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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 2020

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 2020 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	6,093	46,223
Cost of sales		(5,772)	(44,041)
Gross profit		321	2,182
Other gains, net		38	69
Interest income		7,616	7,975
Administrative and operating expenses		(7,809)	(12,481)
Operating profit/(loss)		166	(2,255)
Finance cost	5	(8,538)	(8,794)
Loss before income tax	6	(8,372)	(11,049)
Income tax expenses	7	–	–
Loss for the period attributable to owners of the Company		(8,372)	(11,049)
Loss per share attributable to owners of the Company (expressed in HK cent per share)	9		(Restated)
– Basic and diluted		(1.85)	(2.44)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(8,372)</u>	<u>(11,049)</u>
Other comprehensive loss		
<i>Item that may be reclassified to profit or loss:</i>		
– Exchange differences arising from translation of foreign operations	<u>(10,308)</u>	<u>(542)</u>
Other comprehensive loss for the period, net of tax	<u>(10,308)</u>	<u>(542)</u>
Total comprehensive loss for the period attributable to owners of the Company	<u><u>(18,680)</u></u>	<u><u>(11,591)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		617	650
Right-of-use assets		1,158	2,547
Investment properties	10	168,891	171,946
Intangible assets		780	780
Rental deposits		1,210	1,210
		172,656	177,133
		172,656	177,133
Current assets			
Loan receivable		163,132	167,154
Trade receivables	11	17,771	17,812
Deposits, prepayments and other receivables	12	447,745	446,981
Bank balances and cash		338	2,087
		628,986	634,034
		628,986	634,034
Total assets		801,642	811,167
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		22,620	22,620
Reserves		496,973	515,653
		519,593	538,273
Total equity		519,593	538,273

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred loan interest income			
– non-current portion		–	55
Asset retirement obligation		<u>495</u>	<u>495</u>
		<u>495</u>	<u>550</u>
Current liabilities			
Trade and other payables	<i>13</i>	92,819	69,351
Deferred loan interest income			
– current portion		618	1,114
Lease liabilities		1,129	3,285
Shareholders' loan		–	10,652
Loan from related companies		7,377	5,083
Bank borrowings	<i>14</i>	177,319	180,526
Income tax payable		2,292	2,333
		<u>281,554</u>	<u>272,344</u>
Total liabilities		<u>282,049</u>	<u>272,894</u>
Total equity and liabilities		<u>801,642</u>	<u>811,167</u>

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Accounting Standard 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 of Hong Kong Limited (the “**Stock Exchange**”). The Interim Financial Statements have been prepared under the historical cost convention, except for investment properties which are measured at fair values. The Interim Financial Statements are unaudited, but have been reviewed by the audit committee of the Company. The Interim Financial Statements are presented in thousands of Hong Kong dollars (HK\$’000), which is the Company’s functional and the Group’s presentation currency.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

The Group has adopted the following new and amendments to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the above new and revised HKFRSs has had no significant financial effect on the Interim Financial Statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

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

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

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

- (a) Segment assets include all assets with the exception of rental deposits, right-of-use assets, intangible assets and other unallocated head office and corporate assets.
- (b) Segment liabilities include all liabilities with the exception of shareholders’ loan, lease liabilities, loan from related companies, asset retirement obligation and other unallocated head office and corporate liabilities.
- (c) Segment results are allocated to reportable segments with reference to sales generated and expenses incurred by those segments, together with other gains, net and administrative and operating expenses.

The amounts provided to the CEO with respect to the information mentioned above are measured in a manner consistent with that of the Interim Financial Statements.

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)	Trading 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>
Gross profit	270	–	51	321
Other (loss)/gains, net	(80)	–	1	(79)
Administrative and operating expenses	<u>(12)</u>	<u>–</u>	<u>(1,064)</u>	<u>(1,076)</u>
Segment results	<u><u>178</u></u>	<u><u>–</u></u>	<u><u>(1,012)</u></u>	<u><u>(834)</u></u>
Unallocated: Other gains, net				7,733
Administrative and operating expenses				<u>(6,733)</u>
Operating profit				166
Finance cost				<u>(8,538)</u>
Loss before income tax				(8,372)
Income tax expenses				<u>–</u>
Loss for the period				<u><u>(8,372)</u></u>
	Properties investment HK\$'000 (Unaudited)	Investment holding HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
As at 30 June 2020				
Segment assets	304,069	2	300,994	605,065
Unallocated assets				<u>196,577</u>
Total assets				<u><u>801,642</u></u>
Segment liabilities	(220,342)	(4,610)	(5,421)	(230,373)
Unallocated liabilities				<u>(51,676)</u>
Total liabilities				<u><u>(282,049)</u></u>

	Properties investment <i>HK\$'000</i> (Unaudited)	Investment holding <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 30 June 2019				
Segment revenue	2,070	–	44,153	46,223
Gross profit	2,070	–	112	2,182
Other gains, net	6	–	–	6
Administrative and operating expenses	(675)	–	(634)	(1,309)
Segment results	1,401	–	(522)	879
Unallocated:				
Other gains, net				8,038
Administrative and operating expenses				(11,172)
Operating loss				(2,255)
Finance cost				(8,794)
Loss before income tax				(11,049)
Income tax expenses				–
Loss for the period				(11,049)
As at 31 December 2019				
Segment assets	309,319	3	307,830	617,152
Unallocated assets				194,015
Total assets				811,167
Segment liabilities	(215,940)	(4,610)	(5,586)	(226,136)
Unallocated liabilities				(46,758)
Total liabilities				(272,894)

4. REVENUE

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Trading of materials	<u>5,823</u>	<u>44,153</u>
Revenue from contract with customers	5,823	44,153
Rental income	<u>270</u>	<u>2,070</u>
	<u>6,093</u>	<u>46,223</u>

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

5. FINANCE COST

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	68	169
Interest on loan from related companies	290	–
Interest on bank borrowings	<u>8,180</u>	<u>8,625</u>
	<u>8,538</u>	<u>8,794</u>

6. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	–	(1)
Interest income on loan receivable	(7,616)	(7,974)
Cost of inventories sold	5,772	44,041
Depreciation of property, plant and equipment	63	58
Depreciation of right-of-use assets	1,389	1,389
Short-term lease payments	218	130
Staff costs, including directors' emoluments		
– Salaries, allowances and other benefits	3,914	4,170
– Retirement benefit scheme contributions	133	161
Exchange (gain)/loss, net	(22)	11

7. INCOME TAX EXPENSES

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime for qualifying corporations, was substantively enacted with effect from the year of assessment of 2018/2019. Under the two-tiered profit tax regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at the rate of 8.25% and assessable profits above HK\$2 million continued to be subject to the tax rate of 16.5%. Such tax regime is applicable to the Company and its subsidiaries incorporated in Hong Kong during the six months ended 30 June 2020 and 2019. No Hong Kong Profits Tax had been provided as the Group did not have any assessable profits in Hong Kong for the six months ended 30 June 2020 on management's estimates (Six months ended 30 June 2019: Nil).

No Enterprise Income Tax had been provided as the Group did not have any assessable profits in the PRC for the six months ended 30 June 2020 based on management's estimates (Six months ended 30 June 2019: Nil).

8. DIVIDENDS

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share:	<u>(8,372)</u>	<u>(11,049)</u>
	<i>'000</i>	<i>'000</i> <i>(Restated)</i>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>452,392</u>	<u>452,392</u>

The weighted average number of ordinary shares for the purpose of loss per share for the six months ended 30 June 2019 was adjusted to reflect the share consolidation effected on 2 July 2019.

- (b) The Group had share options outstanding as at 30 June 2020 and 2019. The share options did not have dilutive effect on loss per share for the six months ended 30 June 2020 (Six months ended 30 June 2019: the share options did not have a dilutive effect on loss per share).

10. INVESTMENT PROPERTIES

	As at	As at
	30 June	31 December
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
At fair value		
At 1 January	171,946	177,936
Currency translation reserve	(3,055)	(3,720)
Change in fair value	<u>–</u>	<u>(2,270)</u>
At 30 June/31 December	<u>168,891</u>	<u>171,946</u>

As at 30 June 2020, the investment properties were valued at fair values by the best estimation of the directors of the Company by reference to recent market evidence of transaction prices for similar properties in similar location and condition. No valuation was performed by independent qualified professional valuers. There are no significant change in fair values of the investment properties for the current period.

As at 30 June 2020, the investment properties with carrying amount of HK\$168,891,000 (31 December 2019: HK\$171,946,000) were pledged for bank borrowings (Note 14).

11. TRADE RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	18,145	18,187
Less: Provision for expected credit loss	<u>(374)</u>	<u>(375)</u>
Trade receivables, net	<u><u>17,771</u></u>	<u><u>17,812</u></u>

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

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	48	–
31–90 days	94	4
91–150 days	94	79
151–365 days	128	227
>365 days	<u>17,407</u>	<u>17,502</u>
	<u><u>17,771</u></u>	<u><u>17,812</u></u>

Movement in loss allowance of trade receivables:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
At 1 January	375	393
Currency translation reserve	<u>(1)</u>	<u>(18)</u>
At 30 June/31 December	<u><u>374</u></u>	<u><u>375</u></u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Deposits	31	31
Prepayments for purchase of:		
– trading materials (<i>Note</i>)	287,293	292,491
– others	2,601	1,390
Interest receivable	30,653	23,603
Less: loss allowance of interest receivable	(1,115)	(1,135)
Consideration receivable from disposal of assets classified as held for sale	46,481	47,322
Less: loss allowance of consideration receivable from disposal of assets classified as held for sale	(748)	(762)
Consideration receivable from disposal of investment properties	83,187	84,691
Less: loss allowance of consideration receivable from disposal of investment properties	(638)	(650)
	<u>447,745</u>	<u>446,981</u>

Note:

Amounts were deposited to certain trading suppliers with which the Group had trading transactions during the year ended 31 December 2019 and the six months ended 30 June 2020. These suppliers require the Group to make prepayments in view of bulky purchase and short lead time in delivery and no credit period would be granted.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note</i>)	3,532	3,454
Other payables	79,295	49,978
Receipt in advance from a customer	837	429
Accrued liabilities	9,155	15,490
	<u>92,819</u>	<u>69,351</u>

Note:

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

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Over 365 days	<u>3,532</u>	<u>3,454</u>

14. BANK BORROWINGS

As at 30 June 2020, the analysis of the carrying amount of bank borrowings is as follows:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Current		
Bank borrowings – secured	<u>177,319</u>	<u>180,526</u>

The bank borrowings are dominated in RMB and are secured by the Group's investment properties, which have a carrying amount of HK\$168,891,000 (31 December 2019: HK\$171,946,000) as at 30 June 2020.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period presentation.

16. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the reporting period, 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 “**Subsidiary A**”); (ii) the suspected forgery of the company chop of Sincere Venture Limited (兆銘有限公司), a direct wholly-owned subsidiary of the Company (the “**Subsidiary B**”); and (iii) the suspected forged signature of Mr. Wei Junqing, former director of Subsidiary B and chief executive officer of the Company (“**Mr. Wei**”) (collectively referred to as the “**Suspected Forgeries**”). The Suspected Forgeries were used to execute a shareholders’ resolution of the Subsidiary A (the “**SH Resolution**”), the contents of which are unauthorised and substantially included (i) an increase in the registered capital of the Subsidiary A; (ii) the addition of a new shareholder in the Subsidiary A; and (iii) amendment to the articles of association of the Subsidiary A.

The Suspected Forgeries were discovered by the staff of the Group through conducting online PRC company search. To verify the accuracy of such informations, the Board instructed the shareholder of Subsidiary A to apply for the relevant documents from the Market Supervision Administration of Shenzhen Municipality* (深圳市市場監督管理局) (the “**Market Supervision Administration**”). Upon discovery, the Company immediately enquired with Mr. Wei and the Board, who replied to the Company that they were not authorised and were not aware of the passing of such SH Resolution.

The Company had immediately sent its representatives in the PRC to inform the Market Supervision Administration about the Suspected Forgeries so that the registration of the SH Resolution can be withdrawn and nullified accordingly. Up to the date of this report, the Market Supervision Administration is investigating the Suspected Forgeries and, if necessary, the Board will consider engaging PRC legal adviser to handle this matter.

Details are set out in the announcement of the Company dated 26 August 2020.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND OUTLOOK

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group engaged in properties investment, investment holding and trading of building materials businesses.

REVIEW BY BUSINESS

Properties investment

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

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

During the six months ended 30 June 2020, the Group's rental income amounted to approximately HK\$270,000 (Six months ended 30 June 2019: approximately HK\$2,070,000). As a whole, this business segment recorded a profit of approximately HK\$178,000 for the six months ended 30 June 2020 (Six months ended 30 June 2019: approximately HK\$1,401,000). The rental income and a profit from this segment were decreased during the six months ended 30 June 2020 because the economy development of Liaoning Province did not grow as expected and lagged behind the national economy growth. The Group's investment properties business is therefore adversely affected by the persistent depressed state in property market in Liaoning Province and adverse situation in property demand in the region where such properties are located.

Investment holding

For the six months ended 30 June 2020, the Group had no revenue (Six months ended 30 June 2019: Nil) and profit (Six months ended 30 June 2019: Nil) from investment holding, respectively.

Trading of building materials

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

The Group sources building materials from suppliers in the PRC and sells building materials to customers located in the PRC. The building materials mainly include (a) 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; and (b) tiles, toilet utensils, soft and office furniture and equipment etc., which are primarily used at the later stages of building construction projects or property refurbishment.

The Group carries out its trading of building materials business in the PRC, mainly involving vendors or construction contractors (which manufacture and/or on-sell building materials or provide fitting out and renovation services in the PRC), and sourcing agents or trading companies for building materials or their raw materials in the PRC.

The Group is able to secure the supply of reliable and high quality building and other materials from suppliers through a variety of sourcing channels in the PRC. The Group aims to source quality products at competitive prices to fulfill the needs of its customers. The Group selects suppliers based on a number of factors, including but not limited to their track records, prices, product quality and timely delivery.

In relation to the sales of products, the Company reaches out to potential customers through its business connections and referrals by the local management of its subsidiaries in the PRC. When the customers place their orders with the Group, they would usually indicate the specifications of the orders including type, price and quantity of building material products. The Group, through the local management of its subsidiaries in the PRC, then reaches out to its contacts and source the required building materials from potential suppliers that suit the customers' needs.

The Company believes that by engaging the Group, its customers can save time and efforts in dealing with a large number of suppliers for each type of building and other materials and/or other products they require. Through its extensive network of suppliers, the Group is able to provide its customers with a wide spectrum of building and other materials and/or products through organised logistics arrangements that meet construction and manufacturing timetables. The Group did not enter into any long-term agreement with any suppliers or customers.

* *Literal translation of the Chinese Name*

During the six months ended 30 June 2020, the trading of building materials segment contributed a revenue of approximately HK\$5,823,000 (Six months ended 30 June 2019: approximately HK\$44,153,000), representing 95.6% of total revenue. The segment contributed a gross profit of approximately HK\$51,000, representing 15.9% (Six months ended 30 June 2019: approximately HK\$112,000) of total gross profit for the six months ended 30 June 2020.

The significant decrease in sale revenue from trading of building materials during the six months ended 30 June 2020 was mainly due to the outbreak of Coronavirus Disease 2019 (the “**COVID-19 Outbreak**”) since January 2020. The coronavirus (“**COVID-19**”) was initially identified in December 2019 and the COVID-19 Outbreak continues to grow. Up to the date of this report, COVID-19 is spreading rapidly worldwide which resulted in a sharp increase in number of confirmed cases and deaths across various countries. In order to prevent the spread of COVID-19, various countries implement a temporary closure of suppliers’ production facilities, transportation restrictions and boundary control. In this regard, the COVID-19 Outbreak have adversely affected the business environment in the PRC and the world and the economies of the world have been hit hard accordingly. The occurrence of COVID-19, coupled with the US-China trade tension and economy slowdown in the PRC, further deteriorate the PRC economy, resulting in the contraction of various industries including the property development market and construction industry. Since the building materials trading business of the Group is primarily based in the PRC, and is closely related to property development market and construction industry, the Group’s trading business operations and financial performance are inevitably and adversely affected by the COVID-19 Outbreak. Accordingly, the Group significantly reduced its trading volume of building materials during the six months ended 30 June 2020, leading to decrease in revenue from trading of building materials of approximately 86.8% recorded under the building materials trading business compared to the last financial period.

BUSINESS PROSPECTS AND FUTURE PLANS

In 2020, the Chinese and global economy are overcast by the COVID-19 Outbreak and downward pressures brought about by the US-China trade tension. The Group’s financial performance has been adversely affected during the first half of 2020 and the Company expects the forthcoming business environment would remain challenging. In this respect, cost cutting measures will be implemented as a priority for improving operating performances of the Group. The Group will also adopt measures and exploring other means to cope with these challenges and to turn them into opportunities. The Group will consider to restructure and reorganize its businesses, adopt measures that are beneficial to the growth of its existing businesses, expand its marketing channels and customer base, pursuing quality suppliers, and taking a proactive role to boost business and profit growth. The Group will continue to assess the impact of the COVID-19 on its operation and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the COVID-19 Outbreak. The Group will take appropriate measures as necessary to minimise the risks exposed.

Despite the COVID-19 Outbreak has affected the market, production and supply chains in the PRC, the COVID-19 Outbreak becomes under control in the PRC as a result of an effectiveness of measures taken in the PRC and the economy of PRC is expected to speed up out of the impact of COVID-19 during the second half of 2020 and various industries in the PRC is expected to be gradually recovery as well. Accordingly, going forward, with the customer and suppliers base in the PRC, the Group's financial performance and revenue arising from building materials trading business are expected to be improved in the coming future.

Besides, in line with the PRC national policies promulgated by the government of the PRC, the market of building material trading in the Southeast Region of the PRC is expected to grow in the foreseeable future because the increase in expected demand for properties in the Greater Bay Area will stimulate the revenue from trading of building materials of the Group.

The Group will actively consider to explore different avenues by obtaining new bank borrowings and carrying out fund raising including, but not limited to, right issue, open offer, placing of new shares and issuance of other convertible bonds. If materialize, additional funds will be provided to the Group for the expansion of the existing business which will bring a huge amount of profit in the long run.

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

Overall Results

For the six months ended 30 June 2020, the Group recorded a consolidated revenue of approximately HK\$6,093,000 (Six months ended 30 June 2019: approximately HK\$46,223,000), representing a decrease by 86.8% when compared with the six months ended 30 June 2019. The significant decrease in revenue was mainly due to the decrease in revenue recorded under the Group's building material trading business by 86.8% during the six months ended 30 June 2020 resulting from the reduction in trading volume of building material as discussed in the above "Business Review" section.

The Group's gross profit for the six months ended 30 June 2020 was approximately HK\$321,000 (Six months ended 30 June 2019: approximately HK\$2,182,000) with an average gross profit margin of 5.3% (Six months ended 30 June 2019: 4.7%), which resulted in a decrease of approximately HK\$1,861,000, representing an decrease of approximately 85.3% when compared with the six months ended 30 June 2019.

The Group's net loss for the six months ended 30 June 2020 was approximately HK\$8,372,000, representing a drop of about 24.2% from approximately HK\$11,049,000 for the six months ended 30 June 2019. The decrease in the net loss was mainly attributable to the decrease in legal and professional fee included in administrative and other operating expenses. The decrease in legal and professional fee was mainly resulting from absence of one-off legal and professional fee relating to share consolidation and proposed fund raising activities incurred during the previous financial period. The Group's administrative and other operating expenses for the six months ended 30 June 2020 were primarily attributable to staff costs of approximately HK\$4,047,000 (Six months ended 30 June 2019: approximately HK\$4,331,000), depreciation of property, plant and equipment and right-of-use assets of approximately HK\$1,452,000 (Six months ended 30 June 2019: approximately HK\$1,447,000), short-term lease payment of approximately HK\$218,000 (Six months ended 30 June 2019: approximately HK\$130,000) and legal and professional fee of approximately HK\$491,000 (Six months ended 30 June 2019: approximately HK\$4,092,000).

Both the basic and diluted loss per share attributable to owners of the Company for the six months ended 30 June 2020 were HK1.85 cents as compared with HK2.44 cents (restated) for the six months ended 30 June 2019.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020, the Group had current assets of approximately HK\$628,986,000 comprising trade deposit paid in advance of approximately HK\$287,293,000 (31 December 2019: approximately HK\$292,491,000), loan receivables of approximately HK\$163,132,000 (31 December 2019: approximately HK\$167,154,000), interest receivable of approximately HK\$29,538,000 (31 December 2019: approximately HK\$22,468,000) and receivables of approximately HK\$128,282,000 (31 December 2019: approximately HK\$130,601,000) from disposal of investment properties during the previous financial year. The Group's current ratio, calculated based on current assets of approximately HK\$628,986,000 (31 December 2019: approximately HK\$634,034,000) over current liabilities of approximately HK\$281,554,000 (31 December 2019: approximately HK\$272,344,000), was about 2.23 at 30 June 2020 (31 December 2019: 2.33).

As at the six months ended 30 June 2020, the Group's current liabilities increased by 3.4% to approximately HK\$281,554,000 (31 December 2019: approximately HK\$272,344,000) and the increase was primarily due to increase in former shareholders' loan, which was reclassified from shareholders' loan as at 31 December 2019 to other payables as at 30 June 2020, by approximately HK\$7,707,000 used for the general working capital during the six months ended 30 June 2020. As at 30 June 2020, all bank borrowings amounted to approximately HK\$177,319,000 (31 December 2019: approximately HK\$180,526,000) were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year.

As at 30 June 2020, the equity attributable to owners of the Company amounted to approximately HK\$519,593,000 (31 December 2019: approximately HK\$538,273,000).

As at 30 June 2020, the Group had cash and bank balances of approximately HK\$338,000 (31 December 2019: approximately HK\$2,087,000).

As at 30 June 2020, 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 balances and cash by total equity, were approximately 35% (31 December 2019: approximately 36%) and approximately 35% (31 December 2019: approximately 36%) respectively.

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.

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 six months ended 30 June 2020.

The Group had no significant investments held during the six months ended 30 June 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

For details, please refer to note 16 to the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020.

MATERIAL EVENTS

On 23 December 2018, the legal representative (the “**LR**”) of (i) Huan Neng International Trading (Yingkou) Co., Ltd* (環能國際貿易(營口)有限公司) and (ii) Liaoning Taoqibao Mall Management Co., Ltd* (遼寧淘氣寶商城管理有限公司) (collectively, the “**Subsidiaries**”), companies established in the PRC and an indirectly wholly owned subsidiaries of the Company, at that material time has purportedly entered into a corporate guarantee on behalf of the Subsidiaries in favour of Mr. Zhou Xuesheng (“**Mr. Zhou**”)(Mr. Zhou is a former executive director and former chief executive officer of the Company, who has retired from his position as executive director and chief executive officer of the Company since 28 June 2019) for a loan in the sum of approximately RMB18,000,000 (the “**Debt**”) granted by Mr. Zhou to Shenzhen Xiaowei Financial Services Company Limited* (深圳小微金融服務有限公司), which is a company owned by Mr. Li Sen (“**Mr. Li**”) (Mr. Li is a former substantial shareholder, former chairman of the Board and former executive director of the Company, who has ceased to be a substantial shareholder of the Company and retired from his position as chairman of the Board and executive director of the Company since 10 June 2020 and 26 June 2020 respectively), without authorization from the Company and/or the Subsidiaries.

* *Literal translation of the Chinese Name*

Mr. Zhou and the LR further executed the deed of assignment dated 13 March 2019 (the “DOA”) whereby Mr. Zhou assigned his rights under the Debt to an independent third party (the “I3P”) which was allegedly guaranteed by the Subsidiaries, without the approval of any directors of the Subsidiaries and/or the Company. Subsequently, it is stated that the Debt could not be recovered by the I3P, and pursuant to the terms of the DOA, the I3P commenced arbitration proceedings in the PRC against the alleged guarantors of the DOA, namely the Subsidiaries. Then, the PRC arbitration tribunal issued the enforcement of the arbitration to freeze the bank accounts of the Subsidiaries.

On 8 July 2020, the PRC Court has granted a judgment in respect of the enforcement* (執行裁定書) which states that the enforcement of the arbitration award against the Subsidiaries issued by the PRC arbitration tribunal has ceased to have effect. The relevant details are set out in the announcements of the Company dated 16 July 2020 and 20 April 2020 respectively.

Gearing Ratio

Gearing ratio is calculated based on our total debts divided by our total equity as of the end of each period. Our gearing ratio was 35% as at 30 June 2020 (31 December 2019: 36%).

Charge on Group Assets

As at 30 June 2020, the investment properties of the Group with carrying amount of approximately HK\$168,891,000 (31 December 2019: approximately HK\$171,946,000) were pledged to secure certain bank borrowings.

Foreign Exchange Exposure

During the six months ended 30 June 2020, the Group mainly earned revenue and incurred costs in Hong Kong Dollar, Renminbi and United States dollar and no hedging measures had been undertaken. The management will continue to monitor closely the Group’s foreign exchange risks by entering into forward contracts and utilising applicable derivatives to hedge out foreign exchange risks when considers appropriate.

Capital Commitments

As at 30 June 2020, the Group did not have significant capital commitments (31 December 2019: Nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have significant contingent liabilities (31 December 2019: Nil).

* *Literal translation of the Chinese Name*

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of Directors since the publication of the Company's 2019 annual report are disclosed as below pursuant to Rule 13.51B(1) of the Listing Rules:

1. With effect from the conclusion of the annual general meeting (“**AGM**”) held on 26 June 2020, (i) Mr. Li Sen retired from his positions as executive director and the chairman of the Board of the Company; and (ii) Mr. Zhong Jinhua retired from his positions as executive director of the Company.
2. Ms. Liu Yan has resigned as an independent non-executive director, chairman of the Audit Committee, a member of Remuneration Committee and a member of Nomination Committee of the Company with effect from 29 June 2020.
3. Mr. Li Gang was appointed as executive director and chairman of the Board of the Company with effect from 29 June 2020.
4. Mr. Pan Lihui was appointed as executive director of the Company with effect from 29 June 2020.
5. Mr. Du Hongwei was appointed as independent non-executive director, a member of the Audit Committee, a member of Remuneration Committee and a member of Nomination Committee of the Company with effect from 29 June 2020.
6. Mr. Wu Jiwei was appointed as independent non-executive director, a member of the Audit Committee, a member of Remuneration Committee and a member of Nomination Committee of the Company with effect from 29 June 2020. Mr. Wu Jiwei has resigned as independent non-executive director, a member of the Audit Committee, a member of Remuneration Committee and a member of Nomination Committee of the Company with effect from 10 August 2020.
7. Mr. See Tak Wah was appointed as independent non-executive director, chairman of the Audit Committee, a member of Remuneration Committee and a member of Nomination Committee of the Company with effect from 10 August 2020.

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 2020, 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 2020.

AUDIT COMMITTEE

The Audit Committee consists of four independent non-executive Directors, namely Mr. See Tak Wah (Chairman), Mr. Li Jinyuan, Mr. Zhong Jian and Mr. Du Hongwei (with Mr. See Tak Wah 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 2020 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 2020 interim report of the Company for the six months ended 30 June 2020 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, 28 August 2020

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 four independent non-executive Directors, namely Mr. See Tak Wah, Mr. Li Jinyuan, Mr. Zhong Jian and Mr. Du Hongwei.