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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 2024**

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 2024 together with comparative figures as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2024*

		<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	5	<b>227,376</b>	242,428
Cost of sales		<b>(211,869)</b>	(222,158)
Gross profit		<b>15,507</b>	20,270
Other gains, net		<b>104</b>	15
Administrative and operating expenses		<b>(7,169)</b>	(7,102)
Interest income		<b>194</b>	57
Fair value loss on investment properties		<b>(4,596)</b>	–
Profit from operations		<b>4,040</b>	13,240
Loss on debt capitalisation		<b>(80,730)</b>	–
Finance costs	6	<b>(7,544)</b>	(5,041)

		<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss)/profit before income tax</b>	7	<b>(84,234)</b>	8,199
Income tax expenses	8	<u><b>(3,706)</b></u>	<u>(4,845)</u>
<b>(Loss)/profit for the period</b>		<u><b>(87,940)</b></u>	<u>3,354</u>
<b>(Loss)/profit for the period attributable to:</b>			
— Owners of the Company		<b>(92,387)</b>	(2,500)
— Non-controlling interests		<u><b>4,447</b></u>	<u>5,854</u>
		<u><b>(87,940)</b></u>	<u>3,354</u>
<b>Loss per share (in HK cent)</b>			
— Basic and diluted	10	<u><b>(13.58)</b></u>	<u>(0.46)</u>

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2024*

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/profit for the period</b>	<u><b>(87,940)</b></u>	<u>3,354</u>
<b>Other comprehensive loss</b>		
<i>Item that may be reclassified to profit or loss:</i>		
— Exchange differences arising from translation of foreign operations	<u><b>(309)</b></u>	<u>(234)</u>
Other comprehensive loss for the period, net of tax	<u><b>(309)</b></u>	<u>(234)</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><b>(88,249)</b></u>	<u>3,120</u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
— Owners of the Company	<u><b>(92,585)</b></u>	<u>(2,419)</u>
— Non-controlling interests	<u><b>4,336</b></u>	<u>5,539</u>
	<u><b>(88,249)</b></u>	<u>3,120</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

		As at <b>30 June 2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		21	21
Investment properties		<u>87,347</u>	<u>94,118</u>
		<u>87,368</u>	<u>94,139</u>
<b>Current assets</b>			
Inventories		25,469	16,229
Trade receivables	<i>11</i>	47,719	28,331
Deposits, prepayments and other receivables	<i>12</i>	154,622	137,878
Bank and cash balances		<u>19,850</u>	<u>28,027</u>
		<u>247,660</u>	<u>210,465</u>
<b>Total assets</b>		<u><u>335,028</u></u>	<u><u>304,604</u></u>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	<i>14</i>	71,969	27,120
Reserves		<u>(118,655)</u>	<u>(106,800)</u>
		<u>(46,686)</u>	<u>(79,680)</u>
Non-controlling interests		<u>20,132</u>	<u>15,796</u>
<b>Total deficit</b>		<u>(26,554)</u>	<u>(63,884)</u>

		As at <b>30 June 2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> <b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other borrowings		<b>4,084</b>	3,949
Shareholders' loans		<b>1,600</b>	–
Loans from fellow subsidiaries		<b>549</b>	–
Loans from related parties		<b>2,851</b>	–
		<u><b>9,084</b></u>	<u>3,949</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>137,713</b>	115,559
Contract liabilities		<b>19,552</b>	5,760
Other borrowings		<b>192,068</b>	196,682
Amount due to a director		<b>1,360</b>	–
Income tax payable		<b>1,805</b>	1,671
Shareholders' loans		–	11,410
Loans from fellow subsidiaries		–	29,570
Loans from related parties		–	3,887
		<u><b>352,498</b></u>	<u>364,539</u>
<b>Total liabilities</b>		<u><b>361,582</b></u>	<u>368,488</u>
<b>Total deficit and liabilities</b>		<u><b>335,028</b></u>	<u>304,604</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) engaged in sale of materials business and properties investment in 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 2024 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 consolidated 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

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

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

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

## **2.1 Going Concern Basis**

As at 30 June 2024, the Group's bank and cash balances of approximately HK\$19.9 million is insufficient to cover the current liabilities of approximately HK\$352.5 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

This condensed consolidated interim financial information have been prepared on a going concern basis, the validity of which depends upon the financial support of the Controlling Shareholder, at a level sufficient to finance the working capital requirements of the Group. The Controlling Shareholder has agreed to provide adequate funds for the Group to meet its financial obligations as and when they fall due within next twelve months from 30 June 2024. In the opinion of the directors, in light of the above plan and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they full due in the coming twelve months from 30 June 2024. 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 2023, 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 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, amount due to a director, non-pledged 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.

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 (the “**specified non-current assets**”) is based on the physical location in which the assets are located.

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

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Audited)
The Mainland China	227,376	242,428	87,368	94,118
Hong Kong	—	—	—	21
	<u>227,376</u>	<u>242,428</u>	<u>87,368</u>	<u>94,139</u>



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

	<b>Sale of materials business HK\$'000 (Unaudited)</b>	<b>Properties investment HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>For the six months ended 30 June 2024</b>			
Revenue from external customers	<u>227,274</u>	<u>102</u>	<u>227,376</u>
Gross profit	15,432	75	15,507
Other gains, net	–	5	5
Fair value change on investment properties	–	(4,596)	(4,596)
Administrative and operating expenses	<u>(688)</u>	<u>(563)</u>	<u>(1,251)</u>
Segment results	<u><u>14,744</u></u>	<u><u>(5,079)</u></u>	<u>9,665</u>
Unallocated:			
Other gains, net and interest income			293
Administrative and operating expenses			<u>(5,918)</u>
Profit from operations			4,040
Loss on debt capitalisation			(80,730)
Finance costs			<u>(7,544)</u>
Loss before tax			(84,234)
Income tax expense			<u>(3,706)</u>
Loss for the period			<u><u>(87,940)</u></u>

**Other segment information:**

	<b>Sales of materials business HK\$'000 (Unaudited)</b>	<b>Properties investment HK\$'000 (Unaudited)</b>	<b>Unallocated HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>For the six months ended 30 June 2024</b>				
Income tax expense	(3,706)	–	–	(3,706)
Capital expenditure	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

	<b>Sales of materials business HK\$'000 (Unaudited)</b>	<b>Properties investment HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>As at 30 June 2024</b>			
Segment assets	100,080	214,911	314,991
Unallocated assets			<u>20,037</u>
<b>Total assets</b>			<b><u>335,028</u></b>
Segment liabilities	(70,158)	(258,613)	(328,771)
Unallocated liabilities			<u>(32,811)</u>
<b>Total liabilities</b>			<b><u>(361,582)</u></b>
	<b>Sale of materials business HK\$'000 (Unaudited)</b>	<b>Properties investment HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
<b>For the six months ended 30 June 2023</b>			
Revenue from external customers	<u>242,286</u>	<u>142</u>	<u>242,428</u>
Gross profit	20,128	142	20,270
Other gains, net	–	15	15
Administrative and operating expenses	<u>(340)</u>	<u>(805)</u>	<u>(1,145)</u>
Segment results	<b><u>19,788</u></b>	<b><u>(648)</u></b>	19,140
Unallocated:			
Other gains, net and interest income			57
Administrative and operating expenses			<u>(5,957)</u>
Profit from operations			13,240
Finance costs			<u>(5,041)</u>
Profit before tax			8,199
Income tax expense			<u>(4,845)</u>
Profit for the period			<b><u>3,354</u></b>

**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)
<b>For the six months ended 30 June 2023</b>				
Depreciation of property, plant and equipment	–	–	(1)	(1)
Income tax expense	(4,845)	–	–	(4,845)
Capital expenditure	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
		Sales of materials business <i>HK\$'000</i> (Audited)	Properties investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>As at 31 December 2023</b>				
Segment assets		78,466	224,738	303,204
Unallocated assets				<u>1,400</u>
<b>Total assets</b>				<u><u>304,604</u></u>
Segment liabilities		(38,703)	(256,933)	(295,636)
Unallocated liabilities				<u>(72,852)</u>
<b>Total liabilities</b>				<u><u>(368,488)</u></u>

**5. REVENUE**

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers		
— Sales of materials	<b>227,274</b>	242,286
Rental income	<b>102</b>	142
	<u><b>227,376</b></u>	<u>242,428</u>

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

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest expenses on:		
— Other borrowings	7,235	4,991
— Loans from related parties	47	34
— Loans from fellow subsidiaries	17	12
— Shareholders' loans	17	4
Unwinding of discount on other borrowings	228	–
	<u>7,544</u>	<u>5,041</u>

## 7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories sold	211,591	221,715
Depreciation of property, plant and equipment	–	1
Exchange loss, net	440	1,029
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	2,828	2,659
— Retirement benefit scheme contributions	232	210
	<u>215,091</u>	<u>225,615</u>

## 8. INCOME TAX EXPENSES

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Provision for current tax		
— PRC Corporate Income Tax ("CIT")	3,706	4,878
	<u>3,706</u>	<u>4,878</u>
Over-provision in prior years		
— PRC CIT	–	(23)
— Hong Kong Profits Tax	–	(10)
	<u>–</u>	<u>(33)</u>
	<u>3,706</u>	<u>4,845</u>

For the six months ended 30 June 2024 and 2023, 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 2024, the applicable CIT tax rate is 25% unless preferential tax rates were applicable (six months ended 30 June 2023: same).

There were no material unrecognised deferred tax assets and liabilities as at 30 June 2024 (31 December 2023: Nil).

## 9. DIVIDENDS

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2024 (Six months ended 30 June 2023: Nil).

## 10. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to the owners of the Company ( <i>HK\$'000</i> )	<b>(92,387)</b>	(2,500)
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>680,391</b>	542,392
Basic loss per share ( <i>HK cents</i> )	<b><u>(13.58)</u></b>	<u>(0.46)</u>

- (b) For the six months ended 30 June 2024 and 2023, diluted loss per share is the same as the basic loss per share as there was no potential dilutive ordinary shares in existence.

## 11. TRADE RECEIVABLES

	As at <b>30 June</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> <b>(Audited)</b>
Trade receivables	<b>48,823</b>	34,389
Less: Provision for impairment	<u><b>(1,104)</b></u>	<u>(6,058)</u>
Trade receivables, net	<u><b>47,719</b></u>	<u>28,331</u>

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

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

	As at <b>30 June</b> <b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2023 <i>HK\$'000</i> <b>(Audited)</b>
Within 30 days	<b>46,718</b>	4,821
31–60 days	–	6,576
61–90 days	–	6,053
91–120 days	<b>1,001</b>	2,179
121–365 days	<u>–</u>	<u>8,702</u>
	<u><b>47,719</b></u>	<u>28,331</u>

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Deposits	36	36
Prepayments for purchase of building materials	26,645	4,048
Other receivables	631	709
Less: loss allowance of other receivables	(14)	(15)
Consideration receivable from disposal of assets classified as held for sale	46,135	47,243
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	(743)	(761)
Consideration receivable from disposal of investment properties	82,566	84,550
Less: loss allowance of consideration receivable from disposal of investment properties	(634)	(649)
Other tax recoverable	–	2,717
	<u>154,622</u>	<u>137,878</u>

## 13. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade payables ( <i>Note (i)</i> )	48,273	30,976
Other payables	48,390	48,598
Receipt in advance	890	715
Interest payable	28,179	21,500
Accrued liabilities	11,981	13,770
	<u>137,713</u>	<u>115,559</u>

Note:

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

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 30 days	45,445	11,030
30–60 days	–	9,448
61–90 days	–	737
91–120 days	2,173	5,540
121–365 days	576	3,749
Over 365 Days	79	472
	<u>48,273</u>	<u>30,976</u>

#### 14. SHARE CAPITAL

	Number of shares (thousand) (Unaudited)	Ordinary shares of par value of HK\$0.05 each HK\$'000 (Unaudited)
<b>Authorised:</b>		
At 31 December 2023 and 1 January 2024	1,000,000	50,000
Increase in authorised share capital (Note (a))	<u>9,000,000</u>	<u>450,000</u>
At 30 June 2024	<u>10,000,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>		
At 31 December 2023 and 1 January 2024	542,392	27,120
Issuance of shares upon debt capitalisation (Note (b))	<u>896,994</u>	<u>44,849</u>
At 30 June 2024	<u>1,439,386</u>	<u>71,969</u>

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.



*Notes:*

- (a) On 2 May 2024, the Company passed the resolution at the extraordinary general meeting to approve the authorised share capital of the Company be increased from HK\$50,000,000 divided into 1,000,000,000 shares of HK\$0.05 each to HK\$500,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,000,000,000 shares.
  
- (b) On 25 January 2024, the Company entered into the settlement agreement with certain creditors of the Group, including Wonderland International Financial Holdings Limited, Wonderland International Finance Limited, Mr. Pan Lihui, Mr. Zhou Lixin, Longma International Family Services Group Limited, Able Plus International Limited and Mr. Tang Zhengbang (together, the “**Creditors**”), pursuant to which the Company has conditionally agreed to capitalise the 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.

On 2 May 2024, the resolution in relation to grant a specific mandate to the directors to allot and issue the capitalisation shares in the extraordinary general meeting was duly passed. Accordingly, the Company allotted and issued 896,993,536 capitalisation shares on 3 June 2024.

The differences between the fair value of shares issued and the indebted amounts of approximately HK\$80,730,000 were recognised in profit or loss.

## **15. EVENTS AFTER THE REPORTING PERIOD**

On 22 July 2024, the Group and the purchaser entered into two sale and purchase agreements, pursuant to which the Group has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the entire equity interests of two wholly-owned subsidiaries of the Company, at a consideration of HK\$2 in aggregate.

Up to the date of this announcement, the transactions have not completed, which subject to approval by the shareholders at the forthcoming extraordinary general meeting.

## 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 the People’s Republic of China (the “**PRC**”).

#### Sales of materials business

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

During the six months ended 30 June 2024 (the “**Period**”), the sales of materials contributed a revenue of approximately HK\$227.3 million (six months ended 30 June 2023 (the “**Previous Period**”): HK\$242.3 million).

#### Properties investment

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

### BUSINESS PROSPECTS AND FUTURE PLANS

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

The first half of 2024 was another strong period for the Group as we maintain our focus on growing our business in a consistent and sustainable way since the establishment of Hangzhou Junheng. Our confidence in the long-term future of our sales of materials business remains resolute.

The Group continues to optimise its business segments and management team, strengthen its management of operational team. In July 2024, the Group and the purchaser entered into two sale and purchase agreements, pursuant to which the Group have conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the entire equity interests of two wholly-owned subsidiaries of the Company, which principally engaged in property investment business in the PRC, at an aggregate consideration of HK\$2 (**“Proposed Disposal”**).

The Proposed Disposal enable the Group to devote its resources on sales of materials business which generate stable income, it also represents an opportunity to allow the Group to (i) settle the loans to reduce indebtedness and improve its gearing ratio; (ii) resolve the audit qualification on the consolidated financial statements of the Group; and (iii) resolve the uncertainty on the provision for repayment obligation to the consolidated financial statements of the Group surrounding the litigation filed by the bank on its subsidiaries and allow the remaining group to be free from the legal encumbrances of such litigation, which is in the interest of the Company and its Shareholders as a whole.

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 Group is confident for its sustainable growth and believes that its management team with extensive industry experience and its agile operations team are able to adjust the business strategy in accordance with market trends.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue mainly represented sales 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 in 2022.

During the Period, the Group recorded a revenue of approximately HK\$227.4 million (Previous Period: HK\$242.4 million), representing a decrease by 6.2% when compared with the Previous Period.

### **Gross profit**

The Group's gross profit for the Period decreased by HK\$4.8 million to approximately HK\$15.5 million (Previous Period: HK\$20.3 million). The overall gross profit margin decreased from 8.4% for the Previous Period to 6.8% for the Period, which mainly due to the lower gross profit margin for sales of building materials in the Period 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 remained relatively stable from HK\$7.1 million for the Previous Period to HK\$7.2 million for the Period.

### **Fair value loss 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\$4.6 million for the Period (Previous Period: Nil).

### **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\$5.0 million for the Previous Period to HK\$7.5 million for the Period was mainly due to the increase in average interest rate on borrowings during the Period.

## Loss on 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 (the “**Debt Capitalisation**”).

On 2 May 2024, the resolution in relation to grant a specific mandate to the directors to allot and issue the capitalisation shares in the extraordinary general meeting was duly passed. Accordingly, the Company allotted and issued the capitalisation shares on 3 June 2024 and resulted in an one-off loss on debt capitalisation of approximately HK\$80.7 million during the Period.

## (Loss)/profit for the Period

As a result of the foregoing, the Group recorded a loss for the Period amounted to HK\$87.9 million (Previous Period: profit of HK\$3.4 million).

## Liquidity, Financial Resources and Capital Structure

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

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

As at 30 June 2024, all other borrowings, shareholders’ loans, loans from fellow subsidiaries and loans from related parties of the Group bore fixed interest rates, the maturity and currency profile are set out as follows:

	<b>Within 1 year</b>	<b>2nd to 5th years</b>	<b>Total</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Renminbi	192,068	4,084	196,152
Hong Kong Dollar	—	5,000	5,000
	<u>192,068</u>	<u>9,084</u>	<u>201,152</u>

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debts 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 condensed consolidated statement of financial position of the Group. The gearing ratios as at 30 June 2024 and 31 December 2023 were as follows:

	<b>As at 30 June 2024 HK\$'000</b>	As at 31 December 2023 HK\$'000
Other borrowings	<b>196,152</b>	200,631
Shareholders' loans	<b>1,600</b>	11,410
Loans from a fellow subsidiaries	<b>549</b>	29,570
Loans from related parties	<b>2,851</b>	3,887
Less: Bank and cash balances	<b>(19,850)</b>	(28,027)
Net debts	<b>181,302</b>	217,471
Total deficit	<b>(26,554)</b>	(63,884)
Total capital	<b>154,748</b>	153,587
Gearing ratio	<b>117.2%</b>	141.6%

As at 30 June 2024, the total deficit attributable to the owners of the Company was approximately HK\$46.7 million (31 December 2023: HK\$79.7 million), the decrease was mainly contributed by the Debt Capitalisation during the Period. As at 30 June 2024, the Group's current assets and current liabilities amounted to approximately HK\$247.7 million and HK\$352.5 million respectively (31 December 2023: HK\$210.5 million and HK\$364.5 million), of which approximately HK\$19.9 million (31 December 2023: HK\$28.0 million) was bank and cash balances.

As at 30 June 2024, the Group had bank and cash balances of approximately HK\$19.9 million (31 December 2023: HK\$28.0 million), of which approximately 94.3% and 5.7% (31 December 2023: 95.0% and 5.0%) were denominated in Renminbi ("RMB") and Hong Kong Dollar ("HK\$") respectively.

The Group's current ratio, calculated based on current assets over current liabilities, was 0.7 at 30 June 2024 (31 December 2023: 0.6).

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

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational needs.

### **Charge on Group Assets**

As at 30 June 2024, the investment properties of the Group with carrying amount of approximately HK\$87.3 million (31 December 2023: HK\$94.1 million) were pledged to secure certain other borrowings. Save for the above, the Group did not have any charges on its assets.

As at 30 June 2024 and 31 December 2023, investment properties of the Group is under awaiting seizure (輪候查封) pursuant to civil judgement, please refer to section "Material Events — Litigation" for the details of litigation.

### **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 30 June 2024, the Group's investment properties amounted to approximately HK\$87.3 million (31 December 2023: HK\$94.1 million) and were revalued based on valuations performed by an independent professionally qualified valuer.

### **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 2024, the Group did not have significant capital commitments (31 December 2023: Nil).

## **Contingent Liabilities**

As at 30 June 2024 and 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 30 June 2024 (31 December 2023: Nil).

## **Employees and Remuneration Policies**

As at 30 June 2024, the Group had a total of 26 employees in Hong Kong and the PRC (31 December 2023: 28 employees). Staff costs (including directors’ emoluments) amounted to approximately HK\$3.1 million for the Period (Previous Period: HK\$2.9 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.

## **Debt Capitalisation**

On 25 January 2024, the Company entered into the settlement agreement with certain creditors, pursuant to which the Company has conditionally agreed to capitalise the aggregate indebted amount of approximately HK\$44.9 million owed to these creditors, 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.

The Group had difficulties in seeking debt or equity financing to finance its business development as a result of the recent cautious investment sentiment and the prevailing high interest rate in the debt market. 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. The Directors considered that the terms of the settlement agreement were fair and reasonable and the debt capitalisation was in the interests of the Company and the Shareholders as a whole.

On 3 June 2024, 896,993,536 capitalisation shares were allotted and issued, the indebted amount of approximately HK\$44.9 million is fully settled and all obligations of the Company under the respective loan agreement are fulfilled.



## **SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the Period.

The Group had no significant investments held during the Period.

## **INTERIM DIVIDEND**

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

## **MATERIAL EVENTS**

### **Recoverability in relation to consideration receivables**

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

1. The Company was assessing the feasibility of commencing litigation and the financial capability of the counterparties of the consideration receivables.
2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain consideration receivables, including but not limited to disposal of entire equity interests of respective subsidiaries. The Company is assessing the cost and benefit of such proposals as compared to recovering such balances through other means.

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

## Litigation

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 30 June 2024, the balance of the Extended Loan and respective accrued interest amounted to approximately HK\$220.2 million (31 December 2023: 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 30 June 2024, the Yingkou Properties with carrying amount of HK\$87.3 million (31 December 2023: HK\$94.1 million) is under awaiting seizure (輪侯查封) pursuant to the civil judgement. Transfer of ownership on the Yingkou Properties is restricted.

The Directors considers that upon the conclusion of the litigation between the Bank and the Lender A or the disposal of the Yingkou Properties in accordance to the judgement by the relevant court in the PRC, the Group may be released from its obligation. Therefore, no additional provision should be provided concerning the civil judgement.

### **EVENT AFTER THE END OF THE REPORTING PERIOD**

On 22 July 2024, the Group entered into two sale and purchase agreements with Heng Tong Global Business Travel Holding (HK) Limited (the “**Purchaser**”), pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire equity interests of two wholly-owned subsidiaries of the Company, at an aggregate consideration of HK\$2.

Up to the date of this announcement, the transactions have not completed, which subject to approval by the shareholders at the forthcoming extraordinary general meeting expected to be held on 13 September 2024.

For further details, please refer to the announcement of the Company dated 22 July 2024 and circular dated 23 August 2024.

Save for the above, there were no significant events occurred after the end of the Period and up to the date of this announcement.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, no treasury shares were held by the Company.

### **CORPORATE GOVERNANCE**

The Company complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix C1 to the Listing Rules for the Period, save for the code provision C.2.1 of the CG Code.

## **CODE PROVISION C.2.1 OF THE CG CODE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Group’s code of conduct regarding Directors’ securities transactions. Specific enquiry have been made by the Company with all the Directors and the Directors have confirmed that they have complied with the Model Code during the Period.

## **AUDIT COMMITTEE**

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

The condensed consolidated interim financial information of the Company for the Period has not been audited, but has been reviewed by the Audit Committee and is duly approved by the Board under the recommendation of the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement 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 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, 23 August 2024

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

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