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Enviro Energy International Holdings Limited

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1102)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “**Board**”) of Enviro Energy International Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5	226,516	6,093
Cost of sales		(218,538)	(5,772)
Gross profit		7,978	321
Other gains, net		4,139	38
Interest income		1	7,616
Selling and distribution expenses		(3,054)	–
Administrative and operating expenses		(4,126)	(7,809)
Operating profit		4,938	166
Finance cost	6	(881)	(8,538)
Profit/(loss) before income tax	7	4,057	(8,372)
Income tax expenses	8	(56)	–
Profit/(loss) for the period attributable to owners of the Company		4,001	(8,372)
Earnings/(loss) per share attributable to owners of the Company (expressed in HK cent per share)			
– Basic and diluted	10	0.74	(1.85)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	<u>4,001</u>	<u>(8,372)</u>
Other comprehensive income/(loss)		
<i>Item that may be reclassified to profit or loss:</i>		
– Exchange differences arising from translation of foreign operations	<u>4,108</u>	<u>(10,308)</u>
Other comprehensive income/(loss) for the period, net of tax	<u><u>4,108</u></u>	<u><u>(10,308)</u></u>
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u><u>8,109</u></u>	<u><u>(18,680)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		541	546
Investment properties		183,168	181,170
Intangible assets		780	780
Deposits		–	56
		184,489	182,552
		184,489	182,552
Current assets			
Loan receivable		180,165	178,200
Trade receivables	<i>11</i>	112,647	22,150
Deposits, prepayments and other receivables	<i>12</i>	503,441	492,297
Inventories		13,035	–
Bank and cash balances		15,911	4,027
		825,199	696,674
		825,199	696,674
Total assets		1,009,688	879,226
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		27,120	27,120
Reserves		550,701	542,592
		577,821	569,712
Total equity		577,821	569,712

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	<i>14</i>	212,346	210,030
Asset retirement obligation		495	495
		<u>212,841</u>	<u>210,525</u>
Current liabilities			
Trade and other payables	<i>13</i>	119,534	95,994
Bank and other borrowings	<i>14</i>	96,676	272
Amount due to a fellow subsidiary		237	236
Income tax payable		2,579	2,487
		<u>219,026</u>	<u>98,989</u>
Total liabilities		<u>431,867</u>	<u>309,514</u>
Total equity and liabilities		<u>1,009,688</u>	<u>879,226</u>

NOTE TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) engaged in sale of materials business, properties investment and investment holding in Hong Kong and the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

This condensed consolidation interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

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

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

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

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements, except for adoption of the accounting policy for inventories and new and amended standards as set out below.

3.1 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.2 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3.3 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this announcement period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Board of Directors of the Company, who are the chief operating decision-maker of the Group, the Group has presented the following reportable segments:

- (i) Properties investment
- (ii) Investment holding; and
- (iii) Sales of materials business

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

- (a) Segment assets include all assets with the exception of intangible assets, bank and cash balances and other unallocated head office corporate assets as these assets were managed on a group basis.
- (b) Segment liabilities include all liabilities with the exception of asset retirement obligation, bank and other borrowings, and other unallocated head office corporate liabilities as these liabilities were managed on a group basis.
- (c) Segment results represent the profit or loss resulted by each segment and exclude interest income, finance cost (other than interest on lease liabilities), change in fair value of investment property, and unallocated corporate expenses.

The Group primarily operates in Hong Kong and the Mainland China. The management assesses the performance of the Group from a geographic perspective based on the place of domicile. The geographical location of non-current assets other than intangible assets (the “**specified non-current assets**”) is based on the physical location in which the assets are located.

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

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	195,692	–	499	557
The Mainland China	30,824	6,093	183,210	181,215
	<u>226,516</u>	<u>6,093</u>	<u>183,709</u>	<u>181,772</u>

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

	Properties investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Sales of materials business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 30 June 2021				
Segment revenue	–	–	226,516	226,516
Segment results	3,193	–	4,704	7,897
Unallocated:				
Interest income				1
Finance cost				(881)
Unallocated corporate income				148
Unallocated corporate expense				(3,108)
Profit before income tax				<u>4,057</u>

Other segment information:

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

	Properties investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Sales of materials business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
As at 30 June 2021				
Segment assets	330,274	–	436,829	767,103
Unallocated assets				<u>242,585</u>
Total assets				<u><u>1,009,688</u></u>
Segment liabilities	(39,998)	(4,610)	(32,030)	(76,638)
Unallocated liabilities				<u>(355,229)</u>
Total liabilities				<u><u>(431,867)</u></u>

	Properties investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Sales of materials business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 30 June 2020				
Segment revenue	<u>270</u>	<u>–</u>	<u>5,823</u>	<u>6,093</u>
Segment results	178	–	(1,012)	(834)
Unallocated:				
Interest income				7,616
Finance cost (other than interest on lease liabilities)				(8,470)
Unallocated corporate income				120
Unallocated corporate expense				<u>(6,804)</u>
Loss before income tax				<u><u>(8,372)</u></u>

Other segment information:

	Property investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Sales of materials business HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	(6)	–	(5)	(52)	(63)
Depreciation of right-of-use assets	–	–	–	(1,389)	(1,389)
Other gain/(loss), net	(80)	–	(2)	120	38
Interest income	–	–	–	7,616	7,616
Finance cost	–	–	–	(8,538)	(8,538)

	Properties investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Sales of materials business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
As at 31 December 2020				
Segment assets	327,520	–	329,367	656,887
Unallocated assets				<u>222,339</u>
Total assets				<u><u>879,226</u></u>
Segment liabilities	(43,960)	(4,610)	(5,903)	(54,473)
Unallocated liabilities				<u>(255,041)</u>
Total liabilities				<u><u>(309,514)</u></u>

5. REVENUE

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
— Sales of materials	226,516	5,823
Rental income	–	270
	<u>226,516</u>	<u>6,093</u>

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

6. FINANCE COST

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on loan from a director	701	–
Interest on loan from a fellow subsidiary	78	–
Interest on factoring of trade receivables	102	–
Interest on bank and other borrowings	–	8,180
Interest on loan from a related company	–	290
Interest on lease liabilities	–	68
	<u>881</u>	<u>8,538</u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	218,491	5,772
Depreciation of property, plant and equipment	5	63
Depreciation of right-of-use assets	–	1,389
Exchange gain, net	(60)	(22)
Freight and transportation expense	2,996	–
Short-term lease payments	–	218
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	3,085	3,914
— Retirement benefit scheme contributions	163	133
	<u>218,491</u>	<u>5,772</u>

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for current tax		
— Hong Kong Profits Tax	–	–
— PRC Corporate Income Tax ("CIT")	56	–
	<u>56</u>	<u>–</u>

For the six months ended 30 June 2021 and 2020, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2.0 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2.0 million. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

CIT is provided on the assessable income of entities within the Group incorporated in the Mainland China. For the six months ended 30 June 2021, the applicable CIT tax rate is 25% unless preferential tax rates were applicable (six months ended 30 June 2020: same).

There were no material unrecognised deferred tax assets and liabilities as at 30 June 2021 (31 December 2020: Nil).

9. DIVIDENDS

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2021 (Six months ended 30 June 2020: Nil).

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic and diluted loss per share (<i>HK\$'000</i>)	4,001	(8,372)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share (<i>thousand shares</i>)	542,392	452,392
Basic earnings/(loss) per share (<i>HK cents</i>)	0.74	(1.85)

- (b) For the six months ended 30 June 2021, the share options issued were not assumed to be exercised as they would have an anti-dilutive impact to the basic earning/(loss) per share (six months ended 30 June 2020: Same).

11. TRADE RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note 16</i>)	113,026	22,528
Less: Provision for impairment	(379)	(378)
Trade receivables, net	112,647	22,150

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

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

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
0–30 days	44,281	2,785
31–60 days	35,591	–
61–90 days	13,193	–
91–150 days	–	–
151–365 days	–	–
Over 365 days	19,582	19,365
	112,647	22,150

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Deposits – current portion	36	27
Prepayments for purchase of:		
— purchase of building materials (<i>Note 16</i>)	315,302	311,862
— others	7,165	1,445
Interest receivable (<i>Note 16</i>)	41,394	40,942
Less: loss allowance of interest receivable	(1,224)	(1,211)
Consideration receivable from disposal of assets classified as held for sale (<i>Note 16</i>)	51,006	50,449
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	(821)	(812)
Consideration receivable from disposal of investment properties (<i>Note 16</i>)	91,284	90,288
Less: loss allowance of consideration receivable from disposal of investment properties	(701)	(693)
	<u>503,441</u>	<u>492,297</u>

13. TRADE AND OTHER PAYABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables (<i>Note (i)</i>)	16,787	3,834
Other payables	71,662	54,528
Advance from a former shareholder (<i>Note (ii)</i>)	18,392	18,392
Receipt in advance of rental payment	1,642	1,209
Interest payable	–	3,913
Accrued liabilities	11,051	14,118
	<u>119,534</u>	<u>95,994</u>

Note:

- (i) The amounts are repayable according to normal credit terms of 30 to 60 days.
- (ii) As at 31 December 2020, balance represented advance from Mr. Li Sen, a former shareholder, which was denominated in HK\$, interest-free, unsecured and repayable and repayable on demand.

In June 2021, the Company, as a garnishee, received a garnishee order absolute from the High Court, is obliged to make payment to the judgment creditor, which shall be treated as a valid discharge of the liability to Mr. Li Sen, who was the judgement debtor.

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

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
0–30 days	10,939	–
31–60 days	1,972	–
Over 365 days	3,876	3,834
	<u>16,787</u>	<u>3,834</u>

14. BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Other borrowings — secured (<i>Note</i>)	212,346	210,030
Loan from a fellow subsidiary	13,870	272
Loan from a related company	9,128	–
Loan from a director	73,678	–
	<u>309,022</u>	210,302
Less: Amount classified as non-current portion	<u>(212,346)</u>	<u>(210,030)</u>
Current portion	<u>96,676</u>	<u>272</u>

Note:

As at 30 June 2021, the other borrowings are secured by the Group's investment properties, which have a carrying amount of approximately HK\$183,168,000 (31 December 2020: HK\$181,170,000).

15. MATERIAL EVENTS

Update on listing status

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

Up to the date of this announcement, the outcome of the Second Review is uncertain.

16. EVENT AFTER THE END OF THE REPORTING PERIOD

Unauthorised change in shareholding of a subsidiary of the Company

In August 2020, the Board has discovered (i) the suspected forgery or unauthorised use of the company chop of Qianhai Shitong Supply Chain (Shenzhen) Company Limited* (前海世通供應鏈(深圳)有限公司), an indirect wholly-owned subsidiary of the Company (the “**Qianhai Shitong**”); (ii) the suspected forgery of the company chop of Sincere Venture Limited, a direct wholly-owned subsidiary of the Company (the “**Sincere Venture**”); and (iii) the suspected forged signature of Mr. Wei Junqing, former director of Sincere Venture and former chief executive officer of the Company (collectively referred to as the “**Suspected Forgeries**”).

As a result of the Suspected Forgeries, the Company’s shareholding in Qianhai Shitong has been diluted from 100% to 25%, where new shares were issued by Qianhai Shitong to Shenzhen Aquatic Products Co., Ltd* (深圳市水產有限公司) (“**Shenzhen Aquatic**”), an independent third party (the “**Unauthorised Dilution**”). As a result of the Unauthorised Dilution, the purported shareholding structure of Qianhai Shitong was owned as to 75% by Shenzhen Aquatic and 25% by the Group at the material time.

In September 2020, the Board has reported the case to Market Supervision Administration of Shenzhen Municipality* (深圳市市場監督管理局) (the “**SZ Market Supervision Administration**”) in relation to withdrawing and nullifying the Unauthorised Dilution (the “**Nullification**”).

In July 2021, upon completion of the Nullification by the SZ Market Supervision Administration, the Group has regained the legal ownership and company chop.

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

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

1. The Company was assessing the feasibility of commencing litigation and the financial capability of the counterparties of the Outstanding Receivables.

Nevertheless, as the majority of the prepayments and the trade receivables were conducted by Qianhai Shitong, the Group may only commence legal actions against the counterparties upon the completion of the Nullification by the relevant authority, which was only completed recently in July 2021 and the Group is preparing relevant documents and procedures for commencing any legal actions if necessary.

2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain Outstanding Receivables. The Company is assessing the cost and benefit of such proposals as compared to recovering such balances through other means.

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

MANAGEMENT DISCUSSION AND OUTLOOK

BUSINESS REVIEW

Enviro Energy International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) principally engaged in sales of materials businesses, properties investment and investment holding in Hong Kong and the PRC.

Sales of materials business

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

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

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

During the six months ended 30 June 2021 (the “**Period**”), the sales of materials contributed a revenue of approximately HK\$226.5 million (six months ended 30 June 2020 (the “**Previous Period**”): HK\$5.8 million), representing 100.0% of total revenue (Previous Period: 95.6%).

The significant increase in sales of materials during the Period was mainly attributed to (i) the Group successfully became approved suppliers for certain leading international aluminum companies in early 2021; and (ii) the Group continued to receive recurring orders for the supply of copper materials from reputable metal companies in the PRC.

Properties investment

The Group’s investment properties comprise certain commercial units and lands situated in Yingkou city, Liaoning province, the PRC. During the Period, the Group did not generated rental income from properties investment (Previous Period: HK\$270,000).

Investment holding

For the Period and Previous Period, the Group had no revenue generated from investment holding.

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.

With COVID-19 pandemic well under control across China, also encouraged by the distribution of vaccine, China's economic recovery appears to be consolidating. The Group will continue to closely monitor the development and the Group's exposure to the risks and uncertainties in connection with COVID-19, and assess and react proactively to its impacts on the financial position and results 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. The Board is fully confident in the future business development of the Group.

FINANCIAL REVIEW

Revenue

For the Period, the Group recorded a revenue of approximately HK\$226.5 million (Previous Period: HK\$6.1 million), representing an increase by 3,617.6% when compared with the Previous Period. The significant increase in revenue was mainly due to sales of aluminum related products and scrap copper to overseas customers since early 2021 and received recurring orders for the supply of copper materials in the PRC.

Gross profit

The Group's gross profit for the Period significantly increased by HK\$7.7 million to approximately HK\$8.0 million (Previous Period: HK\$0.3 million). The overall gross profit margin decreased from 5.3% for the Previous Period to 3.5% for the Period, which mainly due to the lower 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

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

During the Period, the selling and distribution expenses amounted to approximately HK\$3.1 million (Previous Period: Nil) mainly include freight and transportation expenses for sales of aluminum related products and scrap copper to overseas customers since early 2021.

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 decreased by HK\$3.7 million or 47.2% from HK\$7.8 million for the Previous Period to HK\$4.1 million for the Period, which was mainly due to (i) absent of depreciation of right-of-use assets during the Period due to expiry of tenancy agreement without renewal in 2020 (Previous Period: HK\$1.4 million); and (ii) decrease in staff costs to HK\$3.2 million during the Period (Previous Period: HK\$4.0 million).

(Loss)/profit for the period

As a result of the foregoing, profit for the Period attributable to the owners of the Company was approximately HK\$4.0 million (Previous Period: loss of HK\$8.4 million).

Liquidity, Financial Resources and Capital Structure

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

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

As at 30 June 2021, all bank and other borrowings of the Group bore fixed interest rates, the maturity and currency profile are set out as follows:

	Within 1 year <i>HK\$'000</i>	2nd year <i>HK\$'000</i>	3–5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Renminbi	9,128	–	212,346	221,474
United States Dollar	73,678	–	–	73,678
Hong Kong Dollar	13,870	–	–	13,870
	<u>96,676</u>	<u>–</u>	<u>212,346</u>	<u>309,022</u>

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as bank and other borrowings, less bank and cash balances. Total equity represents total equity as shown on the condensed consolidated statement of financial position of the Group. As at 30 June 2021, the Group's gearing ratio was 50.7% (31 December 2020: 36.2%).

As at 30 June 2021, the debt to equity ratio and net debt to equity ratio of the Group, which were calculated by dividing total interest-bearing debt by total equity and dividing total interest-bearing debt less bank and cash balances by total equity, were 39.1% (31 December 2020: 36.9%) and 49.1% (31 December 2020: 36.2%) respectively.

As at 30 June 2021, the equity attributable to owners of the Company increased to approximately HK\$577.8 million (31 December 2020: HK\$569.7 million) which was mainly due to the operating profits during the Period. As at 30 June 2021, the Group's current assets and current liabilities amounted to approximately HK\$825.2 million and HK\$219.0 million respectively (31 December 2020: HK\$696.7 million and HK\$99.0 million), of which approximately HK\$15.9 million (31 December 2020: HK\$4.0 million) was bank and cash balances.

As at 30 June 2021, the Group had bank and cash balances of approximately HK\$15.9 million (31 December 2020: HK\$4.0 million), of which approximately 72%, 19% and 9% (31 December 2020: 41%, 15% and 44%) were denominated in United States Dollar ("US\$"), Renminbi ("RMB") and Hong Kong Dollar ("HK\$") respectively.

The Group's current ratio, calculated based on current assets over current liabilities, was 3.8 at 30 June 2021 (31 December 2020: 7.0).

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

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

Charge on Group Assets

As at 30 June 2021, the investment properties of the Group with carrying amount of approximately HK\$183.2 million (31 December 2020: HK\$181.2 million) were pledged to secure certain bank and other borrowings. Save for the above, the Group did not have any charges on its assets.

Foreign Exchange Exposure

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

Capital Commitments

As at 30 June 2021, the Group did not have significant capital commitments (31 December 2020: Nil).

Contingent Liabilities

As at 30 June 2021, the Group did not have significant contingent liabilities (31 December 2020: Nil).

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 18 employees in Hong Kong and the PRC (31 December 2020: 16 employees). Staff costs (including directors' emoluments) amounted to approximately HK\$3.2 million for the Period (Previous Period: HK\$4.0 million). The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

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

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

The Group had no significant investments held during the Period.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (Six months ended 30 June 2020: Nil).

MATERIAL EVENTS

Update on listing status

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

Up to the date of this announcement, the outcome of the Second Review is uncertain. For further details, please refer to the announcements of the Company dated 20 December 2020, 7 January 2021, 15 January 2021, 18 May 2021 and 27 May 2021.

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.

EVENT AFTER THE END OF THE REPORTING PERIOD

Unauthorised change in shareholding of a subsidiary of the Company

In August 2020, the Board has discovered (i) the suspected forgery or unauthorised use of the company chop of Qianhai Shitong Supply Chain (Shenzhen) Company Limited* (前海世通供應鏈(深圳)有限公司), an indirect wholly-owned subsidiary of the Company (the “**Qianhai Shitong**”); (ii) the suspected forgery of the company chop of Sincere Venture Limited, a direct wholly-owned subsidiary of the Company (the “**Sincere Venture**”); and (iii) the suspected forged signature of Mr. Wei Junqing, former director of Sincere Venture and former chief executive officer of the Company (collectively referred to as the “**Suspected Forgeries**”).

As a result of the Suspected Forgeries, the Company's shareholding in Qianhai Shitong has been diluted from 100% to 25%, where new shares were issued by Qianhai Shitong to Shenzhen Aquatic Products Co., Ltd* (深圳市水產有限公司) ("**Shenzhen Aquatic**"), an independent third party (the "**Unauthorised Dilution**"). As a result of the Unauthorised Dilution, the purported shareholding structure of Qianhai Shitong was owned as to 75% by Shenzhen Aquatic and 25% by the Group at the material time.

In September 2020, the Board has reported the case to Market Supervision Administration of Shenzhen Municipality* (深圳市市場監督管理局) (the "**SZ Market Supervision Administration**") in relation to withdrawing and nullifying the Unauthorised Dilution (the "**Nullification**").

In July 2021, upon completion of the Nullification by the SZ Market Supervision Administration, the Group has regained the legal ownership and company chop.

For further details, please refer to the announcements of the Company dated 26 August 2020, 14 September 2020 and 6 August 2021.

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

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

1. The Company was assessing the feasibility of commencing litigation and the financial capability of the counterparties of the Outstanding Receivables.

Nevertheless, as the majority of the prepayments and the trade receivables were conducted by Qianhai Shitong, the Group may only commence legal actions against the counterparties upon the completion of the Nullification by the relevant authority, which was only completed recently in July 2021 and the Group is preparing relevant documents and procedures for commencing any legal actions if necessary.

2. The Company has been exploring debt restructuring proposal with independent third parties in relation to certain Outstanding Receivables. The Company is assessing the cost and benefit of such proposals as compared to recovering such balances through other means.

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

For further details, please refer to the announcement of the Company dated 6 August 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

None of the Directors are aware of any information that would reasonably indicate that the Company was not throughout the six months ended 30 June 2021, in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. Specific enquiry has been made by the Company with all Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Liu Qin (Chairman), Mr. Zhong Jian and Mr. Du Hongwei (with Mr. Liu Qin possessing the appropriate professional qualifications and accounting and related financial management expertise).

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2021 has not been audited, but has been reviewed by the Audit Committee of the Company and is duly approved by the Board under the recommendation of the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results is published on the websites of the Company (www.enviro-energy.com.hk) and the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2021 interim report of the Company for the six months ended 30 June 2021 will be dispatched to the shareholders and made available on the same website in due course.

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

Hong Kong, 30 August 2021

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

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