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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 2022

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 2022 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*5*	**269,577**	321,844
Cost of sales		**(252,835)**	(305,926)
Gross profit		**16,742**	15,918
Other gains, net	*6*	**164**	11,002
Selling and distribution expenses		**–**	(7,560)
Administrative and operating expenses		**(10,007)**	(14,912)
Interest income		**2**	7
Impairment loss of intangible assets		**(330)**	(450)
Impairment losses on trade receivables and prepayments, net		**(517)**	(340,323)
Impairment loss on loan and interest receivables		**(215,290)**	–
Gain on disposal of subsidiaries		**7,229**	–
Fair value change on investment properties		**(35,795)**	(13,870)
Loss on deregistration of subsidiaries		**(208)**	–

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Loss from operations		**(238,010)**	(350,188)
Finance costs	*7*	**(10,709)**	(6,667)
Loss before tax	*8*	**(248,719)**	(356,855)
Income tax expense	*9*	**(3,685)**	(918)
Loss for the year		**(252,404)**	(357,773)
(Loss)/income for the year attributable to:			
— Owners of the Company		**(257,028)**	(357,773)
— Non-controlling interests		**4,624**	–
		(252,404)	(357,773)
Loss per share (in HK cent)			
Basic and diluted	*11*	**(47.39)**	(65.96)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
Loss for the year	**(252,404)**	(357,773)
Other comprehensive (loss)/ income, after tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(12,566)**	9,179
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	**3,681**	–
Other comprehensive (loss)/income for the year, net of tax	**(8,885)**	9,179
Total comprehensive loss for the year	**(261,289)**	(348,594)
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the Company	**(265,797)**	(348,594)
— Non-controlling interests	**4,508**	–
	(261,289)	(348,594)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**23**	538
Investment properties		**126,434**	172,528
Intangible assets		**–**	330
		126,457	173,396
Current assets			
Inventories		**20,226**	–
Loan receivables		**–**	183,540
Trade receivables	*12*	**100,731**	3,179
Deposits, prepayments and other receivables		**138,568**	186,299
Bank and cash balances		**8,143**	8,898
		267,668	381,916
Total assets		**394,125**	555,312
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital		**27,120**	27,120
Reserves		**(71,799)**	193,998
		(44,679)	221,118
Non-controlling interests		**4,508**	–
Total (deficit)/equity		**(40,171)**	221,118

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Non-current liabilities			
Other borrowings		**–**	216,324
Asset retirement obligation		**–**	495
		–	216,819
Current liabilities			
Trade and other payables	*13*	**189,270**	83,313
Shareholders' loans		**9,986**	10,184
Loan from a fellow subsidiary		**28,139**	20,234
Amount due to a fellow subsidiary		**114**	168
Other borrowings		**202,287**	–
Income tax payable		**4,500**	3,476
		434,296	117,375
Total liabilities		**434,296**	334,194
Total equity and liabilities		**394,215**	555,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") engaged in sales of materials business and properties investment in Hong Kong and the People's Republic of China (the "**PRC**").

In the opinion of the directors of the Company, as at 31 December 2022, Wonderland International Investment Holdings Limited (the "**Controlling Shareholder**"), a company incorporated in the Hong Kong, is the immediate and ultimate holding company of the Company, and Mr. Li Gang ("**Mr. Li**"), Executive Director and Chairman of the Board, is the ultimate controlling party of the Company.

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

2. GOING CONCERN BASIS

The Group incurred a loss attributable to the owners of the Company of approximately HK$257.0 million for the year ended 31 December 2022. In addition, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK$166.6 million and HK$40.2 million respectively and the Group's bank and cash balances of approximately HK$8.1 million is insufficient to cover the current liabilities of approximately HK$434.3 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These 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 financial obligations as and when they fall due within next twelve months from 31 December 2022. 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. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

In the current year, the Group has adopted all the new and amended 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 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and amended HKFRSs did not result in significant impact to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and amended standards, interpretations and accounting guidelines that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position. The Group does not intend to early adopt these standards before their respective effective dates.

4. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the executive directors, who are the chief operation decision-makers, the Group has presented the following reportable segments:

(i) Sale of materials business; and

(ii) Properties investment.

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

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

(b) Segment liabilities include all liabilities with the exception of shareholders' loan, amount due to a fellow subsidiary, loan from a fellow subsidiary, asset retirement obligation, other borrowings 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 fair value change of investment properties, selling and distribution expenses, administrative and operating expenses, and impairment losses on trade receivables and prepayments, net.

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

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

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

	Sale of materials business *HK$'000*	Properties investment *HK$'000*	Total *HK$'000*
At 31 December 2022			
Segment assets	**132,172**	**261,230**	**393,402**
Unallocated assets			**723**
Total assets			**394,125**
Segment liabilities	**(121,033)**	**(252,117)**	**(373,150)**
Unallocated liabilities			**(61,146)**
Total liabilities			**(434,296)**

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

	Sale of materials business *HK$'000*	Properties investment *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021			
Revenue from external customers	321,077	767	321,844
Gross profit	15,151	767	15,918
Fair value change on investment properties	–	(13,870)	(13,870)
Selling and distribution expenses	(7,560)	–	(7,560)
Administrative and operating expenses	(936)	(2,054)	(2,990)
Impairment losses on trade receivables and prepayments, net	(334,952)	(5,371)	(340,323)
Segment results	(328,297)	(20,528)	(348,825)
Unallocated:			
Other gains, net and interest income			11,009
Administrative and operating expenses			(11,922)
Impairment loss of intangible assets			(450)
Loss from operation			(350,188)
Finance costs			(6,667)
Loss before tax			(356,855)
Income tax expense			(918)
Loss for the year			(357,773)

	Sale of materials business *HK$'000*	Properties investment *HK$'000*	Total *HK$'000*
At 31 December 2021			
Segment assets	5,670	316,774	322,444
Unallocated assets			232,868
Total assets			555,312
Segment liabilities	(9,857)	(258,123)	(267,980)
Unallocated liabilities			(66,214)
Total liabilities			(334,194)

	Sale of materials business *HK$'000*	Properties investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021				
Capital expenditures	–	–	–	–

The Group's revenue and non-current assets are further analysed by geographical location as follows:

	Revenue For the year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
The PRC	**269,577**	32,197
The United Arab Emirates	**–**	165,526
Kingdom of Bahrain	**–**	97,454
Hong Kong	**–**	8,998
Kingdom of Norway	**–**	7,751
Iceland	**–**	7,636
State of Qatar	**–**	2,282
	269,577	321,844

	Non-current assets At 31 December	
	2022	2021
	HK$'000	*HK$'000*
The PRC	**126,434**	172,568
Hong Kong	**23**	828
	126,457	173,396

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

	2022	2021
	HK$'000	*HK$'000*
Sales of materials business segment		
Customer A	**–***	165,526
Customer B	**–***	97,454

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

5. REVENUE

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers		
— Sale of materials	**268,692**	321,077
Rental income	**885**	767
Total revenue	**269,577**	321,844

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

Sales of materials

The Group principally sells building materials, aluminum related products and scrapped copper (2021: aluminum related products and scrapped copper) to its customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days (2021: 30 to 180 days). For new customers, deposits or cash on delivery may be required.

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

6. OTHER GAINS, NET

	2022	2021
	HK$'000	*HK$'000*
Government subsidy *(note)*	**120**	–
Wavier of interest of other borrowings	**–**	8,705
Exchange gain, net	**–**	2,113
Sundry income	**44**	184
	164	11,002

Note: The government subsidy of HK$120,000 (2021: Nil) represented grants obtained from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have unfulfilled obligations relating to this program.

7. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on other borrowings	**10,374**	4,732
Interest on shareholders' loan	**90**	1,302
Interest on loan from a fellow subsidiary	**245**	263
Interest on factoring of trade receivables	**–**	370
	10,709	6,667

8. LOSS BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**1,150**	1,100
— Non-audit services	**330**	50
Cost of inventories sold	**252,835**	305,926
Depreciation of property, plant and equipment	**6**	9
Exchange loss, net	**3,554**	–
Impairment losses of trade receivables and prepayments, net:		
— Trade receivables	**517**	20,250
— Prepayments for:		
(i) purchase of building materials	**–**	316,614
(ii) others	**–**	3,459
	517	340,323
Impairment loss on loan and interest receivables	**215,290**	–
Staff costs, including directors' emoluments		
— Salaries, allowances and other benefits	**5,002**	5,644
— Retirement benefit scheme contributions	**90**	121
— Social insurance	**120**	149
	5,212	5,914

9. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong Profits Tax	**–**	914
— The PRC Enterprise Income Tax	**3,887**	4
	3,887	918
Over-provision in prior years		
— Hong Kong Profits Tax	**(198)**	–
— The PRC Enterprise Income Tax	**(4)**	–
	(202)	–
	3,685	918

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK$2 million of assessable profits are taxed at the rate of 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at the rate of 16.5% (2021: 16.5%).

The PRC Enterprise Income Tax has been provided at a rate of 25% (2021: 25%) for subsidiaries in the PRC on its assessable profits during the year ended 31 December 2022.

10. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2022 (2021: nil).

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
Loss attributable to the owners of the Company *(HK$'000)*	**(257,028)**	(357,773)
Weighted average number of ordinary shares in issue *(thousand shares)*	**542,392**	542,392

(b) Diluted

The Group had share options outstanding during the year ended 31 December 2022 and 2021. The share options did not have dilutive effect on loss per share for the years ended 31 December 2022 and 2021.

12. TRADE RECEIVABLES

	2022 ***HK$'000***	2021 *HK$'000*
Trade receivables	**106,929**	24,099
Less: Provision for impairment losses	**(6,198)**	(20,920)
Trade receivables, net	**100,731**	3,179

The Group's credit terms to trade debtors range generally from 30 to 90 days (2021: 30 to 180 days).

Trade receivables from certain customers of the Group, whose contractual cash flows represent solely payments of principal and interest, were factored to reputable financial institutions under non-recourse factoring arrangement. As at 31 December 2022 and 2021, no trade receivables were under factoring arrangement.

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

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**67,823**	782
61–90 days	**31,008**	–
121–365 days	**–**	2,397
Over 365 days	**1,900**	–
	100,731	3,179

Movements of loss allowance for trade receivables:

	2022	2021
	HK$'000	*HK$'000*
At 1 January	**20,920**	378
Increase in loss allowance for the year	**517**	20,250
Disposal of subsidiaries	**(14,886)**	–
Exchange differences	**(353)**	292
At 31 December	**6,198**	20,920

13. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables *(note (i))*	**112,504**	4,669
Other payables	**50,767**	62,376
Receipt in advance	**2,998**	3,180
Interest payable	**10,114**	–
Accrued liabilities	**12,887**	13,088
	189,270	83,313

Notes:

(i) The amounts are repayable according to normal credit terms of 30 to 60 days (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**72,286**	722
30–60 days	**28,024**	–
61–90 days	**12,194**	–
Over 365 days	**–**	3,947
	112,504	4,669

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Enviro Energy International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") principally engaged in sales of materials businesses and properties investment in Hong Kong and the People's of Republic of China (the "**PRC**").

Sales of materials business

Since 2017, the Group commenced the sales of materials business in the PRC, the materials mainly include aluminum, steel products, timber logs, base metals, etc., which are primarily used at the early stages of construction projects or for manufacturing of building or surfacing materials.

The business provided steady income for the Group until it experienced a downturn in 2019 and 2020. To refine its business, the Group established warehouses in the PRC in early 2021 with inventory management to provide products readily available for its customers. The warehouses are in close proximity to major ports and its customers and suppliers in the PRC, which may (i) allow the Group to respond to customers' orders in a timely manner; and (ii) provide inventory management services to customers, such as procurement, inventory storage and delivery.

In late 2020, the Group started to expand its customer base to international aluminum products manufacturers by leveraging its foundation in sourcing aluminum ingots.

During the year ended 31 December 2022 (the "**Year**"), the sales of materials contributed a revenue of approximately HK$268.7 million (year ended 31 December 2021 (the "**Previous Year**"): HK$321.1 million), representing 99.7% of total revenue of the Group (Previous Year: 99.8%).

The Group experienced a temporary downturn of its principal business as a result of a number of force majeure factors causing the abnormal and significant price fluctuation in aluminum related products, including COVID-19 precaution measures in the PRC leading to unstable supply in building materials and aluminum related products, power shortages with extreme weather in the PRC in June 2022, outbreak of the Russian Ukrainian War in early 2022 and surge in international freight and shipping costs.

In view of the above price instability in the aluminum price in 2022 and to safeguard the interest of the Company, the Group has no alternative but temporary ceased the supply of aluminum and related products to its overseas customers, while exploring for other business opportunities based on its existing supply of building material business network in the PRC.

In October 2022, the Group has jointly established a joint venture company ("**JV Company**") with Hangzhou Zhongji Architectural Decoration Engineering Co., Ltd.* (杭州中機建築裝飾工程有限公司) ("**Hangzhou Zhongji**"). Accordingly, the JV Company become a subsidiary of the Company. Leveraging on the construction and renovation services provided by Hangzhou Zhongji, the Group benefit for the introduction of customers for downstream expansion, the financial result of the Group was substantially improved since then.

Properties investment

The Group's investment properties comprise certain commercial units and lands situated in Yingkou city, Liaoning province, the PRC. During the Year, the Group's rental income amounted to approximately HK$0.9 million were generated from properties investment (Previous Year: HK$0.8 million).

BUSINESS PROSPECTS AND FUTURE PLANS

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

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

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

However, the Group have had an extremely challenging start to 2022. With the unprecedented disruption caused by COVID-19 and the Russian Ukrainian War to the aluminum supply chain industry and the subsequent price fluctuation in aluminum related products and increasing global freight cost, the Group has no choice but to temporarily suspend its principal business to avoid erosion of working capital in order to safeguard the interest of the Group. Nevertheless, the Group continued to maintain its business relationship with its customers and suppliers to look for collaboration opportunities and a suitable timing for the resumption of businesses between the parties.

* *For identification purposes only*

Notwithstanding the challenge of the inflation and price instability in building materials, the management explored other business opportunities based on its existing supply of building material business network in the PRC and identified the significant demand of building materials in the Hangzhou.

In October 2022, the Group and Hangzhou Zhongji jointly established the JV Company. The Group responsible for sourcing, procurement, quality control and selection of suppliers for building materials, while Hangzhou Zhongji introduces customers and new projects for construction and renovation services to the JV Company by its extensive business network includes property developers in the PRC. The Company is of the view that the establishment of the JV Company allow the Group to expand its sales channel, which will provide more business opportunities to the supply of materials business of the Group by enhancing its sales network and customer base in the construction industry in the PRC, the prospect look promising.

The Board will continue to look out for opportunities to make investments in any business when suitable opportunities arise to diversify revenue streams of the Group and strengthen the Group's financial position, and thereby maximising the benefits of the shareholders as a whole. The Board is fully confident in the future business development of the Group.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded a revenue of approximately HK$269.6 million (Previous Year: HK$321.8 million), representing a decrease by 16.2% when compared with the Previous Year. The decrease in revenue was mainly due to the temporary cessation of the supply of aluminum and related products since late 2021 as a result of force majeure factors including COVID-19 precaution measures and the Russian Ukrainian War, aluminum and related products therefore experienced significant price fluctuation. Also, the serious disruption in the freight industry caused by COVID-19 result in a mammoth increase in freight and transportation cost. Due to the uncertainties surrounding the global price of aluminum, the Group has shifted its focus to the recurring domestic customers and others acquainted within the business peer group in order to maintain its sustainable business.

In October 2022, the Group jointly established the JV Company with Hangzhou Zhongji, which principally engaged in the supply of building materials to construction and renovation projects in the PRC. The Group has the advantage of sourcing building materials at a competitive price and favourable credit terms, the Group's revenue generated from supply of building materials have substantially improved since the establishment of JV Company.

Gross profit

The Group's gross profit for the Year increased by HK$0.8 million to approximately HK$16.7 million (Previous Year: HK$15.9 million). The overall gross profit margin increased from 4.9% for the Previous Year to 6.2% for the Year, which mainly due to the higher gross profit margin for sales of aluminum related products and scrap copper to overseas customers since early 2021 for the purpose of expanding the Group's client portfolio.

Selling and distribution expenses

Selling and distribution expenses mainly represented freight and transportation expenses and staff costs for sales of aluminum and related products and scrap copper to overseas customers.

The Group did not record any selling and distribution expenses during the Year (Previous Year: HK$7.6 million).

Administrative and operating expenses

The Group's administrative and operating expenses mainly consisted of (i) staff costs; (ii) depreciation; (iii) legal and professional fee; (iv) office and utility expenses; and (v) other administrative expenses.

Administrative and operating expenses significantly decreased by HK$4.9 million or 32.9% from HK$14.9 million for the Previous Year to HK$10.0 million for the Year, which was mainly due to (i) decrease in staff costs to HK$5.0 million during the Year (Previous Year: HK$5.9 million); and (ii) decrease in legal and professional fees to HK$4.1 million during the Year (Previous Year: HK$5.2 million).

Fair value change on investment properties

The Group's investment properties comprise certain commercial units and lands situated in Yingkou city, Liaoning province, the PRC. The valuation was carried out by an independent professional valuer, on the basis of market value. The Group recorded fair value loss on investment properties amounted to HK$35.8 million and HK$13.9 million for the Year and the Previous Year respectively.

Impairment losses

Trade receivables and prepayments

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions. Receivables relating to trade debtors with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. During the Year, loss allowance of HK$0.5 million was recognised with respect to the Group's trade receivables.

As disclosed in the 2020 Annual Report, the auditor of the Company (the "**Auditor**") issued a qualified opinion on recoverability on certain receivables, which consist of (1) prepayments of approximately RMB262.5 million (equivalently to HK$311.9 million) made by Qianhai Shitong Supply Chain (Shenzhen) Company Limited* (前海世通供應鏈(深圳)有限公司) ("**Qianhai Shitong**"), a wholly-owned subsidiary of the Company, in relation to certain building materials to its suppliers in 2018 (the "**Prepayments**"); and (2) trade receivables of RMB16.3 million (equivalent to HK$19.4 million) in relation to (i) sales of building materials recorded by Qianhai Shitong; and (ii) rental agreements entered into by the Group during the year ended 31 December 2018 (the "**Trade Receivables**").

Based on the legal opinion issued by the PRC lawyer in December 2021, (i) the counterparties do not seem to maintain fixed assets which may be served as means of debt recovery; (ii) certain of the counterparties had unfulfilled court orders; (iii) the counterparties' financial position may have deteriorated as they may have an associated relationship with Mr. Li Sen, the former director of the Company, who is facing criminal charge. In addition, the legal proceeding to recover the outstanding balances could be cost-ineffective. As such, it may not be meaningful for the Group to commence litigation against such counterparties.

Despite the management has taken proactive actions to recover the outstanding balances from these parties, however, the management of the Group was uncertain and was not optimistic whether the Group is able to recover the outstanding balances from these parties. Accordingly, the Group has recognised an impairment loss on the Prepayments and Trade Receivables of HK$316.6 million and HK$19.7 million during the Previous Year respectively.

Loan and Interest receivables

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

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

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

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

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

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

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

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

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

Loss for the year

As a result of the foregoing, loss for the Year attributable to the owners of the Company was approximately HK$257.0 million (Previous Year: HK$357.8 million).

Liquidity, Financial Resources and Capital Structure

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

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

As at 31 December 2022, all other borrowings, shareholders' loan and loan from a fellow subsidiary of the Group bore fixed interest rates, the maturity and currency profile are set out as follows:

	Within 1 year
	HK$'000
Renminbi	202,287
Hong Kong Dollar	38,125
	240,412

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts is calculated as the sum of other borrowings, shareholder's loan and loan from a fellow subsidiary, less bank and cash balances. Total capital represents total (deficit)/equity as shown on the consolidated statement of financial position of the Group plus net debts. The gearing ratios as at 31 December 2022 and 2021 were as follows:

	2022	2021
	HK$'000	*HK$'000*
Other borrowings	**202,287**	216,324
Shareholders' loans	**9,986**	10,184
Loan from a fellow subsidiary	**28,139**	20,234
Less: Bank and cash balances	**(8,143)**	(8,898)
Net debts	**232,269**	237,844
Total (deficit)/equity	**(44,679)**	221,118
Total capital	**187,590**	458,962
Gearing ratio	**123.8%**	51.8%

As at 31 December 2022, the total deficit attributable to the owners of the Company was approximately HK$44.7 million (31 December 2021: total equity of HK$221.1 million) which mainly contributed by the operating loss during the Year. As at 31 December 2022, the Group's current assets and current liabilities amounted to approximately HK$267.7 million and HK$434.3 million respectively (31 December 2021: HK$381.9 million and HK$117.4 million), of which approximately HK$8.1 million (31 December 2021: HK$8.9 million) was bank and cash balances.

As at 31 December 2022, the Group had bank and cash balances of approximately HK$8.1 million (31 December 2021: HK$8.9 million), of which approximately 2.5%, 95% and 2.5% (31 December 2021: 10%, 17% and 73%) were denominated in United States Dollar ("**US$**"), Renminbi ("**RMB**") and Hong Kong Dollar ("**HK$**") respectively.

The Group's current ratio, calculated based on current assets over current liabilities, was 0.6 at 31 December 2022 (31 December 2021: 3.3).

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

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

Charge on Group Assets

As at 31 December 2022, the investment properties of the Group with carrying amount of approximately HK$126.4 million (31 December 2021: HK$172.5 million) were pledged to secure certain other borrowings. Save for the above, the Group did not have any charges on its assets.

As as 31 December 2022, investment properties of the Group is under dormant seizure (輪候查封) pursuant to civil judgement, please refer to section "Material Events — Litigation" for the details of litigation.

Foreign Exchange Exposure

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, the management will monitor the Group's foreign currency exposure should the need arise.

Capital Commitments

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

Contingent Liabilities

As at 31 December 2022, the repayment obligations borne by the Group under the civil judgement as disclosed in section "Material Events — Litigation" is subject to the outcome of any court order or actions which are yet to materialise, no contingent liabilities was therefore recognised in this regard.

Save for the above, the Group did not have significant contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 27 employees in Hong Kong and the PRC (31 December 2021: 19 employees). Staff costs (including directors' emoluments) amounted to approximately HK$5.1 million for the Year (Previous Year: HK$5.9 million). The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

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

Disposal of subsidiaries

On 31 October 2022, (i) the Company entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement A**") with Hong Kong Headline Big Data Company Limited (the "**Purchaser**"), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire for 100% of the issued share capital of Sincere Venture Limited ("**Sincere Venture**", a wholly-owned subsidiary of the Company) (the "**Sincere Venture Sale Shares**"), at a consideration of HK$1; and (ii) Enviro Financial Group Holdings Limited ("**Enviro Financial**", an indirect wholly-owned subsidiary of the Company) entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement B**") with the Purchaser, pursuant to which Enviro Financial conditionally agreed to sell and the Purchaser conditionally agreed to acquire for 100% of the issued share capital of Heryd International Trade Co., Limited ("**Heryd International**", a wholly-owned subsidiary of the Company) (the "**Heryd International Sale Shares**"), at a consideration of HK$1 (collectively, the "**Disposals**").

On 30 November 2022, the Company, Enviro Financial and the Purchaser entered into the supplemental agreements (the "**Supplemental Agreements**"), pursuant to which the parties agreed that (i) the Purchaser shall not dispose of the Sincere Venture Sale Shares within three years from the date of the Sale and Purchase Agreement A without the written consent of the Company; and (ii) the Purchaser shall not dispose of the Heryd International Sale Shares within three years from the date of the Sale and Purchase Agreement B without the written consent of Enviro Financial.

An extraordinary general meeting was convened by the Company on 30 December 2022, at which the Disposals and the transactions contemplated thereunder were duly passed as an ordinary resolution of the Company by the Shareholders. Completion of the Disposals took place on the same day, after which Sincere Venture and Heryd International (including their respective subsidiaries) have ceased to be subsidiaries of the Company. For further details, please refer to the announcements of the Company dated 31 October 2022 and 30 December 2022, and the circular of the Company dated 9 December 2022 respectively.

Formation of a non-wholly-owned subsidiary

On 20 October 2022, the Group and Hangzhou Zhongji jointly established the JV Company and the Group and Hangzhou Zhongji are interested in 60% and 40% of the registered capital of the JV Company respectively. Accordingly, the JV Company becomes a non-wholly-owned subsidiary of the Company.

The JV Company is principally engaged in the supply of building materials. Upon its incorporation, it has commenced operation in October 2022. The JV Company has secured a number of sales contracts for the supply of building materials for various construction and renovation projects in the PRC.

Leveraging on (i) the Group's experience and network in supply of building materials business in the PRC; and (ii) the construction and renovation services provided by the Hangzhou Zhongji, the Board is optimistic that the establishment of the JV Company may allow the Group to expand its sales channels, which will provide more business opportunities to the Group by enhancing its sales networks and customer base in the construction industry in the PRC. Accordingly, the Company will focus on developing the business of the JV Company in the near future.

For further details, please refer to the announcement of the Company dated 31 October 2022 in relation to, among other things, discloseable transaction in relation to formation of joint venture.

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

MATERIAL EVENTS

Update on listing status

On 18 December 2020, the Company has received a letter from the Stock Exchange notifying the Company of its decision that the Company has failed to carry out a business with sufficient level of operations as required under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to warrant the continued listing of its shares (the "**Decision**"). Pursuant to Rules 2B.06(1) and 2B.08(1) of the Listing Rules, the Company submitted a written request for the Decision to be referred to the Listing Committee of the Stock Exchange for review on 13 January 2021 (the "**Review**"). On 18 May 2021, the Company received a letter from the Listing Committee in upholding the Decision (the "**LC Decision**"). On 27 May 2021, the Company submitted a written request to the Listing Review Committee pursuant to Rule 2B.06(2) of the Listing Rules for reviewing of the LC Decision (the "**Second Review**"). The Listing Review Committee may endorse, modify or vary the LC Decision or make its own decision.

On 14 September 2021, the Company received a decision letter from the Listing (Review) Committee (the "**Decision Letter**") which upheld the decision of the Listing Committee and concluded that having assessed the Company's case under Rule 13.24 of the Listing Rules as set out in the Decision Letter, the Company has failed to maintain a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares.

On 19 October 2021, the Company received a letter (the "**Letter**") from the Stock Exchange, in which, among other things, the Stock Exchange sets out the following resumption guidance (the "**Resumption Guidance**") for the Company:

1. demonstrate its compliance with Rule 13.24 of the Listing Rules; and

2. announce all material information for the Company's shareholders and investors to appraise the Company's position.

The Letter also states that the Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange further indicates that it may modify or supplement the Resumption Guidance if the Company's situation changes. For further details, please refer to the announcements of the Company dated 20 December 2020, 7 January 2021, 15 January 2021, 18 May 2021, 27 May 2021, 15 September 2021 and 21 October 2021, 14 December 2021, 14 March 2022, 14 June 2022, 14 September 2022 and 14 December 2022.

Trading in the Shares has been suspended with effect from 9:00 a.m. on 15 September 2021. Trading in the Shares will remain suspended pending fulfilment of the Resumption Guidance and any supplement or modification thereto.

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

Litigation

Prior to March 2020, the Group's wholly-owned subsidiaries, namely Huan Neng International Trading (Yingkou) Company Limited* (環能國際貿易(營口)有限公司) ("**HNYK**") and Liaoning Taoqibao Mall Management Co. Ltd.* (遼寧淘氣寶商城管理有限公司) ("**Liaoning Taoqibao**"), had certain loans and respective accrued interests with a bank in the PRC (the "**Bank**"). In March 2020, the Bank assigned the entire rights to the loans and relevant accrued interests owed by HNYK and Liaoning Taoqibao at an aggregate consideration of approximately RMB166.6 million (equivalent to approximately HK$182.4 million) (the "**Debt Receivables A**") to an independent third party (the "**Lender A**"). Subsequently, in August 2020, Lender A assigned the entire rights to the Debt Receivables A at an aggregate consideration of approximately RMB176.8 million (equivalent to approximately HK$216.3 million) to another independent third party (the "**Lender B**"). The Group then entered into a loan agreement ("**Loan Agreement B**") with the Lender B of approximately RMB176.8 million (equivalent to approximately HK$210.0 million) for a period of three years at a fixed rate of 5% per annum, with interest payable annually.

As at 31 December 2021, the Group was indebted to Lender B totalling approximately RMB176.8 million (equivalent to approximately HK$216.3 million).

During the Year, the Group received a civil judgment pursuant to which the bank claimed against Lender A, HNYK, Liaoning Taoqibao and other defendants for the repayment of outstanding loans and interests due to defaulting on the loan agreements between the Bank and Lender A (the "**Dispute Loan Agreements**"). According to the civil judgement, it was adjudged that HNYK and Liaoning Taoqibao are obliged to repay the relevant outstanding loans and interests upon Lender A defaulting on the Dispute Loan Agreements due to the fact that Lender A pledged the rights to Debt Receivables A to the Bank for the Dispute Loan Agreements.

Accordingly, HNYK and Liaoning Taoqibao shall repay the outstanding loans and respective interest under Loan Agreement B to the Bank instead of Lender B. Should the judgement debts borne by the Group less than the aforesaid repayment amount under Loan Agreement B, the remaining amount shall be repaid to Lender B.

As at 31 December 2022, the total outstanding loans and interests amounted to approximately RMB233.2 million (equivalent to approximately HK$266.8 million), being the obligation indebted by the Group to the Bank under the civil judgement, which was fully reflected in the Group's consolidated financial statements.

As at 31 December 2022, investment properties of the Group is under dormant seizure (輪侯查封) pursuant to the civil judgement. Transfer of ownership on the said investment properties is restricted, however, the judicial seizure does not affect the Group's right to possess, use and benefit from the relevant investment properties as the owner.

FINAL DIVIDEND

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

CORPORATE GOVERNANCE

The Company complied with all principles and code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules for the Year, save for the code provision C.2.1 of the CG Code.

Code Provision C.2.1 of the CG Code

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding securities transactions by the Directors. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Model Code during the Year.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the Year have been reviewed by the Audit Committee of the Company (the "**Audit Committee**") consisting of three independent non-executive Directors, namely Mr. Liu Qin (Chairman), Mr. Zhong Jian and Mr. Tan Xiangyi (appointed on 5 March 2023) 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 2022 as set out in the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's independent auditor, ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2022. 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 regarding the consolidated financial statements of the Group for the year ended 31 December 2022:

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Loan receivables, interest receivables, consideration receivables and impairment loss of trade receivables, impairment loss of prepayment for purchase of building materials, impairment loss of loan receivables and interest receivables

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of consideration receivables of approximately HK$134,099,000 as at 31 December 2022; as well as loan receivables of approximately HK$183,540,000, interest receivables of approximately HK$40,922,000 and consideration receivables of approximately HK$143,404,000 as at 31 December 2021. In addition, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriate timing for recognition of (i) the impairment loss of loan receivables of approximately HK$176,040,000 and (ii) the impairment loss of interest receivables of approximately HK$39,250,000 for the year ended 31 December 2022; and (i) the impairment loss of trade receivables of approximately HK$19,665,000 and (ii) impairment loss of prepayment for purchase of building materials of approximately HK$316,614,000 for the year ended 31 December 2021.

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

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

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

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

In addition to the qualified items stated above, due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of certain subsidiaries of the Group, namely Qianhai Shitong Supply Chain (Shenzhen) Company Limited and Qianhai Guoxing Finance Lease (Shenzhen) Company Limited ("**Certain Subsidiaries**") for the period from 1 January 2022 to 30 December 2022 (being the date of disposal of Certain Subsidiaries) (the "**Period Ended 2022**") and for the year ended 31 December 2021, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the Period Ended 2022 and the year ended 31 December 2021, and the assets and liabilities as at 31 December 2021, and the segment information and other related disclosure notes in relation to certain subsidiaries of the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

(a) Income and expenses:

	For the Period Ended 2022 ***HK$'000***	For the year ended 31 December 2021 *HK$'000*
Impairment losses on trade receivables and prepayment for purchase of building materials	**–**	(330,908)*
Impairment losses on loan and interest receivables	**(215,290)***	–
Gain on disposal of subsidiaries	**7,229**	–
Loss for the year	**(208,061)**	(330,908)

* *Included in point (1) of the basis for qualified opinion above*

(b) Assets and liabilities:

	As at 31 December 2021 *HK$'000*
Property, plant and equipment	34
Bank and cash balances	30
Trade and other payables	9,453
Income tax payables	2,562

(c) Commitments and contingent liabilities:

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to Certain Subsidiaries of the Group and their operations as at 31 December 2021.

(d) Related party transactions and disclosures:

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the Period Ended 2022 and the year ended 31 December 2021 as well as balances as at 31 December 2021 in relation to Certain Subsidiaries and their operations as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

3. Provision for repayment obligations

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

Any adjustments to the figures as described above points 1 to 3 might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2022 and 2021 and the financial positions of the Group as at 31 December 2022 and 2021, and the related disclosures thereof in the consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$257.0 million for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK$166.6 million and HK$40.2 million, respectively. In addition, as at 31 December 2022, the Group's bank and cash balances of approximately HK$8.1 million is insufficient to cover the current liabilities of approximately HK$434.3 million. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

By Order of the Board
Enviro Energy International Holdings Limited
Li Gang
Chairman and Executive Director

Hong Kong, 14 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li Gang (Chairman), Mr. Pan Lihui and Mr. Jiang Senlin and three independent non-executive Directors, namely Mr. Zhong Jian, Mr. Liu Qin and Mr. Tan Xiangyi.

* *For identification purposes only*