14 June 2022.

Should there be any material development of this matter, further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules.

Recoverability in relation to trade receivables, loan receivables, interest receivables, prepayments, consideration receivables and interest income from loan receivables (collectively, the "Outstanding Receivables")

The Board has, at its best endeavors, swiftly taken numerous measures in investigating the background of the Outstanding Receivables and seeking legal opinions for exploring possible legal actions, in view of recovering the Outstanding 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 Outstanding Receivables.
2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain Outstanding 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 Outstanding 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 Outstanding Receivables is recoverable.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 28 June 2022, the Company entered into a sale and purchase agreement with (i) Zhejiang Zhongnan Construction Group Company Limited* (浙江中南建設集團有限公司) and (ii) Zhejiang Zhongnan Cultural Tourism Group Company Limited* (浙江中南文旅集團有限公司) (collectively “**Vendors**”) (the “**Sale and Purchase Agreement**”), pursuant to which the Company has conditionally agreed to acquire for and the Vendors have conditionally agreed to sell the entire issued shares of the Hangzhou Zhongji, at a consideration of RMB30 million (equivalent to approximately HK\$35.3 million) (the “**Acquisition**”).

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

As at the date of this announcement, the Acquisition is not yet completed and is subject to, inter alia, the Shareholders’ approval at an extraordinary general meeting to be convened under Chapter 14 of the Listing Rules. For further details, please refer to the announcement of the Company dated 21 July 2022 and a circular to be despatched by the Company to the Shareholders.

Save as disclosed herein, 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 six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

None of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the six months ended 30 June 2022, in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Board will review the corporate governance practice of the Company regularly and effect changes 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 has 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 audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Liu Qin (Chairman), Mr. Zhong Jian and Mr. Du Hongwei (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 2022 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, 30 August 2022

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

* *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.*