Enviro Energy International Holdings Limited
環能國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1102)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors (the "**Board**") of Enviro Energy International Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Continuing operations:			
Revenue	*4*	**54,531**	8,457
Cost of sales		**(46,994)**	(46)
Gross profit		**7,537**	8,411
Other gains, net	*5*	**8,810**	18
Fair value change on investment properties		**(20,866)**	2,182
Administrative and operating expenses		**(24,420)**	(19,684)
Operating loss		**(28,939)**	(9,073)
Finance income		**4**	19
Finance cost		**(21,521)**	(10,187)
Loss before taxation	*7*	**(50,456)**	(19,241)

	Notes	2017 HK$'000	2016 HK$'000
Income tax	8	**(399)**	–
Loss from continuing operations		**(50,855)**	(19,241)
Discontinued operation:			
Loss for the year from discontinued operation	6	**(43,045)**	(67,923)
Loss for the year		**(93,900)**	(87,164)
Attributable to:			
Owners of the Company		**(93,900)**	(34,849)
Non-controlling interests		**–**	(52,315)
		(93,900)	(87,164)
Loss per share from continuing operations attributable to owners of the Company (expressed in HK cent per share)			
Basic and diluted	10	**(0.65)**	(0.27)
Loss per share attributable to owners of the company (expressed in HK cent per share)			
Basic and diluted		**(1.21)**	(0.49)
Dividends	9	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(93,900)**	(87,164)
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**19,058**	(7,234)
Release of reserves upon disposal of subsidiaries	**48,348**	–
Other comprehensive income/(loss) for the year, net of tax	**67,406**	(7,234)
Total comprehensive loss for the year	**(26,494)**	(94,398)
Attributable to:		
Owners of the Company	**(26,494)**	(42,890)
Non-controlling interests	**–**	(51,508)
Total comprehensive loss for the year	**(26,494)**	(94,398)
Total comprehensive loss attributable to owners of the Company arises from:	**(26,494)**	(42,890)
	(26,494)	(42,890)

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**764**	45
Loan receivable	*11*	**180,000**	–
Investment properties	*12*	**383,173**	358,279
Prepayment for an investment property		**–**	25,022
Available-for-sale investments		**–**	100,200
Club memberships		**330**	330
Rental deposits	*15*	**1,387**	–
		565,654	483,876
Current assets			
Inventories		**129**	–
Trade receivables	*14*	**60,463**	41,106
Deposits, prepayments and other receivables	*15*	**363,709**	95,560
Bank balances and cash		**154,140**	20,609
		578,441	157,275
Assets classified as held for sale	*13*	**41,207**	–
		619,648	157,275
Total assets		**1,185,302**	641,151

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**22,620**	18,850
Reserves		**580,618**	415,292
		603,238	434,142
Non-controlling interests		**–**	(2,789)
Total equity		**603,238**	431,353
LIABILITIES			
Non-current liabilities			
Shareholder loan		**2,000**	–
Deferred loan interest income – non-current portion		**2,400**	–
Asset retirement obligation		**495**	–
		4,895	–
Current liabilities			
Trade and other payables	*16*	**83,623**	28,914
Deferred loan interest income – current portion		**1,200**	–
Loan from a related company		**62,331**	–
Bank borrowings	*17*	**429,600**	180,884
Income tax payable		**415**	–
		577,169	209,798
Total liabilities		**582,064**	209,798
Total equity and liabilities		**1,185,302**	641,151

Notes:

1 General information

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 shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at 31 December 2017, the Board considers that Able Victory Enterprises Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company of the Company, and Mr. Li Sen, an Executive Director and the Chairman of the Board, as the ultimate controlling party of the Company.

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention except for investment properties and available-for-sale investments which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) The following new standards/amendments to standards are mandatory for accounting periods beginning on or after 1 January 2017.

Annual Improvements Project	Annual Improvements 2014 – 2016 Cycle
HKAS 7 (Amendments)	Statement of Cash Flows – Disclosure Initiative
HKFRS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these new amendments to standards does not have any significant impact to the results and financial position of the Group.

(b) The following new standards/amendments to standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2017 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 28 (amendments)	Investments in Associates and Joint Ventures	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Sharebased Payment Transactions	1 January 2018
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, as at 31 December 2017, the Group does not have any significant equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income election is available.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the historical experience of the Group, the default rates of the outstanding balances with customers are low. Hence, the Board does not expect that the application of HKFRS 9 would result in a significant impact on the Group's impairment provisions. The historical credit losses are immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018.

HKFRS 15, 'Revenue from contracts with customers'

This new standard replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract (3) determine the transaction price (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control.

The Group has performed preliminary assessment on the adoption of HKFRS 15, and the initial result indicated that the impact on the Group's financial statement are not expected to be significant other than changes on the disclosure.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Company does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group had non-cancellable operating lease commitments of HK$3,372,000. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated income statement, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Segment information

In order to broaden the sources of income and improve operating profits, the Group commenced the Building material trading business as one of the principal business activities of the Group during the year ended 31 December 2017. The Board considered that the new business can broaden the revenue base and improve the financial position of the Group and that will be in the interest of the Group.

Furthermore, following the disposal of Aces Diamond Holding Limited, the holding company of PT. Bara Hugo Energy ("BHE") and PT. Grasada Multinational ("GM"), the Board decided to discontinue the operation of natural resources and energy related business and information technology and related business in December 2017. Hence, the results of these segments were presented as discontinued operations for the year ended 31 December 2017 and 2016.

On 23 January 2018, the CEO changed from Mr. Zhang Yuanqing to Mr. Li Sen.

In a manner consistent with the way in which information is reported internally to the CEO, the Group has presented the following reportable segments:

(i) Properties investment

(ii) Investment holding

(iii) Trading of building materials

(iv) Natural resources and energy related business (discontinued operation)

(v) Information technology and related business (discontinued operation)

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

(a) Segment assets include all tangible and intangible assets and current assets with the exception of club memberships and other unallocated corporate assets.

(b) Segment liabilities include all liabilities with the exception of bank borrowings and other unallocated corporate liabilities.

(c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, together with other gains, net, impairment loss on exploration and evaluation asset, selling and distribution expenses and administrative and operating expenses.

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

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

	Continuing operations				Discontinued operations			
	Properties investment *HK$'000*	Investment holding *HK$'000*	Trading of building materials *HK$'000*	Subtotal *HK$'000*	Natural resources and energy related business *HK$'000*	Information technology and related business *HK$'000*	Subtotal *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2017								
Segment revenue	3,967	977	49,587	54,531	4,697	–	4,697	59,228
Gross profit	3,666	977	2,894	7,537	137	–	137	7,674
Other gains, net	–	8,652	–	8,652	–	–	–	8,652
Loss on disposal of subsidiaries	–	–	–	–	(43,182)	–	(43,182)	(43,182)
Fair value change on investment properties	(20,866)	–	–	(20,866)	–	–	–	(20,866)
Impairment loss on exploration and evaluation asset	–	–	–	–	–	–	–	–
Selling and distribution expenses	–	–	–	–	–	–	–	–
Administrative and operating expenses	(4,732)	–	(925)	(5,657)	–	–	–	(5,657)
Segment results	(21,932)	9,629	1,969	(10,334)	(43,045)	–	(43,045)	(53,379)
Unallocated:								
Other gains, net								158
Administrative and operating expenses								(18,763)
Operating loss								(71,984)
Finance income								4
Finance cost								(21,521)
Loss before taxation								(93,501)
Income tax								(399)
Loss for the year								(93,900)
As at 31 December 2017								
Segment assets	474,530	336,002	214,788	1,025,320	852	–	852	1,026,172
Unallocated assets								117,923
Assets held for sale								41,207
Total assets								1,185,302
Segment liabilities	(18,981)	(3,600)	(57,714)	(80,295)	(4,702)	–	(4,702)	(84,997)
Unallocated liabilities								(497,067)
Total liabilities								(582,064)
For the year ended 31 December 2017								
Capital expenditures (including additions of investment properties and property, plant and equipment)	30,465	–	–	30,465	–	–	–	30,465
Unallocated capital expenditures								754
								31,219

	Continuing operations				Discontinued operations			
	Properties investment HK$'000	Investment holding HK$'000	Trading of building materials HK$'000	Subtotal HK$'000	Natural resources and energy related business HK$'000	Information technology and related business HK$'000	Subtotal HK$'000	Consolidated HK$'000
For the year ended 31 December 2016								
Segment revenue	1,022	7,435	–	8,457	161,970	14,168	176,138	184,595
Gross profit	976	7,435	–	8,411	4,205	209	4,414	12,825
Other gains, net	134	(90)	–	44	7,750	802	8,552	8,596
Loss on disposal of subsidiaries	–	–	–	–	–	–	–	–
Fair value change on investment properties	2,182	–	–	2,182	–	–	–	2,182
Impairment loss on exploration and evaluation asset	–	–	–	–	(78,747)	–	(78,747)	(78,747)
Selling and distribution expenses	–	–	–	–	(80)	–	(80)	(80)
Administrative and operating expenses	(1,617)	–	–	(1,617)	(2,062)	–	(2,062)	(3,679)
Segment results	1,675	7,345	–	9,020	(68,934)	1,011	(67,923)	(58,903)
Unallocated:								
Other gains, net								(26)
Administrative and operating expenses								(18,067)
Operating loss								(76,996)
Finance income								19
Finance cost								(10,187)
Loss before taxation								(87,164)
Income tax								–
Loss for the year								(87,164)
As at 31 December 2016								
Segment assets	384,656	107,635	–	492,291	143,275	–	143,275	635,566
Unallocated assets								5,585
Asset held for sale								–
Total assets								641,151
Segment liabilities	(18,224)	–	–	(18,224)	(8,064)	–	(8,064)	(26,288)
Unallocated liabilities								(183,510)
Total liabilities								(209,798)
For the year ended 31 December 2016								
Capital expenditures (including additions of investment properties and property, plant and equipment)	274,348	–	–	274,348	–	–	–	274,348
Unallocated capital expenditures								–
								274,348

The Group's non-current assets other than available-for-sale investments and loan receivable as at 31 December 2017 and 2016 are further analysed as follows:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**2,439**	330
The PRC	**383,215**	383,324
Indonesia	**–**	22
	385,654	383,676

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

	2017	2016
	HK$'000	*HK$'000*
Customer A	**22,634**	–
Customer B	**13,580**	–
Customer C	**10,612**	–
Customer D	**3,826**	1,022
Customer E	**–**	7,435

Revenue from external customers/sources by geographical locations, based on the location of the external customers/sources:

	2017	2016
	HK$'000	*HK$'000*
Continuing operations:		
Hong Kong (place of domicile)	**977**	7,435
The PRC	**53,554**	1,022
Indonesia	**–**	–
	54,531	8,457

4 Revenue

Revenue represents amount receivable for goods sold and services provided to external customers in the normal course of business and income from investments.

An analysis of the Group's revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Continuing operations:		
Sale of building materials	**49,587**	–
Investment income	**977**	7,435
Rental income	**3,967**	1,022
	54,531	8,457

5 Other gains, net

	2017	2016
	HK$'000	*HK$'000*
Continuing operations:		
Gain on disposal of an available-for-sale investment	**8,000**	–
Impairment loss on an available-for-sale investment	**(200)**	(90)
Interest income from entrusted loan	**764**	–
Gain on disposals of property, plant and equipment	**–**	26
Others, net	**246**	82
	8,810	18

6 Discontinued operation

Following the disposal of Aces Diamond Holding Limited, the holding company of PT. Bara Hugo Energy ("BHE") and PT. Grasada Multinational ("GM") on 31 October 2017, the Board decided to discontinue the operation of natural resources and energy related business and information technology and related business in December 2017.

Analysis of the results of discontinued operations

	2017	2016
	HK$'000	*HK$'000*
Revenue	**4,697**	176,138
Cost of sales	**(4,560)**	(171,724)
Gross profit	**137**	4,414
Other gains, net	**–**	8,552
Loss on disposal of subsidiaries *(Note (a))*	**(43,182)**	–
Impairment loss on exploration and evaluation asset	**–**	(78,747)
Selling and distribution expenses	**–**	(80)
Administrative and operating expenses	**–**	(2,062)
Loss before tax from discontinued operations	**(43,045)**	(67,923)
Income tax	**–**	–
Loss for the year from discontinued operations	**(43,045)**	(67,923)

Note (a):

On 31 October 2017, the Group disposed the entire equity interest of Aces Diamond Holding Limited ("Aces Diamond") and its subsidiaries to an independent third party for a consideration of HK$1. Aces Diamond is the intermediate holding company of the PT. Grasada Multinational ("GM"), which holds a mining permit for a marble site covering approximate 33 hectares at Selenrang, Bontoa, Maros Regency in South-western Sulawesi, Indonesia. The mining properties were fully impaired during the year end 31 December 2016.

The aggregated net liabilities at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	22
Deposits, prepayments and other receivables	78
Cash and cash equivalents	36
Trade payable	(231)
Other payables	(7,860)
Less: Non-controlling interests	2,789
Net liabilities disposed of	(5,166)
Add: Translation reserve released upon disposed of subsidiaries	566
Add: Other reserve released upon disposal of subsidiaries *(Note (b))*	47,782
Loss on disposal of subsidiaries	43,182

	HK$'000
Net proceeds received from disposal of subsidiary	–
Satisfied by:	
Cash consideration	–
Net cash outflow from disposal of subsidiary:	
Cash consideration received	–
Cash and cash equivalents disposed of	36

Note (b):

Other reserve represented 13,500,000 outstanding warrants of GM, an indirect subsidiary of Aces Diamond.

7 Loss before taxation

The Group's loss before taxation is arrived at after charging the following:

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold	**46,693**	–	**4,560**	171,303	**51,253**	171,303
Depreciation of property, plant and equipment	**12**	6	**–**	46	**12**	52
Auditor's remuneration						
– Audit services	**2,400**	1,709	**–**	–	**2,400**	1,709
– Non-audit services	**195**	130	**–**	–	**195**	130
Operating lease payments	**1,474**	2,234	**–**	146	**1,474**	2,380
Legal and professional fees	**3,864**	3,180	**–**	72	**3,864**	3,252
Staff costs, including directors' emoluments						
– Salaries, allowances and other benefits	**9,852**	8,880	**–**	358	**9,852**	9,238
– Retirement benefit scheme contributions	**259**	292	**–**	–	**259**	292
– Social insurance	**150**	54	**–**	–	**150**	54
Exchange loss, net	**1,223**	529	**–**	–	**1,223**	529
Write down of inventories	**–**	–	**–**	421	**–**	421
Property, plant and equipment written off	**–**	–	**–**	680	**–**	680
Trade receivables written off	**–**	–	**–**	38	**–**	38
Other receivables written off	**–**	420	**–**	17	**–**	437

8 Income tax

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits in Hong Kong for the year ended 31 December 2017 (2016: nil).

Enterprise Income Tax of HK$399,000 has been provided for a subsidiary in the PRC for its assessable profits during the year ended 31 December 2017 (2016: nil).

Corporate Income Tax was not provided for the subsidiaries in Indonesia as they did not generate any assessable profits during the year ended 31 December 2016.

9 Dividends

No dividend was paid or proposed for the year ended 31 December 2017 (2016: nil).

10 Loss per share

(a) Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2017 and 2016.

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

	2017	2016
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of calculating basic loss per share *(HK$'000)*		
– Continuing operations	**(50,855)**	(19,241)
– Discontinued operation	**(43,045)**	(15,608)
	(93,900)	(34,849)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *('000)*	**7,767,162**	7,152,413

(b) The Group had share options outstanding as at 31 December 2017. The share options did not have a dilutive effect on losses per share for the year ended 31 December 2017 and 2016.

11 Loan receivable

On 29 December 2017, Qianhai Guoxing Finance Lease (Shenzhen) Company Limited (literal translation of the Chinese name) ("Qianhai Guoxing"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with a third party ("Vendor"), pursuant to which Qianhai Guoxing has agreed to acquire certain commercial properties from the Vendor for a consideration of RMB150,000,000 (equivalent to approximately HK$180,000,000) and Qianhai Guoxing paid the full consideration to the Vendor on the same date. Pursuant to the terms and conditions of the sale and purchase agreement, the Vendor is required to complete all the procedures necessary to transfer the title of these properties to Qianhai Guoxing on or before 30 December 2018.

On the same date, Qianhai Guoxing entered into another agreement with the Vendor, pursuant to which Qianhai Guoxing has agreed to lease the abovementioned properties back to the Vendor for a period of 3 years starting from 29 December 2017. Upon the commencement of the lease, the Vendor paid RMB3,000,000 (equivalent to approximately HK$3,600,000) to Qianhai Guoxing as a form of non-refundable pre-lease interest. Lease payments, calculated as interest charged at a fixed rate of 9% per annum against a principal of RMB150,000,000 (equivalent to approximately HK$180,000,000), are repayable quarterly. At the end of the lease period, upon full settlement of all outstanding principal and interest from the Vendor to Qianhai Guoxing, the Vendor can repurchase the subject properties from Qianhai Guoxing for RMB1 (equivalent to HK$1).

Considering the economics of the above transaction and the nature and value of the repurchase option, it is almost certain that the repurchase option will be exercised. Therefore, sale and lease back accounting does not apply to the above arrangement, resulting in the principal of RMB150,000,000 (equivalent to approximately HK$180,000,000) being accounted for as a loan receivable with the properties acting as a security against this receivable.

To assess the recoverability of the loan receivable, management has obtained an independent valuation for the subject properties which were valued under discounted cash flow method and a legal opinion from an external lawyer with respect to the Group's compliance with the relevant laws and regulations for entering into these transactions and its rights over the subject properties given the legal title of the properties is yet to be transferred to the Group. Based on the results of the assessments performed by management, no provisions related to these transactions were made for the year ended 31 December 2017.

12 Investment properties

	2017	2016
	HK$'000	*HK$'000*
At fair value		
At 1 January	**358,279**	96,882
Transfer from prepayment for an investment property *(Note)*	**25,022**	–
Acquisitions	**–**	99,417
Acquisition of subsidiaries	**28,672**	174,908
Additions	**3,210**	–
Currency translation differences	**30,063**	(15,110)
Change in fair value	**(20,866)**	2,182
Transferred to assets classified as held for sale *(note 13)*	**(41,207)**	–
At 31 December	**383,173**	358,279

Note:

On 30 December 2016, the Company completed the acquisition of Yingkou Hailanggu Travel Co.,Limited (literal translation of the Chinese name) ("Hailanggu") which owned two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC. Amongst the two parcels of land, the land use right permit for a parcel of land had not been obtained as of 31 December 2016. Accordingly, the payment made was accounted for as prepayment for an investment property. As at 31 December 2017, the land use right permit was obtained and was transferred from prepayment for an investment property to investment properties.

13 Assets classified as held for sale

During the year ended 31 December 2017, the Group has entered into sales and purchase agreements to sell certain of its investment properties comprising of 17 retail shops located at Liaohai Garden, Bayuquan district, Yingkou city, Liaoning province, the PRC. As at 31 December 2017, the sales of these properties were not yet completed and as a result, they are presented as Assets classified as held for sale on the consolidated balance sheet.

14 Trade receivables

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**60,463**	41,106

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 30 to 180 days.

The ageing analysis of the trade receivables of the Group as at the balance sheet dates, based on invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**60,463**	978
31-60 days	**–**	–
61-90 days	**–**	7,010
91-120 days	**–**	18,089
121-150 days	**–**	15,029
	60,463	41,106

15 Deposits, prepayments and other receivables

	2017	2016
	HK$'000	*HK$'000*
Non-current		
Prepayment for investment property	**–**	25,022
Rental deposits	**1,387**	–
	1,387	25,022
Current		
Deposits	**11**	390
Prepayments		
– Prepayment for purchases of solar panels *(note (a))*	**–**	87,276
– Prepayment for purchases of construction materials *(note (b))*	**90,276**	–
– Prepayment for purchases of aluminum materials *(note (c))*	**140,400**	–
– Other prepayments	**9,390**	353
Entrusted loan receivable *(note (d))*	**15,120**	–
Investment income receivables	**–**	7,435
Consideration receivable from disposal of an available-for-sale investment	**108,000**	–
Other receivables	**512**	106
	363,709	95,560
Total deposits, prepayments and other receivables	**365,096**	120,582

Note a:

As at 31 December 2016, prepayment for purchases of solar panels amounted to HK$87,276,000. In March 2017, prepayment amounted to HK$4,560,000 was used to offset purchases for solar panels. On 21 November 2017, the remaining prepayment balance amounted to HK$82,800,000 was assigned from the solar panels supplier to another third party ("Assignee A"), pursuant to an agreement entered into between the Group, the solar panel supplier and the Assignee A. The remaining prepayment was refunded in full to the Group in November and December 2017.

Note b:

On 21 June 2017, Yingkou Hailanggu Travel Co., Limited (literal translation of the Chinese name) ("Hailanggu"), an indirect wholly owned subsidiary of the Company, made a prepayment of RMB79,000,000 (equivalent to approximately HK$94,800,000) to a supplier ("Supplier A") for purchases of construction materials.

On 18 August 2017, Hailanggu received a partial refund of the abovementioned prepayment from Supplier A. On 25 August 2017, Hailanggu and Supplier A signed a supplemental agreement and acknowledged that Hailanggu has suspended the relevant refurbishment project but reserved the right to utilise the prepayment at a later date.

Furthermore on 20 September 2017, the remaining balance of prepayment due to Hailanggu of RMB77,500,000 (equivalent to approximately HK$93,000,000) was assigned to an another third party ("Assignee B") pursuant to an agreement entered into between Hailanggu, Supplier A and Assignee B. On 21 September 2017, Hailanggu received an amount of RMB2,270,000 (equivalent to approximately HK$2,724,000) from Assignee B, representing a partial repayment of the prepayment. As at 31 December 2017, the outstanding prepayment amounted to RMB75,230,000 (equivalent to approximately HK$90,276,000), and paid back to Hailanggu by Assignee B on 21 March 2018.

Note c:

During the period from August 2017 to November 2017, Huan Neng Industrial (Yingkou) Company Limited (literal translation of the Chinese name) ("HN Industrial"), an indirect wholly owned subsidiary of the Company, made five payments totalling RMB117,000,000 (equivalent to approximately HK$140,400,000) to a supplier (the "Aluminium Supplier") pursuant to an agreement dated 17 August 2017 for purchases of aluminium materials. On 20 March 2018, the Aluminium Supplier refunded the abovementioned balance of RMB117,000,000 (equivalent to approximately HK$140,400,000) to the Group on 20 March 2018.

Note d:

On 29 December 2017, Huan Neng International Trading (Yingkou) Company Limited (literal translation of the Chinese name) ("HNYK"), an indirect wholly owned subsidiary of the Company, entered into an entrusted loan agreement with a commercial bank in the PRC ("Entrusted Party") and a third party ("Borrower"), pursuant to which HNYK agreed to provide an entrusted loan amounted to RMB12,600,000 (equivalent to approximately HK$15,120,000) to the Borrower through the Entrusted Party, bearing interest at a fixed rate of 9% per annum for a period of six months. The entrusted loan was early settled in full on 20 March 2018.

16 Trade and other payables

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note)*	**56,643**	231
Construction and other costs payables	**3,129**	8,107
Other payables	**16,508**	10,001
Consideration payable	**–**	7,800
Receipt in advance from a customer	**4,702**	–
Accrued liabilities	**2,641**	2,775
	83,623	28,914

Note:

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

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**56,643**	231

17 Bank borrowings

As at 31 December 2017, the analysis of the carrying amount of bank borrowings is as follows:

	2017	2016
	HK$'000	*HK$'000*
Current		
Bank borrowings – secured	**429,600**	180,884

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As referred to the Company's announcement published on 15 September 2017, Mr. Li Sen ("**Mr. Li**") had acquired of 2,207,485,423 shares of the Company, representing approximately 29.28% of the entire issued share capital of the Company on 15 September 2017 and became a substantial shareholder, Executive Director of the Company and chairman of the Board. On 23 January 2018, Mr. Li has been appointed as the chief executive officer of the Company. Since Mr. Li possesses substantial knowledge and experience in the properties investment and property management in the PRC, it provides more opportunities to explore and diversify the Group's business scope to properties investment and development in future.

On 31 October 2017, the Company entered into a deed of assignment with Arizona Global Limited (the "**Assignee**") to assign all the debts due to the Company by Aces Diamond Holdings Limited (the "Aces Diamond") (a wholly owned subsidiary of the company) and its subsidiaries (collectively the **"Disposed Group"**) to the Assignee. On the same day, all the shares of Aces Diamond were disposed to the Assignee for a consideration of HKD$1.00. The Disposed Group holds a mining permit (the **"Mining Permit"**) for a marble site covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency (the **"Maros Marble Project"**) in southwestern Sulawesi, Indonesia (the **"GM Quarry"**). The Mining Permit expired on 22 January 2017. Accordingly, full impairment on the Group's mining properties in relation to the Maros Marble Project with carrying value of approximately HK$78,747,000 was provided in 2016 and the results of the Disposed Group were deconsolidated from the Group's financial statements since the respective dates of transfer of control. The deconsolidation of disposed group incurred a loss of approximately HK$43,182,000. For further details relating to the disposal, please refer to the note 6 of the results announcement.

The Group carried out the trading of information technology related products in the People's Republic of China (the " **PRC**") through its indirect wholly owned subsidiary, Enviro Energy Information Technology Limited. During the year under review, due to keen competition, the performance of the segment in information technology and its related business was dropped dramatically and terminated eventually. There was no revenue incurred in 2017 (2016: HK$14,168,000).

On 7 November 2017, 1,507,900,000 ordinary shares, representing approximately 16.67% of the issued share capital of the Company immediately after completion of the subscription, were issued at the subscription price of HK$0.13 per share by way of placement. The Board considered that the subscription of new shares can broaden the share capital base of the Company which would be in the interests of the Company and the shareholders as a whole.

REVIEW BY BUSINESS SEGMENTS OF CONTINUING OPERATIONS

Properties investment

The Group's investment properties comprising 40 commercial units situated in Yingkou City, Liaoning Province, the PRC, with total floor area approximately 14,182 square meters. In September 2017, 13 commercial units have been contracted to disposed to two unrelated parties for total consideration of RMB29,326,000. In January 2018, 4 commercial units have been contracted to dispose to other two unrelated parties for total consideration of RMB13,139,000. All of the disposal transactions were not yet completed.

At present, the Group's investment properties comprise the fourth floor and the fifth floor of a building situated in Dalian City, Liaoning Province, the PRC with total floor area approximately 2,843 square meters are vacant and the Group intends to lease out these properties for rental income.

The Group also owns a piece of land of gross area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross construction area of approximately 17,800 square meters. This property is situated in Yingkou City, Liaoning Province, the PRC and is currently being leased out for rental income.

The Group owns two parcels of land located at Bai Sha Wan, Bayuquan District of Yingkou City, Liaoning Province, the PRC with gross usage area of approximately 59,245 square meters. The Group intends to build commercial properties on these parcels of land and lease out the properties for rental income.

On 3 January 2017, an indirect wholly owned subsidiary of the Company acquired Yingkou Haida Property Service Company Limited (literal translation of the Chinese name) ("**Yingkou Haida**"), a company established in the PRC, which owned a piece of land with gross usage area of approximately 5,000 square metres and two blocks of buildings with total floor area of approximately 5,022 square meters. The Group intends to refurbish these properties and then lease out for rental income.

During the year ended 31 December 2017, the operation's rental income amounted to approximately HK$3,967,000 (2016: HK$1,022,000). The properties investment segment recorded valuation losses of approximately HK$20,866,000 (2016 gains: HK$2,182,000) on its investment properties, as a whole, the operation recorded a loss of HK$21,932,000 for the year (2016 profit: HK$1,675,000).

Investment holding

On 7 April 2017, the Group subscribed for a bond issued by Huajun Holdings Limited (stock code: 377) ("**Huajun**") at a consideration of HK$30,000,000. The principal activities of Huajun include printing, trading and logistics, property development and investments, solar photovoltaic and financial Services. The carrying amount of this held-to-maturity investment represented approximately 4.0% of the Group's total assets. This held-to-maturity investment is unsecured, interest bearing and repayable within one year. The Group has redeemed the bond early on 27 October 2017. During the year, the Group recorded the bond interest income of HK$977,000. (2016: nil).

On 29 December 2017, the Group disposed its investment in Class A Shares of China Huacai Finance Equity Investment Fund SP, a fund with an objective to achieve capital appreciation through investing listed securities in Hong Kong, Mainland China and Taiwan held under available-for-sales investments for a consideration of HK$108,000,000 and generated a gain of HK$8,000,000.

Trading of building materials

In order to widen the sources of income and improve operating profit, the Group engages in the building materials trading business in 2017 through its indirect wholly owned subsidiary, Qianhai Shitong Supply Chain (Shenzhen) Company Limited (literal translation of the Chinese name) ("**Qianhai Shitong**"). The Board considered that this new business can broaden revenue base of the Group which would be in the interests of the Company and the shareholders as a whole.

During the year, the trading of building materials segment contributed a revenue of approximately HK$49,587,000, representing a 90.9% of total revenue from continuing operation. The segment contributed a gross profit of approximately HK$2,894,000, representing a 38.40% of total gross profit from continuing operation in 2017.

BUSINESS PROSPECTS

On 14 March 2018, Enviro Energy Finance (BVI) Limited, a wholly-owned subsidiary of the Company, has acquired the entire issued share capital of Quick Master Company Limited (the "**Target Company**"). The Target Company holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Board considers that the acquisition provides a prime opportunity to diversify the Group's business scope, broaden the Group's sources of income and achieve better return to the shareholders of the Company. The Board is of the view that the acquisition would be in the interests of the Group and the shareholders as a whole.

It is the intention of the management to step up its effort to improve the financial performance of the existing businesses of the Group and to explore investment opportunities in the properties investment, investment holding and trading of building materials segments or other new segments with good prospects with the view to bring substantial value to the shareholders of the Company.

FINANCIAL REVIEW

Overall Results

For the year ended 31 December 2017, the Group recorded a consolidated revenue of approximately HK$54,531,000 (2016: HK$8,457,000) from its continuing operations, representing an increase by over five times when compared with the year of 2016. The increase in revenue was mainly attributable to the start up of trading of building materials in 2017.

The Group's gross profit from its continuing operations for the year ended 31 December 2017 was approximately HK$7,537,000 (2016: HK$8,411,000) with an average gross profit margin of 13.8% (2016: 99.5%), which resulted in a decrease of approximately HK$874,000, representing a decrease of approximately 10.4 % when compared with the year of 2016.

The net loss attributable to owners of the Company from continuing operations was approximately HK$50,855,000 in the year ended 31 December 2017 (2016: HK$19,241,000). The increase in the net loss by approximately HK$31,614,000 was mainly attributable to the decrease in fair value on investment properties, increase in administrative and operating expenses and increase in finance cost during the year under review.

Loss attributable to owners of the Company from the discontinued operation was approximately HK$43,045,000 for the year ended 31 December 2017 (2016: HK$67,923,000).

As a result, the overall net loss attributable to owners of the Company for the year ended 31 December 2017 was approximately HK$93,900,000 (2016: HK$34,849,000), representing an increase of losses by approximately HK$59,051,000 when compared with the year of 2016.

Other Comprehensive Loss

During the year ended 31 December 2017, exchange gains mainly arose from the exchange translation of the properties investment operation in the PRC totalling approximately HK$19,058,000 (2016 exchange loss: HK$7,234,000) as Renminbi appreciated by approximately 7.5% against Hong Kong Dollar during the year.

Liquidity, Financial Resources and Capital Structure

At 31 December 2017, the Group had current assets of HK$578,441,000 (2016: HK$157,275,000) comprising prepayments for purchases of RMB192,230,000 (equivalent to approximately HK$230,676,000) and bank balances and cash of HK$154,140,000 (2016: HK$20,609,000). The Group's current ratio, calculated based on current assets of HK$619,648,000 (2016: HK$157,275,000) over current liabilities of HK$557,169,000 (2016: HK$209,798,000), was about 1.11 at the year end (2016: 0.75). At the year end, the Group's current liabilities increased by 175% to HK$577,169,000 over last year (2016: HK$209,798,000) and the increase was primarily due to new bank borrowings of HK$248,716,000 raised during the year. At 31 December 2017, the bank borrowings were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year. Subsequent to 31 December 2017, the prepayments for purchases of RMB192,230,000 (equivalent to approximately HK$230,676,000) were refunded, a bank borrowing of RMB117,000,000 (equivalent to approximately HK$140,400,000) was repaid and another bank borrowing of RMB92,000,000 (equivalent to approximately HK$110,400,000) was renewed for one year in January 2019.

On 16 March 2017, the Group obtained a loan facility of HK$100,000,000 from a licensed money lender in Hong Kong. The facility is available for drawdown during the period from 16 March 2017 to 30 September 2018. Up to the date of this announcement, no draw down was made.

On 7 November 2017, 1,507,900,000 ordinary shares, representing approximately 16.67% of the issued share capital of the Company immediately after completion of the subscription, were issued at the subscription price of HK$0.13 per share by way of placement. The net proceeds received by the Company from the placement were approximately HK$196,027,000, with HK$3,770,000 was credited to the share capital account and the balance of HK$192,257,000 was credited to the share premium account. At the year end, the equity attributable to owners of the Company amounted to HK$603,238,000 (2016: HK$434,142,000).

As at 31 December 2017, the debt to equity ratio and net debt to equity ratio of the Group, which calculated by dividing total interest-bearing debt by total equity and dividing total interest-bearing debt less bank balances and cash by total equity, were approximately 71% (2016: 42%) and 46% (2016: 37%) respectively.

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

Charge on Group Assets

As at 31 December 2017, the investment properties of the Group with carrying amount of approximately HK$424,380,000 (2016: HK$217,620,000) were pledged to secure certain bank borrowings.

Foreign Exchange Exposure

During the year ended 31 December 2017, the Group mainly earned revenue and incurred costs in Hong Kong Dollar, Renminbi and United States dollar and no hedging measures had been undertaken. The management will continue to monitor closely the Group's foreign exchange risks by entering into forward contracts and utilising applicable derivatives to hedge out foreign exchange risks when considers appropriate.

Capital Commitments

As at 31 December 2017, the Group did not have any capital commitments (2016: nil).

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities (2016: nil).

EMPLOYEES INFORMATION

As at 31 December 2017, the Group had 12 full-time employees (2016: 21) working in Hong Kong and Mainland China. The Group remunerates its employees based on their competence, performance and experience and prevailing market terms. Other benefits, such as medical and retirement benefits and training programs, are also provided.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2017 (2016: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions ("**Code Provisions**") of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2017 except for the following deviation with reason as explained:

Code Provision E.1.2

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company (the "**AGM**").

Deviation

The Chairman of the Board was unable to attend the AGM for year 2017 as he had other important business engagement.

Code Provision A.2.1
According to the code provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

Deviation
On 23 January 2018, Mr. Li Sen was both the chairman of the Board and the chief executive officer of the Company. The Board considered that Mr. Li Sen has in-depth knowledge and experience in the properties investment related business in the PRC and therefore he is the most appropriate person to take up the two roles. Notwithstanding the above, the Board will review the current structure from time to time. At the appropriate time when candidate who possesses suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

AUDIT COMMITTEE

The consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company and have been duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The section below is an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2017:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As described in Notes 24 and 26 to the consolidated financial statements, the Group recorded prepayments for purchases of HK$230,676,000 to certain materials suppliers as at 31 December 2017, including payments of RMB75,230,000 (equivalent to approximately HK$90,276,000) and payments of RMB117,000,000 (equivalent to approximately HK$140,400,000) for alleged purchases of construction materials and aluminum materials, respectively. As at the same date, the Group also recorded in other payables an amount of RMB6,658,000 (equivalent to approximately HK$7,990,000) due to an affiliate of one of these suppliers. Details of these balances are summarised below:

(a) On 21 June 2017, Yingkou Hailanggu Travel Co., Limited (literal translation of the Chinese name of 營口海浪谷旅遊有限公司) ("Subsidiary A"), an indirect wholly owned subsidiary of the Company, made a prepayment of RMB79,000,000 (equivalent to approximately HK$94,800,000) to a supplier ("Supplier A") for alleged purchases of construction materials pursuant to an agreement dated 13 June 2017.

Subsequently on 18 August 2017, Subsidiary A received an amount of RMB1,500,000 (equivalent to approximately HK$1,800,000) from Supplier A. Management explained that this receipt represented a partial refund of the abovementioned prepayment. On 25 August 2017, Subsidiary A and Supplier A signed a supplemental agreement and acknowledged that Subsidiary A has suspended the relevant refurbishment project but reserved the right to utilise the prepayment at a later stage. Furthermore, on 20 September 2017, Subsidiary A, Supplier A and a company (the "Assignee") entered into an agreement in which Supplier A has assigned, and the Assignee has agreed to assume, the obligations relating to the remaining balance of prepayment due to Subsidiary A of RMB77,500,000 (equivalent to approximately HK$93,000,000). On 21 September 2017, Subsidiary A received an amount of RMB2,270,000 (equivalent to approximately HK$2,724,000) from the Assignee representing a partial repayment of the prepayment as explained by management.

In addition, during the period from October 2017 to December 2017, Subsidiary A received three other payments totalling RMB6,658,000 (equivalent to approximately HK$7,990,000) from another company affiliated to the Assignee ("Company A"). Although management explained that these represented further partial repayments of the relevant prepayments, these receipts were separately recorded as other payables due to Company A, instead of offsetting them against the relevant prepayment balance, in the Group's consolidated financial statements as at 31 December 2017.

Management represented that Supplier A, the Assignee and Company A are all independent third parties of the Group.

During the course of our audit, it came to our attention that up to the date of this report the Group has never received any construction materials as stipulated in the purchase agreement dated 13 June 2017.

As further described in Note 24 to the consolidated financial statements, Subsidiary A received the outstanding balance of RMB75,230,000 (equivalent to approximately HK$90,276,000) from the Assignee on 21 March 2018. It came to our further attention that, on the same date, the amount received from the Assignee was used to partially fund the Group's prepayments of RMB87,126,000 (equivalent to approximately HK$104,551,000) for alleged purchases of construction materials and leather materials from two other suppliers. It was also noted, however, that such prepayments were subsequently refunded back in full from these two suppliers to the Group on 28 March 2018.

(b) During the period from August 2017 to November 2017, Huan Neng Industrial (Yingkou) Company Limited (literal translation of the Chinese name of 環能實業(營口)有限公司) ("Subsidiary B"), another indirect wholly owned subsidiary of the Company, made five payments totalling RMB117,000,000 (equivalent to approximately HK$140,400,000) to a supplier (the "Aluminium Supplier") pursuant to an agreement dated 17 August 2017 for alleged purchases of aluminium materials.

Management represented that the Aluminium Supplier is an independent third party of the Group.

During the course of our audit, it came to our attention that up to the date of this report the Group has never received any aluminium materials as stipulated in the purchase agreement dated 17 August 2017.

As described in Note 24 to the consolidated financial statements, the Group received the abovementioned balance of RMB117,000,000 (equivalent to approximately HK$140,400,000) from the Aluminium Supplier on 20 March 2018. We noted, however, that the said amount received from the Aluminium Supplier was immediately transferred to another company on the same date before the same amount was remitted back again to Subsidiary B on the following day.

In respect of the abovementioned transactions and balances occurred and recorded both before and after 31 December 2017, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanations to ascertain their nature, business rationale and commercial substance, including (but not limited to) the reasons for not receiving any materials up to the date of this report, the rationale for the assignment of the amounts to the Assignee for the prepayments described in (a), why the amounts received from the relevant counterparties subsequent to 31 December 2017 were transferred to other parties shortly after the receipts but were then immediately transferred back to the Group before the date of this report. We were also unable to obtain all the necessary corroborative evidence from the counterparties to substantiate these transactions and balances. Given these scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance, occurrence, accuracy, completeness and presentation of these transactions together with the related balances, and whether the effects of these transactions, including the related cashflows, have been properly accounted for and disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other contents for Corporate Information, Chairman's Statement, Corporate Governance Report, Directors and Senior Management Profile, Report of the Directors, Environmental, Social and Governance Report and Five-Year Financial Summary to be included in the 2017 Annual Report of the Group, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the nature of the prepayments for purchases, as well as to obtain satisfactory explanations about the business rationale and commercial substance of these transactions and balances. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

When we read the Corporate Information, Chairman's Statement, Corporate Governance Report, Directors and Senior Management Profile, Report of the Directors, Environmental, Social and Governance Report and Five-Year Financial Summary to be included in the 2017 Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

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

This announcement is published on the website of the Company (http://www.enviro-energy.com.hk/) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2017 will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Enviro Energy International Holdings Limited
Li Sen
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2018

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Li Sen (Chairman and Chief Executive Officer), Mr. Zhou Xuesheng and Mr. Wei Junqing and three Independent Non-executive Directors, namely Mr. Wen Guangwei, Mr. Chiang Bun and Dr. Chiao Li.