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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)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 together with comparative figures as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	5	<b>56,883</b>	885,871
Cost of sales		<u>(56,386)</u>	<u>(876,711)</u>
<b>Gross profit</b>		<b>497</b>	9,160
Other gains, net	6	<b>69</b>	18,261
Interest income		<b>15,736</b>	22,126
Fair value change on investment properties		<b>(2,270)</b>	(5,369)
Administrative and operating expenses		<u>(21,560)</u>	<u>(35,211)</u>
<b>(Loss)/profit from operations</b>		<b>(7,528)</b>	8,967
Finance costs	7	<u>(17,558)</u>	<u>(21,408)</u>
<b>Loss before tax</b>	8	<b>(25,086)</b>	(12,441)
Income tax expense	9	<u>—</u>	<u>(2,090)</u>
Loss for the year		<u>(25,086)</u>	<u>(14,531)</u>
<b>Loss per share attributable to owners of the Company</b> (expressed in HK cent per share)			(Restated)
Basic and diluted	11	<u>(5.55)</u>	<u>(3.21)</u>
<b>Dividend</b>	10	<u>—</u>	<u>—</u>

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the year</b>	<u><b>(25,086)</b></u>	<u><b>(14,531)</b></u>
<b>Other comprehensive loss, net of tax:</b>		
<i>Items that may be reclassified</i>		
<i>subsequently to profit or loss:</i>		
– Exchange differences arising on translation foreign operations	(12,432)	(9,465)
– Release of reserves upon disposal of subsidiaries	<u>–</u>	<u>(3,121)</u>
Other comprehensive loss for the year, net of tax	<u><b>(12,432)</b></u>	<u><b>(12,586)</b></u>
<b>Total comprehensive loss for the year</b>	<u><u><b>(37,518)</b></u></u>	<u><u><b>(27,117)</b></u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>650</b>	750
Right-of-use assets		<b>2,547</b>	–
Loan receivable		–	170,764
Investment properties	<i>12</i>	<b>171,946</b>	177,936
Intangible assets		<b>780</b>	780
Rental deposits		<b>1,210</b>	1,387
		<hr/> <b>177,133</b>	<hr/> 351,617
<b>Current assets</b>			
Loan receivable		<b>167,154</b>	–
Trade receivables	<i>13</i>	<b>17,812</b>	18,211
Deposits, prepayments and other receivables	<i>14</i>	<b>446,981</b>	441,949
Bank and cash balances		<b>2,087</b>	2,123
		<hr/> <b>634,034</b>	<hr/> 462,283
<b>Total assets</b>		<hr/> <b>811,167</b>	<hr/> 813,900
<b>Capital and reserves</b>			
Share capital		<b>22,620</b>	22,620
Reserves		<b>515,653</b>	553,171
		<hr/> <b>538,273</b>	<hr/> 575,791
<b>Non-current liabilities</b>			
Deferred loan interest			
income - non-current portion		<b>55</b>	1,163
Asset retirement obligation		<b>495</b>	495
		<hr/> <b>550</b>	<hr/> 1,658

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>69,351</b>	44,304
Lease liabilities		<b>3,285</b>	–
Deferred loan interest income – current portion		<b>1,114</b>	1,138
Shareholders' loan		<b>10,652</b>	4,200
Loan from a related company		<b>5,083</b>	–
Bank borrowings	<i>16</i>	<b>180,526</b>	184,425
Income tax payable		<b>2,333</b>	2,384
		<b>272,344</b>	236,451
<b>Total liabilities</b>		<b>272,894</b>	238,109
<b>Total equity and liabilities</b>		<b>811,167</b>	813,900

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 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 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 Room 1603-5, 16th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group is principally engaged in trading business, investment holding and properties investment via its subsidiary companies in the People's Republic of China (the "**PRC**") (the Company and its subsidiaries are thereafter referred as the "**Group**").

In the opinion of the directors of the Company, as at 31 December 2019, Able Victory Enterprises Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the immediate and ultimate holding company of the Company, and Mr. Li Sen ("**Mr. Li**"), an Executive Director and the Chairman of the Board, is the ultimate controlling party of the Company.

These consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional and the Group's presentation currency.

## 2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$25,086,000 for the year ended 31 December 2019. In addition, as at 31 December 2019, the Group's bank balances and cash of approximately HK\$2,087,000 is insufficient to cover the current liabilities of approximately HK\$272,344,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Group. The controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

#### HKFRS 16 Leases (“HKFRS 16”)

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases.”

	<b>1 January 2019 HK\$’000</b>
<b>At 1 January 2019:</b>	
Increase in right-of-use assets	5,325
Increase in lease liabilities	(5,325)

The incremental borrowing rate applied to the lease liabilities on 1 January 2019 is 7.3%.

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	<b>1 January 2019 HK\$’000</b>
Operating lease commitment at 31 December 2018	5,698
Less:	
Discounting	(373)
	<hr/>
Lease liabilities as at 1 January 2019	<b>5,325</b>
	<hr/> <hr/>

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

#### 4. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the chief executive officer (the “CEO”), the Group has presented the following reportable segments:

- (i) Properties investment
- (ii) Investment holding
- (iii) Trading business

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 right-of-use assets, rental deposits, intangible assets and other unallocated head office corporate assets.
- (b) Segment liabilities include all liabilities with the exception of lease liabilities, shareholders’ loan, loan from a related company, asset retirement obligation and other unallocated head office 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, fair value change on investment properties, 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:

	<b>Property investment <i>HK\$'000</i></b>	<b>Investment holding <i>HK\$'000</i></b>	<b>Trading business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>For the year ended 31 December 2019</b>				
<b>Segment revenue</b>	<b>301</b>	–	<b>56,582</b>	<b>56,883</b>
Gross profit	301	–	196	497
Other gains, net	6	–	–	6
Fair value change on investment properties	(2,270)	–	–	(2,270)
Administrative and operating expenses	(1,252)	–	(1,239)	(2,491)
<b>Segment results</b>	<b>(3,215)</b>	–	<b>(1,043)</b>	<b>(4,258)</b>
Unallocated:				
Other gains, net and interest income				15,799
Administrative and operating expenses				(19,069)
Operating loss				(7,528)
Finance costs				(17,558)
Loss before tax				(25,086)
Income tax expense				–
Loss for the year				<b>(25,086)</b>



	<b>Property investment HK\$'000</b>	<b>Investment holding HK\$'000</b>	<b>Trading business HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 31 December 2019</b>				
Segment assets	309,319	3	307,830	617,152
Unallocated assets				<u>194,015</u>
Total assets				<u><u>811,167</u></u>
Segment liabilities	(215,940)	(4,610)	(5,586)	(226,136)
Unallocated liabilities				<u>(46,758)</u>
Total liabilities				<u><u>(272,894)</u></u>
<b>For the year ended 31 December 2019</b>				
Capital expenditures	<u><u>-</u></u>	<u><u>19</u></u>	<u><u>-</u></u>	<u><u>19</u></u>

	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2018</b>				
<b>Segment revenue</b>	<u>4,270</u>	<u>–</u>	<u>881,601</u>	<u>885,871</u>
Gross profit	4,270	–	4,890	9,160
Other gains, net	11,688	–	(2,654)	9,034
Gain on disposal of subsidiaries	9,203	–	–	9,203
Fair value change on investment properties	(5,369)	–	–	(5,369)
Administrative and operating expenses	<u>(2,570)</u>	<u>–</u>	<u>(11,973)</u>	<u>(14,543)</u>
<b>Segment results</b>	<u>17,222</u>	<u>–</u>	<u>(9,737)</u>	<u>7,485</u>
Unallocated:				
Other gains, net and interest income				22,150
Administrative and operating expenses				<u>(20,668)</u>
Operating profit				8,967
Finance costs				<u>(21,408)</u>
Loss before tax				(12,441)
Income tax expense				<u>(2,090)</u>
Loss for the year				<u><u>(14,531)</u></u>

	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2018</b>				
Segment assets	319,287	85	314,683	634,055
Unallocated assets				<u>179,845</u>
Total assets				<u>813,900</u>
Segment liabilities	(202,122)	(4,610)	(4,770)	(211,502)
Unallocated liabilities				<u>(26,607)</u>
Total liabilities				<u>(238,109)</u>
<b>For the year ended 31 December 2018</b>				
Capital expenditures	<u>–</u>	<u>105</u>	<u>–</u>	<u>105</u>

The Group's non-current assets other than loan receivable as at 31 December 2019 and 2018 are further analysed as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<b>5,167</b>	2,901
The PRC	<u><b>171,966</b></u>	<u>177,952</u>
	<u><b>177,133</b></u>	<u>180,853</u>

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

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	–	261,485
Customer B	–	145,646
Customer C	–	135,263
Customer D	–	102,541
Customer E	–	101,741
Customer F	<b>16,603</b>	–
Customer G	<b>14,001</b>	–
Customer H	<b>12,098</b>	–
Customer I	<b>9,919</b>	–
	<u><u>          </u></u>	<u><u>          </u></u>

All revenue from external customers were derived in the PRC.

#### 5. REVENUE

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Trade of materials</b>	<b>56,582</b>	881,601
	<u>          </u>	<u>          </u>
Revenue from contracts with customers	<b>56,582</b>	881,601
Rental income	<b>301</b>	4,270
	<u>          </u>	<u>          </u>
Total revenue	<b>56,883</b>	885,871
	<u><u>          </u></u>	<u><u>          </u></u>

All revenue from contracts with customers are derived in the PRC and recognised at a point in time.

#### 6. OTHER GAINS, NET

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of subsidiaries	–	9,203
Gain on disposal of assets held for sale	–	7,137
Gain on disposal of investment properties	–	2,129
Expected credit loss	–	(2,768)
Others, net	<b>69</b>	2,560
	<u>          </u>	<u>          </u>
	<b>69</b>	18,261
	<u><u>          </u></u>	<u><u>          </u></u>

## 7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on lease liabilities	289	–
Interest on loan from a related company	171	–
Interest on bank borrowings wholly repayable within one year	17,098	21,408
	<u>17,558</u>	<u>21,408</u>

## 8. LOSS BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold	56,386	876,711
Depreciation of property, plant and equipment	118	118
Depreciation of right-of-use assets	2,778	–
Auditor's remuneration		
– Audit services	1,050	1,050
– Non-audit services	50	–
Short-term lease payments	255	3,636
Staff costs, including directors' emoluments		
– Salaries, allowances and other benefits	9,171	6,276
– Retirement benefit scheme contributions	224	151
– Social insurance	129	132
Exchange loss, net	8	39
	<u>8</u>	<u>39</u>

## 9. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Enterprise Income Tax, provision for the year	–	2,090
	<u>–</u>	<u>2,090</u>

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 2019 (2018: nil).

Enterprise Income Tax has been provided at a rate of 25% for subsidiaries in the PRC on its assessable profits during the year ended 31 December 2018. No provision for Enterprise Income Tax has been made for the year ended 31 December 2019 as the Group did not have any assessable profits in the PRC.

## 10. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2019 (2018: nil).

## 11. 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 2019 and 2018.

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(25,086)</u>	<u>(14,531)</u>
	<i>'000</i>	<i>'000</i> (restated)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>452,392</u>	<u>452,392</u>

Comparative figure of number of shares for the purpose of loss per share was adjusted on the assumption that the share consolidation had been effective in the prior year.

- (b) The Group had share options outstanding as at 31 December 2019 and 2018. The share options did not have a dilutive effect on loss per share for the years ended 31 December 2019 and 2018.

## 12. INVESTMENT PROPERTIES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>At fair value</b>		
At 1 January	<b>177,936</b>	383,173
Disposal	–	(84,391)
Disposal through disposal of subsidiaries	–	(96,481)
Exchange differences	<b>(3,720)</b>	(18,996)
Change in fair value	<u><b>(2,270)</b></u>	<u>(5,369)</u>
<b>At 31 December</b>	<u><b>171,946</b></u>	<u>177,936</u>

### 13. TRADE RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	<b>18,187</b>	18,604
Less: Provision for expected credit loss	<b>(375)</b>	(393)
	<hr/>	<hr/>
Trade receivables, net	<b>17,812</b>	18,211
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are mainly on credit for which the credit period is generally for a period of 5 to 180 days.

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
61-90 days	<b>4</b>	–
91-120 days	<b>42</b>	1,444
121-150 days	<b>37</b>	–
151-365 days	<b>227</b>	14,199
>365 days	<b>17,502</b>	2,568
	<hr/>	<hr/>
	<b>17,812</b>	18,211
	<hr/> <hr/>	<hr/> <hr/>

Movement in loss allowance for trade receivables:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	<b>393</b>	330
Increase in loss allowance for the year	<b>–</b>	63
Exchange differences	<b>(18)</b>	–
	<hr/>	<hr/>
At 31 December	<b>375</b>	393
	<hr/> <hr/>	<hr/> <hr/>

#### 14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Deposits	31	33
Prepayments for purchase of:		
– trading materials ( <i>note</i> )	292,491	293,824
– others	1,390	4,672
Interest receivable	23,603	9,762
Less: loss allowance of interest receivable	(1,135)	(1,206)
Consideration receivable from disposal of assets classified as held for sale	47,322	49,034
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	(762)	(690)
Consideration receivable from disposal of investment properties	84,691	87,329
Less: loss allowance of consideration receivable from disposal of investment properties	(650)	(809)
	<u>446,981</u>	<u>441,949</u>

*note:*

Amounts were deposited to certain trading suppliers with which the Group had trading transactions. These suppliers require the Group to make prepayments in view of bulky purchase and short lead time in delivery and no credit period would be granted.

#### 15. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables ( <i>note</i> )	3,454	3,648
Other payables	49,978	29,723
Receipt in advance from a customer	429	4,610
Accrued liabilities	15,490	6,323
	<u>69,351</u>	<u>44,304</u>

*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 end of reporting period, based on invoice date, is as follows:

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	–	119
91-120 days	–	79
121-365 days	–	3,450
>365 days	<b>3,454</b>	–
	<u>3,454</u>	<u>3,648</u>
	<b><u>3,454</u></b>	<b><u>3,648</u></b>

## 16. BANK BORROWINGS

As at 31 December 2019, the analysis of the carrying amount of bank borrowings is as follows:

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current</b>		
Bank borrowings – secured	<b>180,526</b>	184,425
	<u>180,526</u>	<u>184,425</u>
	<b><u>180,526</u></b>	<b><u>184,425</u></b>

The bank borrowings are dominated in RMB and are secured by the Group's investment properties, which have a carrying amount of approximately HK\$171,946,000 (2018: approximately HK\$177,936,000) as at 31 December 2019.

As at 31 December 2019, these bank borrowings carried a fixed rate ranging from 9% to 9.5% (2018: 7.1% to 7.5%) per annum. The exposure of these bank borrowings to interest rate changes and the contractual repricing dates at 31 December 2019 are one year (2018: one year).

## 17. PERIOD REPORTING THE AFTER EVENTS

After the coronavirus outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the coronavirus outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the coronavirus outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these consolidated financial statements are authorised for issue.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31 December 2019, the Group engaged in properties investment, investment holding and trading of building materials businesses.

### **REVIEW BY BUSINESS**

#### **Properties investment**

The Group's investment properties comprise 23 commercial units situated in Yingkou city, Liaoning province, the PRC, with gross floor area of approximately 7,891 square meters. These properties are currently being leased out for rental income.

The Group also owns a piece of land of gross floor area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross floor 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.

During the year ended 31 December 2019, the Group's rental income amounted to approximately HK\$301,000 (2018: approximately HK\$4,270,000). The properties investment segment recorded valuation loss of approximately HK\$2,270,000 (2018: approximately HK\$5,369,000) on its investment properties, as a whole, this business segment recorded a loss of approximately HK\$3,215,000 for the year ended 31 December 2019 (2018: profit of approximately HK\$17,222,000).

The decrease in rental income from properties investment during the year ended 31 December 2019 was mainly attributable to the persistent depressed state of the property market in Liaoning Province and adverse situation in property demand in the region where such properties are located.

#### **Investment holding**

For the year ended 31 December 2019, the Group had no revenue and profit from investment holding (2018: nil and nil).

#### **Trading of building materials**

The Group has commenced its building materials trading business since the second half of 2017 through its indirect wholly owned subsidiary, Qianhai Shitong Supply Chain (Shenzhen) Company Limited (“前海世通供應鏈(深圳)有限公司”) (“**Qianhai Shitong**”).

During the year ended 31 December 2019, the trading of building materials segment contributed a revenue of approximately HK\$56,582,000 (2018: approximately HK\$881,601,000), representing 99.5% of total revenue. The segment contributed a gross profit of approximately HK\$196,000 (2018: approximately HK\$4,890,000), representing 39.4% of total gross profit for the year ended 31 December 2019.

The significant decrease in sale revenue from trading of building materials during the year ended 31 December 2019 was mainly due to keen market competition, the shortfall of funding need for the expansion of said business and the uncertainty over the China's and Hong Kong's economies resulting from the US-China trade war. Accordingly, the Group limited their purchases on building materials for trading activities during the year ended 31 December 2019, leading to decrease in revenue from trading of building materials of approximately 93.6% recorded under the building materials trading business compared to the last financial year.

## **BUSINESS PROSPECTS AND FUTURE PLANS**

As set forth in the section headed "Business Review" in this report, the Group significantly reduces its scale of building material trading business during the year ended 31 December 2019. Despite this, the market of building material trading in the Southeast Region of the PRC is expected to grow in the foreseeable future because the increase in expected demand for properties in the Greater Bay Area will stimulate the revenue from trading of building materials following the economic growth in the Greater Bay Area benefited from the PRC national policies promulgated by the government of the PRC.

Given that the Group's funding need for the business operation and the potential investment, the Group will actively consider to explore different avenues by obtaining new bank borrowings and carrying out fund raising including, but not limited to, right issue, open offer, placing of new shares and issuance of other convertible bonds. If materialize, additional funds will be provided to the Group for the expansion of the building materials trading business which will bring a huge amount of profit in the long run.

At present, the economy development of Liaoning Province did not grow as expected and lagged behind the national economy growth. Subsequent to completion of acquisition of the investment properties in Liaoning Province in the second half of 2016, certain investment properties of the Group were vacant for some time due to the persistent depressed state of the property market in Liaoning Province and adverse situation in property demand in the region where such properties are located. In this connection, the Group did not acquire any investment properties in the Northeast Region of the PRC since 2017. The Group will continue to develop its properties investment business segment given its vast potential and opportunity. Driven by the market potential in the Greater Bay Area and taking advantage of the extensive business network of the Chairman of the Board, Mr. Li Sen, the Group has been and is reviewing its property investment portfolio with the aim to seize new properties investment opportunities in Shenzhen City and the Greater Bay Area.

As at 31 December 2019, all investments in securities or bonds were disposed of. Going forward, the Company will continue to actively explore the potential for other strategic investments and capture the opportunities and balance the investment risks.

Looking ahead, the Group has been facing a series of challenges, such as the US-China trade tension, the protests and marches in Hong Kong, the coronavirus outbreak in the World in early 2020 and the rapid change in overall economic environment posing uncertainties on the political and financial risks in short term.

Under these circumstances, cost cutting measures will be implemented as priority for improving operating performances of the Group. The Group will also adopt measures and exploring other means to cope with these challenges and to turn them into opportunities. The Group will continuously restructure and reorganize its businesses, adopt measures that are beneficial to the growth of its existing businesses, expand its marketing channels and customer base, pursuing quality suppliers, and taking a proactive role to boost business and profit growth.

The Board remains cautiously optimistic about perpetuating the steady growth in the markets of properties investment and building materials trading in the Southeast Region of the PRC as a result of the economic and financial reform driven by the States with the PRC national policies related to the Greater Bay Area. The Board is fully confident in the future business development of the Group.

The Board will continue to look out for opportunities to make investments in any new 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.

In view of the coronavirus outbreak, the Board are taking all necessary precautions to safeguard our employees and to ensure business continuity. We will continue to monitor the development and take steps as appropriate to mitigate the risks.

## FINANCIAL REVIEW

### Overall Results

For the year ended 31 December 2019, the Group recorded a consolidated revenue of approximately HK\$56,883,000 (2018: approximately HK\$885,871,000), representing a decrease by 93.6% when compared with the year ended 31 December 2018. The significant decrease in revenue was mainly due to the decrease in revenue recorded under the Group's building material trading business by 93.6% during the year ended 31 December 2019 resulting from the reduction in trading volume of building material as discussed in the above "Business Review" section.

The Group's gross profit for the year ended 31 December 2019 was approximately HK\$497,000 (2018: approximately HK\$9,160,000) with gross profit margin of 0.9% (2018: 1.0%), which resulted in a decrease of approximately HK\$8,663,000, representing a decrease of approximately 94.6% when compared with the year ended 31 December 2018.

The Group's net loss was approximately HK\$25,086,000 for the year ended 31 December 2019 (2018: approximately HK\$14,531,000). The increase in loss was mainly attributable to (i) decrease in other gains, net resulting from absence of one-off gain on disposal of subsidiaries of approximately HK\$9,203,000, gain on disposal of assets held for sale of approximately HK\$7,137,000 and gain on disposal of investment properties of approximately HK\$2,129,000 recognised during the previous financial year and (ii) the decrease in interest income from approximately HK\$21,755,000 in 2018 to approximately HK\$15,735,000 in 2019 arising from loan receivables.

The overall net loss attributable to owners of the Company for the year ended 31 December 2019 was approximately HK\$25,086,000 (2018: approximately HK\$14,531,000), representing an increase of losses by approximately HK\$10,555,000 when compared with the year ended 31 December 2018. Taking into account the Share Consolidation (as defined below), both the basic and diluted loss per share attributable to owners of the Company for the year ended 31 December 2019 were HK\$5.55 cents as compared with HK\$3.21 cents (restated) for the year ended 31 December 2018.

## **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2019, the Group had current assets of approximately HK\$634,034,000 comprising the loan receivables of approximately HK\$167,154,000 (2018: nil), interest receivables of HK\$22,468,000 (2018: approximately HK\$8,556,000), trade deposit paid in advance of approximately HK\$292,491,000 (2018: approximately HK\$293,824,000) and receivables of approximately HK\$130,601,000 (2018: approximately HK\$134,864,000) from disposal of investment properties during the previous financial year. The Group's current ratio, calculated based on current assets of approximately HK\$634,034,000 (2018: approximately HK\$462,283,000) over current liabilities of approximately HK\$272,344,000 (2018: approximately HK\$236,451,000), was about 2.33 at 31 December 2019 (2018: 1.96).

As at 31 December 2019, the Group's current liabilities increased by 15.2% to approximately HK\$272,344,000 (2018: approximately HK\$236,451,000) over last year and the increase was primarily due to the increase in shareholders' loan by approximately HK\$6,452,000, increase in loan from a related company by approximately HK\$5,083,000 and accruals and other payables by approximately HK\$29,422,000 respectively used for the general working capital during the year ended 31 December 2019. As at 31 December 2019, all bank borrowings amounted to approximately HK\$180,526,000 (2018: approximately HK\$184,425,000) were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year.

As at 31 December 2019, the equity attributable to owners of the Company amounted to approximately HK\$538,273,000 (2018: approximately HK\$575,791,000).

As at 31 December 2019, the Group had cash and bank balances of approximately HK\$2,087,000 (2018: approximately HK\$2,123,000).

As at 31 December 2019, the debt to equity ratio and net debt to equity ratio of the Group, which were calculated by dividing total debt by total equity and dividing total debt less bank balances and cash by total equity, were approximately 36% (2018: 33%) and 36% (2018: 32%) 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 needs.

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

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2019.

The Group had no significant investments held during the year ended 31 December 2019.

## **MATERIAL EVENTS**

### **Share Consolidation**

Pursuant to the poll results of an annual general meeting dated 28 June 2019, the Company's Share Consolidation (as defined below) has been approved by the shareholders of the Company. Every twenty issued and unissued ordinary shares of par value of HK\$0.0025 each (the "**Old Shares**") in the share capital of the Company are consolidated into one share of par value of HK\$0.05 each (the "**Share Consolidation**") which effected on 2 July 2019. Prior to the Share Consolidation, the authorized share capital of the Company was HK\$50,000,000 divided into 20,000,000,000 Old Shares, of which 9,047,844,141 Old Shares were in issue and were fully paid or credited as fully paid. Following the implementation of the Share Consolidation, the Company's authorized share capital becomes HK\$50,000,000 divided into 1,000,000,000 shares of par value of HK\$0.05 each, and its issued share capital becomes HK\$22,619,610 divided into 452,392,207 shares of par value of HK\$0.05 each.

### **Adjustment to exercise price and number of option share of share options under the share option scheme**

Prior to the implementation of the Share Consolidation, the Company had the outstanding share options subscribe for an aggregate of 224,969,596 Old Shares at an weighted average exercise price of HK\$0.36 per Old Share (the "**Share Options**") under the share option schemes of the Company adopted on 25 January 2003 and 12 May 2011 (the "**Share Option Schemes**") respectively.



Pursuant to the terms and conditions of the Share Option Schemes, the weighted average exercise price and the number of option shares of the Share Options were adjusted upon the implementation of the Share Consolidation on 2 July 2019 (the “**Adjustment**”). Details of the Adjustment are set out below:

	Before completion of the Share Consolidation		After completion of the Share Consolidation	
	Prevailing weighted average exercise price	Number of option shares of HK\$0.0025 each	Adjusted weighted average exercise price	Adjusted number of option shares of HK\$0.05 each
Share Options	<u>HK\$0.36</u>	<u>224,969,596</u>	<u>HK\$7.20</u>	<u>11,248,480</u>

Save for the above Adjustment, all other terms and conditions of the Share Options remain unchanged.

The Company’s auditor, Zhonghui Anda CPA Limited, has performed certain factual finding procedures on the Adjustment in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and issued a report of factual findings to the Board stating that the computation of the Adjustment is mathematically accurate and is in compliance with the terms and conditions of the Share Option Schemes.

### **Financial Assistance**

On 28 August 2019, the Company (the “**Borrower**”), has entered into the loan facilities agreement of HK\$10,000,000 (the “**Loan**”) with Wonderland International Finance Limited (the “**Lender**”) and Mr. Li Sen (the Chairman, Executive Director and a substantial shareholder of the Company) as guarantor (the “**Loan Facilities Agreement**”). Pursuant to the Loan Facilities Agreement, the Lender has conditionally agreed to grant the Loan to the Company for a 12 months period commencing from the date of the Loan Facilities Agreement. Pursuant to the Loan Facilities Agreement, Mr. Li Sen, has provided his personal guarantee in favour of the Lender to guarantee, among others, the due performance of the obligations of the Company under the Loan Facilities Agreement (the “**Guarantee**”).



Pursuant to the Loan Facilities Agreement, Able Victory Enterprises Limited (“**Able Victory**”) shall, as mortgagor and controlling shareholder of the Company, deposit: (1) not less than HK\$44,000,000 cash; or (2) 110,374,271 shares of par value of 0.05 each of the Company registered in the name of Able Victory or any securities with market value not less than HK\$44,000,000 as collateral (the “**Pledged Collateral**”) for the purpose of securing the Loan provided by the Lender to the Borrower.

As at the date of the announcement on 28 August 2019, the Lender is an associate of Wonderland International Finance Holdings Limited (“**Wonderland**”), the substantial shareholder of the Company. Therefore, the Lender is a connected person of the Company under the Listing Rules. Under the Listing Rules, the provision of the Loan to the Company by the Lender contemplated under the Loan Facilities Agreement is fully exempt from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules as such transaction constitute financial assistance provided by a connected person to the Company on normal commercial terms, where no security over the assets of the Group is granted in respect of the financial assistance. Since Mr. Li Sen is a connected person of the Company under the Listing Rules, the execution of the Guarantee is financial assistance provided by a connected person to the Company on normal commercial terms, where no security over the assets of the Group is granted in respect of the financial assistance. Accordingly, the Guarantee is also fully exempt from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rule. Since Able Victory is the controlling shareholder of the Company, the provision of the Pledged Collateral triggers disclosure obligation of the Company under Rule 13.17 of the Listing Rules and therefore the announcement dated 28 August 2019 is made by the Company pursuant to Rule 13.17 of the Listing Rules. The relevant details are set out in the announcement of the Company dated 28 August 2019.

### **Proposed Convertible Bonds**

On 31 January 2019, the Company entered into a convertible bonds subscription agreement (the “**Proposed CB Agreement**”) for the issue of 15% convertible bonds due 2020 with Huajun Group (Asia) Limited in the principal amount of HK\$50 million which are convertible into 844,594,595 Old Shares upon conversion of the convertible bonds at the exercise price of HK\$0.0592 per Old Shares. The Proposed CB Agreement has lapsed on 1 April 2019. Details of issue of proposed convertible bonds are set out in the announcement of the Company dated 31 January 2019 and 2 April 2019.

### **First Proposed Subscription**

On 2 April 2019, the Company entered into the subscription agreement (the “**First Proposed Subscription Agreement**”) with the independent third part subscriber, pursuant to which the subscriber has conditionally agreed to subscribe 1,809,568,828 new shares (par value of HK\$0.0025 each) of the Company at the issue price of HK\$0.0496 per share of the Company (the “**First Proposed Subscription**”). The First Proposed Subscription Agreement has lapsed on 4 April 2019. Details of issue of First Proposed Subscription are set out in the announcement of the Company dated 2 April 2019 and 4 April 2019.

## **Second Proposed Subscription**

On 4 April 2019, the Company entered into the subscription agreement (the “**Second Proposed Subscription Agreement**”) with the independent third party subscriber, pursuant to which the subscriber has conditionally agreed to subscribe 1,809,568,828 new shares (par value of HK\$0.0025 each) of the Company at the issue price of HK\$0.05022 per share of the Company (the “**Second Proposed Subscription**”). The Second Proposed Subscription Agreement has lapsed on 1 June 2019. Details of issue of Second Proposed Subscription are set out in the announcement of the Company dated 4 April 2019 and 3 June 2019.

## **GEARING RATIO**

Gearing ratio is calculated based on total debts divided by total equity as of the end of each period. Gearing ratio was 36% as at 31 December 2019 (2018: 33%).

## **CHARGE ON GROUP ASSETS**

As at 31 December 2019, the investment properties of the Group with carrying amount of approximately HK\$171,946,000 (2018: approximately HK\$177,936,000) were pledged to secure certain bank borrowings.

## **FOREIGN EXCHANGE EXPOSURE**

During the year ended 31 December 2019, 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 2019, the Group did not have significant capital commitments (2018: nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group did not have significant contingent liabilities (2018: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group had 18 employees in Hong Kong and the PRC as at 31 December 2019 (2018: 21 employees). The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group’s remuneration strategy.

## **FINAL DIVIDEND**

The Board has resolved not to declare a final dividend for the year ended 31 December 2019 (2018: 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 2019.

## **UPDATES ON DIRECTORS' INFORMATION**

The following is updated information of Directors of the Company since the publication of the Company's 2019 interim report are disclosed as below pursuant to Rule 13.51B(1) of the Listing Rules:

1. With effect from 22 October 2019, Mr. Du Hongwei resigned as the Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company.
2. Mr. Zhong Jian, aged 49, has been appointed as Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company since 22 October 2019.

Mr. Zhong has obtained a bachelor's degree in Finance from The Central University of Finance and Economics, a master's degree in International Finance from Renmin University of China and a master's degree in Executive Master of Business Administration from Chinese Europe International Business School.

Mr. Zhong is currently the fund manager of Shanghai Mingyu Asset Management Co., Ltd. He was the vice president and chief financial officer of Kasen International Holdings Limited (Stock Code: 496) from August 2007 to June 2014 and September 2007 to June 2014, respectively.

Save as disclosed above, Mr. Zhong has not held any other directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the last three years.

Save as disclosed above, Mr. Zhong does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Zhong (i) does not hold any other positions in the Company or its subsidiaries; and (ii) does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

## **CORPORATE GOVERNANCE**

The Company had complied with all the applicable code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules for the year ended 31 December 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS**

The Company has adopted its own code of conduct regarding directors’ dealing in the Company’s securities (the “**Own Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers. Specific enquiries have been made with the directors and they have confirmed their compliance with the Own Code during the year ended 31 December 2019.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

In view of the qualified opinion of the auditors for the year ended 31 December 2017, the Company understands the importance of improving its internal control procedures. On 30 May 2018, the Company engaged AVISTA PRO-WIS Risk Advisory Limited (“**AVISTA**”) as its internal control consultant to conduct a review of the Group’s internal control system for the year ended 31 December 2017 and for the three months ended 31 March 2018, including the Group’s revenue and receipt cycle, trading and procurement cycle, inventory cycle, expenditure cycle, financial reporting cycle, cash management and treasury cycle, property investment and development cycle (the “**Internal Control Review**”), and to make recommendations to the Company for this purpose. The first review on Internal Control Review report was circulated on 28 September 2018. After gathering the management responses from the subsidiaries and the Company’s responses and replies of each finding as mentioned in the Internal Control Review report, the Internal Control Review report was finalised and has been reviewed and approved by the Board of Directors on 7 August 2019. An announcement for the results of Internal Control Review has been published on 27 August 2019 on the websites of the Stock Exchange and the Company.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

The figures in respect of the preliminary announcement of the Group's consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's independent auditor, Zhonghui Anda CPA Limited ("**Zhonghui Anda**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Zhonghui Anda in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui Anda on the preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The section below is an extract of the report by Zhonghui Anda, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2019:

### **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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS OF QUALIFIED OPINION**

### **Trade receivables, loan receivable, interest receivable, prepayments and consideration receivables**

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of trade receivables of approximately HK\$17,812,000, loan receivable of approximately HK\$167,154,000, interest receivable of approximately HK\$22,468,000, prepayments for purchase of trading materials of approximately HK\$292,491,000 and consideration receivables of approximately HK\$130,601,000 as at 31 December 2019; as well as loan receivable of approximately HK\$170,764,000, interest receivable of approximately HK\$8,556,000, prepayments for purchase of trading materials of approximately HK\$293,824,000 and consideration receivables of approximately HK\$134,864,000 as at 31 December 2018. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made and whether the related interest income is properly recorded in the consolidated financial statements.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2019 and 2018 and the financial positions of the Group as at 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

## **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$25,086,000 for the year ended 31 December 2019. In addition, as at 31 December 2019 the Group's bank balances and cash of approximately HK\$2,087,000 is insufficient to cover the current liabilities of approximately HK\$272,344,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

This announcement is published on the website of the Company (<http://www.enviro-energy.com.hk/>) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2019 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 and Executive Director*

Hong Kong, 31 March 2020

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Li Sen (Chairman), Mr. Jiang Senlin and Mr. Zhong Jinhua and three Independent Non-executive Directors, namely Ms. Liu Yan, Mr. Li Jinyuan and Mr. Zhong Jian.*