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 2018

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 2018 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017 (Restated)
	Notes	***HK$'000*** **(Unaudited)**	*HK$'000* (Unaudited)
Continuing operations:			
Revenue	*4*	**631,410**	1,310
Cost of sales		**(617,956)**	–
Gross profit		**13,454**	1,310
Other gains, net		**1,398**	1
Administrative and operating expenses		**(11,698)**	(11,519)
Operating profit/(loss)		**3,154**	(10,208)
Finance income		**79**	–
Finance cost	*5*	**(13,927)**	(7,044)
Loss before income tax	*6*	**(10,694)**	(17,252)
Income tax expenses	*7*	**(2,403)**	–
Loss for the period from continuing operations		**(13,097)**	(17,252)
Discontinued operations:			
Profit for the period from discontinued operations	*8*	**–**	129
Loss for the period		**(13,097)**	(17,123)

	Notes	Six months ended 30 June **2018** **HK$'000** **(Unaudited)**	2017 (Restated) *HK$'000* (Unaudited)
Attributable to:			
Owners of the Company		**(13,097)**	(17,123)
Non-controlling interests		**–**	–
		(13,097)	(17,123)
Loss per share attributable to owners of the Company (expressed in HK cent per share)	*10*		
From continuing and discontinued operations:			
– Basic and diluted		**(0.15)**	(0.23)
From continuing operations:			
– Basic and diluted		**(0.15)**	(0.23)
Dividends	*9*	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(13,097)**	(17,123)
Other comprehensive income		
Item that may be reclassified to profit or loss:		
– Exchange differences arising from translation of foreign operations	**(13,142)**	3,528
– Release of reserves upon disposal of a subsidiary	**(692)**	–
Other comprehensive (loss)/income for the period, net of tax	**(13,834)**	3,528
Total comprehensive loss for the period	**(26,931)**	(13,595)
Attributable to:		
Owners of the Company	**(26,931)**	(13,595)
Non-controlling interests	**–**	–
Total comprehensive loss for the period	**(26,931)**	(13,595)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**807**	764
Loan receivable		**177,763**	180,000
Investment properties	*11*	**349,222**	383,173
Club memberships		**330**	330
Rental deposits	*13*	**1,387**	1,387
Goodwill		**450**	–
		529,959	565,654
Current assets			
Inventories		**–**	129
Trade receivables	*12*	**17,083**	60,463
Deposits, prepayments and other receivables	*13*	**335,707**	363,709
Amount due from a related company		**61,306**	–
Bank balances and cash		**11,908**	154,140
		426,004	578,441
Assets classified as held for sale		**40,695**	41,207
		466,699	619,648
Total assets		**996,658**	1,185,302
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**22,620**	22,620
Reserves		**553,687**	580,618
Total equity		**576,307**	603,238

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Shareholder loan		**2,000**	2,000
Deferred loan interest income – non-current portion		**1,792**	2,400
Asset retirement obligation		**495**	495
		4,287	4,895
Current liabilities			
Trade and other payables	*14*	**158,542**	83,623
Deferred loan interest income – current portion		**1,185**	1,200
Loan from a related company		**–**	62,331
Bank borrowings	*15*	**253,609**	429,600
Income tax payable		**2,728**	415
		416,064	577,169
Total liabilities		**420,351**	582,064
Total equity and liabilities		**996,658**	1,185,302

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 (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 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), unless otherwise stated.

2. Principal accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2018. The adoption of other new and revised standards, amendments and interpretations has had no significant impact on the accounting policies of the Group and did not require retrospective adjustments. Of these, the followings are relevant to the Interim Financial Statements.

- HKFRS 9 "Financial Instruments",
- HKFRS 15 "Revenue from Contracts with Customers", and
- HKAS 40 (Amendments) "Transfers of Investment Property"

HKFRS 9 "Financial Instruments"

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

As at 30 June 2018, the Group does not have any significant equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income election is available. Accordingly, the adoption of HKFRS 9 does not have a significant impact on the classification and measurement of its financial assets.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

All other financial assets and liabilities continue to be measured on the same basis as are currently measured under HKAS 39.

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

Accordingly, the application of HKFRS 9 does not have material impact on the Group's financial position and performance except for the disclosure requirements and presentation.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. The adoption of HKFRS 15 did not result in significant changes to the Group's accounting policies regarding the recognition of investment income and rental income and revenue from the trading of building materials or significant impact on the Interim Financial Statements.

HKAS 40 (Amendment) "Transfers of Investment Property"

The amendment to HKAS 40 clarifies that a property is transferred to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. The amendment does not have any impact on the Interim Financial Statements.

The Group has not early adopted the new standards and amendment to standards that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

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 of building materials

(iv) Natural resources and energy related business (discontinued operation) *(Note 8)*

(v) Information technology and related business (discontinued operation) *(Note 8)*

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

(a) Segment assets include all tangible and intangible assets and current assets with the exception of assets classified as held for sale, rental deposits, club memberships and other unallocated head office and corporate assets.

(b) Segment liabilities include all liabilities with the exception of amount due to a shareholder, 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:

	Continuing operations				Discontinued operations			
	Properties investment	Investment holding	Trading of building materials	Subtotal	Natural resources and energy related business	Information technology and related business	Subtotal	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2018								
Segment revenue	2,196	8,419	620,795	631,410	–	–	–	631,410
Gross profit	2,196	8,419	2,839	13,454	–	–	–	13,454
Other (loss)/gains, net	(3)	293	180	470	–	–	–	470
Gain on disposal of a subsidiary	960	–	–	960	–	–	–	960
Administrative and operating expenses	(1,270)	(606)	(1,202)	(3,078)	–	–	–	(3,078)
Segment results	1,883	8,106	1,817	11,806	–	–	–	11,806
Unallocated:								
Other loss, net								(32)
Administrative and operating expenses								(8,620)
Operating profit								3,154
Finance income								79
Finance cost								(13,927)
Loss before income tax								(10,694)
Income tax expenses								(2,403)
Loss for the period								(13,097)

	Continuing operations				Discontinued operations			
	Properties investment	Investment holding	Trading of building materials	Subtotal	Natural resources and energy related business	Information technology and related business	Subtotal	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 30 June 2018								
Segment assets	353,372	178,519	346,828	878,719	–	–	–	878,719
Asset classified as held for sale								40,695
Unallocated assets								77,244
Total assets								996,658
Segment liabilities	(317,317)	(5,829)	(88,832)	(411,978)	–	–	–	(411,978)
Unallocated liabilities								(8,373)
Total liabilities								(420,351)

	Continuing operations				Discontinued operations			
	Properties investment *HK$'000* (Unaudited)	Investment holding *HK$'000* (Unaudited)	Trading of building materials *HK$'000* (Unaudited)	Subtotal *HK$'000* (Unaudited)	Natural resources and energy related business *HK$'000* (Unaudited)	Information technology and related business *HK$'000* (Unaudited)	Subtotal *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Six months ended 30 June 2017								
Segment revenue	891	419	–	1,310	4,697	–	4,697	6,007
Gross profit	891	419	–	1,310	137	–	137	1,447
Other gains, net	–	1	–	1	–	–	–	1
Administrative and operating expenses	(2,507)	(120)	–	(2,627)	(2)	(6)	(8)	(2,635)
Segment results	(1,616)	300	–	(1,316)	135	(6)	129	(1,187)
Unallocated:								
Administrative and operating expenses								(8,892)
Operating loss								(10,079)
Finance cost								(7,044)
Loss before income tax								(17,123)
Income tax expenses								–
Loss for the period								(17,123)

	Continuing operations				Discontinued operations			
	Properties investment *HK$'000* (Audited)	Investment holding *HK$'000* (Audited)	Trading of building materials *HK$'000* (Audited)	Subtotal *HK$'000* (Audited)	Natural resources and energy related business *HK$'000* (Audited)	Information technology and related business *HK$'000* (Audited)	Subtotal *HK$'000* (Audited)	Consolidated *HK$'000* (Audited)
As at 31 December 2017								
Segment assets	474,530	336,002	214,788	1,025,320	852	–	852	1,026,172
Assets classified as held for sale								41,207
Unallocated assets								117,923
Total assets								1,185,302
Segment liabilities	(18,981)	(3,600)	(57,714)	(80,295)	(4,702)	–	(4,702)	(84,997)
Unallocated liabilities								(497,067)
Total liabilities								(582,064)

4. Revenue

Revenue represents amount receivable for goods sold and services provided to external customers in the normal course of business, rental income from investment properties, income from investments and interest income from held-to-maturity investment.

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

	Six months ended 30 June	
	2018	2017
		(Restated)
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Sale of building materials	**620,795**	–
Investment income	**8,419**	–
Rental income	**2,196**	891
Interest income from held-to-maturity investment	**–**	419
	631,410	1,310

5. Finance cost

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Interest on bank borrowings wholly repayable within one year	**13,927**	7,044

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Continuing operations:		
Bank interest income	**(79)**	–
Interest income from entrusted loan	**(293)**	–
Interest income on loan receivable	**(8,567)**	–
Gain on disposal of a subsidiary	**(960)**	–
Cost of inventories sold	**617,956**	–
Depreciation of property, plant and equipment	**60**	11
Operating lease payments	**2,543**	738
Staff costs, including directors' emoluments		
– Salaries, allowances and other benefits	**1,971**	5,639
– Retirement benefit scheme contributions	**134**	231
Exchange gain, net	**(26)**	(63)
Discontinued operations:		
Cost of inventories sold	**–**	4,560

7. Income tax expenses

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 2018 on management's estimates (six months ended 30 June 2017: nil).

Enterprise Income Tax of HK$2,403,000 had been provided for the subsidiaries in the People's Republic of China (the "**PRC**") for its assessable profits for the six months ended 30 June 2018 based on management's estimates (six months ended 30 June 2017: nil).

Corporate Income Tax had not been provided for the subsidiaries in Indonesia as they did not generate any assessable profits for the six months ended 30 June 2017 based on management's estimates.

8. Discontinued operations

The results of the discontinued operation included in the condensed consolidated statement of profit or loss and condensed consolidated statement of cash flows for the six months ended 30 June 2018 are set out below:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	–	4,697
Cost of sales	–	(4,560)
Gross profit	–	137
Administrative and operating expenses	–	(8)
Profit before income tax	–	129
Income tax expenses	–	–
Profit for the period from discontinued operations	–	129
Profit attributable to:		
Owners of the Company	–	129
Cash flows from discontinued operations:		
Net cash flows used in operating activities	–	(14,142)
Net cash outflows	–	(14,142)

During the year ended 31 December 2017, the natural resources and energy related business and information technology and related business were terminated. The comparative condensed consolidated statement of profit or loss and related notes have been re-classified as if these business discontinued during the period had been discontinued at the beginning of the comparative period.

9. Dividends

The Board has resolved not to declare of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. Loss per share

(a) Basic loss per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
		(Restated)
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic loss per share:		
– Continuing operations	**(13,097)**	(17,252)
– Discontinued operations	**–**	129
	(13,097)	(17,123)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**9,047,844**	7,539,944

(b) The Group had share options outstanding as at 30 June 2018 and 2017. The share options did not have dilutive effect on loss per share for the six months ended 30 June 2018 (six months ended 30 June 2017: the share options did not have a dilutive effect on loss per share).

11. Investment properties

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
At fair value		
At 1 January	**383,173**	358,279
Transfer from prepayment for an investment properties	**–**	25,022
Additions	**6,369**	3,210
Acquired through subsidiaries	**–**	28,672
Disposal of a subsidiary	**(36,340)**	–
Exchange differences	**(3,980)**	30,063
Change in fair value	**–**	(20,866)
Transferred to assets classified as held for sale	**–**	(41,207)
	349,222	383,173

As at 30 June 2018, the investment properties were valued at fair values by the best estimation of the management 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 2018, the investment properties with carrying amount of HK$301,983,000 (31 December 2017: HK$424,380,000) were pledged for bank borrowings *(Note 15)*.

12. Trade receivables

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Trade receivables	**17,083**	60,463

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 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Within 30 days	**379**	60,463
31–60 days	**342**	–
61–90 days	**12,236**	–
91–120 days	**3,280**	–
Over 121 days	**846**	–
	17,083	60,463

13. Deposits, prepayments and other receivables

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Non-current		
Rental deposits	**1,387**	1,387
Current		
Deposits	**33**	11
Prepayment for purchases of construction materials *(note (a))*	**–**	90,276
Prepayment for purchases of aluminum materials *(note (b))*	**–**	140,400
Trade deposit of building materials paid in advance	**283,486**	–
Other prepayments	**17,578**	9,390
Entrusted loan receivables *(note (c))*	**–**	15,120
Consideration receivable from disposal of an available-for-sale investment	**–**	108,000
Other receivables	**34,610**	512
	335,707	363,709
Total deposits, prepayments and other receivables	**337,094**	365,096

Notes:

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

On 18 August 2017, Hailanggu received a partial refund of the abovementioned prepayment in the sum of RMB1.5 million from Supplier A. On 25 August 2017, Hailanggu and Supplier A signed a supplemental agreement and acknowledged that Hailanggu has suspended the relevant refurbishment project but reserved the right of refund of the prepayment at a later date.

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

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

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

14. Trade and other payables

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Trade payables *(note)*	**3,590**	56,643
Construction and other costs payable	**3,090**	3,129
Other payables	**61,974**	16,508
Receipt in advance from a customer	**88,116**	4,702
Accrued liabilities	**1,772**	2,641
	158,542	83,623

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 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Within 30 days	**–**	56,643
61–90 days	**3,590**	–
	3,590	56,643

15. Bank borrowings

As at 30 June 2018, the analysis of the carrying amount of bank borrowings is as follows:

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Current		
Bank borrowings – secured	**253,609**	429,600

(i) On 28 January 2016, HNYK, as borrower, entered into a bank borrowing agreement for RMB92,000,000 (equivalent to approximately HK$109,028,000 as at 30 June 2018 (31 December 2017: HK$110,400,000)) with a commercial bank in the PRC. On 17 January 2017 and 17 January 2018, HNYK renewed the bank borrowing agreement with the bank to January 2018 and January 2019, respectively. The bank borrowing was secured by various retail shops located at Liaohai Garden, Bayuguan district, Yingkou city, Liaoning province, the PRC with carrying amount of HK$93,267,000 (31 December 2017: HK$94,400,000) as at 30 June 2018 and certain properties of the third party of the Group.

(ii) On 20 July 2016, the Group acquired 100% equity interest of Liaoning Taoqibao Mall Management Co., Ltd.* (遼寧淘氣寶商城管理有限公司) ("**Liaoning Taoqibao**") which had a bank borrowing of RMB70,000,000 (equivalent to approximately HK$82,956,000 as at 30 June 2018 (31 December 2017: HK$84,000,000)), with a commercial bank in the PRC. On 23 March 2017 and 30 March 2018, Liaoning Taoqibao renewed the bank borrowing agreement with the bank to March 2018 and March 2019, respectively. The bank borrowing was secured by Wuzi Composite Building, South of Huanghe Road, Bayuquan district, Yingkou city, Liaoning province, the PRC with carrying amount of HK$137,492,000 (31 December 2017: HK$139,200,000) as at 30 June 2018.

(iii) On 21 June 2017, Hailanggu, as borrower, entered into a bank borrowing agreement for RMB52,000,000 (equivalent to approximately HK$61,625,000 as at 30 June 2018 (31 December 2017: HK$62,400,000)) with a commercial bank in the PRC. The bank borrowing was secured by two parcels of land of approximately 59,245 square meters in Bai Sha Wan, Bayuquan district, Yingkou city, Liaoning province, the PRC with carrying amount of HK$71,224,000 (31 December 2017: HK$72,120,000) as at 30 June 2018.

On 21 June 2017, Hailanggu also entered into bank borrowings agreement for RMB27,000,000 (equivalent to approximately HK$32,400,000 as at 31 December 2017) with a commercial bank in the PRC. The bank borrowing was secured by the industrial complex located at Qinghua Avenue, Yingkou city, Liaoning province, the PRC with carrying amount of HK$$29,580,000 as at 31 December 2017. The bank borrowing was fully repaid during the six months ended 30 June 2018.

(iv) On 18 August 2017, HN Industrial as borrower, entered into a bank borrowing agreement for RMB117,000,000 (equivalent to approximately HK$140,400,000 as at 31 December 2017) with a commercial bank in the PRC. The bank borrowing was secured by the retail portion on the fourth floor and the fifth floor of Block A, Bao Hua Wang Yuan, Zhongshan district, Dalian city, Liaoning province, the PRC with carrying amount of HK$89,040,000 as at 31 December 2017. On 21 March 2018, the bank borrowing was repaid in full.

16. Comparative Figures

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in Note 8 to the Interim Financial Statements. In addition, the comparative condensed consolidated statement of profit and loss has been restated as if the operation had been discontinued at the beginning of the comparative period.

17. Event after the end of the reporting period

On 28 August 2018, HN Industrial entered into two separate agreement with two Independent Third Parties (together the "**Vendors**"), pursuant to which each of the Vendors has agreed to acquire and HN Industrial has agreed to sell 50% equity interest in Hailanggu at a consideration of RMB1 (equivalent to approximately HK$1), which will be settled by cash. As the date of this announcement, the disposal has been completed. Further details of the disposal are stated in the Company's announcement dated 28 August 2018.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

MANAGEMENT DISCUSSION AND OUTLOOK

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group engaged in properties investment, investment holding and trading of building materials businesses.

Properties investment

The Group's investment properties comprise 40 commercial units situated in Yingkou city, Liaoning province, the PRC, with gross floor area of approximately 14,182 square meters. In September 2017, 13 commercial units have been contracted to be disposed of to two parties who are third parties independent of and not connected with the Company and its connected person(s) (within the meaning ascribed to such term in the Listing Rules) ("**Independent Third Parties**") for a total consideration of RMB29,326,000. In January 2018, 4 commercial units have been contracted to be disposed of to other two Independent Third Parties for a total consideration of RMB13,139,000. All of these disposal transactions have not yet completed as of the date of this announcement.

At present, the Group's investment properties which comprise the fourth floor and the fifth floor of a building situated in Dalian city, Liaoning province, the PRC with a total gross floor area of approximately 2,843 square meters are vacant and the Group intends to lease out these properties for rental income. The Group also owns a piece of land of gross 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.

The Group owns two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC with gross floor area of approximately 59,245 square meters. Subsequent to six months ended 30 June 2018, the Group has contracted to dispose the said lands through the disposal of entire equity interest in Yingkou Hailanggu Travel Co., Limited* (營口海浪谷旅遊有限公司) ("**Hailanggu**") to two Independent Third Parties of the Company at a total consideration of RMB2 (equivalent to approximately HK$2). The disposal has been completed up to the date of this announcement. Details on the disposal are set out in the announcement of the Company dated 28 August 2018.

The Group, through Yingkou Haida Property Service Company Limited* (營口海達物業服務有限公司) ("**Haida**"), an indirect wholly owned subsidiary of the Company, owned a piece of land with gross floor area of approximately 5,000 square meters and two blocks of buildings with a total gross floor area of approximately 5,022 square meters. The said lands and the properties are situated in Yingkou city, Liaoning province, the PRC. During the six months ended 30 June 2018, the Group has contracted to dispose of the said lands and the properties through the disposal of entire equity interest in Haida to an Independent Third Party of the Company at a consideration of RMB24,000,000 (equivalent to approximately HK$28,443,000). The disposal was completed on 19 June 2018. Details of the disposal are set out in the announcement of the Company dated 18 May 2018.

During the six months ended 30 June 2018, the Group's rental income amounted to approximately HK$2,196,000 (six months ended 30 June 2017: HK$891,000). As a whole, this business segment recorded a profit of HK$1,883,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: loss of HK$1,616,000).

Investment holding

For the six months ended 30 June 2018, the Group recorded revenue and profit from investment income of HK$8,419,000 and HK$8,106,000 (six months ended 30 June 2017: HK$419,000 and HK$300,000), 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"）("**Qianhai Shitong**"). The Board considered that this new business can broaden the revenue base of the Group which would be in the interests of the Company and the shareholders as a whole.

During the six months ended 30 June 2018, the trading of building materials segment contributed a revenue of approximately HK$620,795,000 (six months ended 30 June 2017: nil), representing 98.3% of total revenue from continuing operations. The segment contributed a gross profit of approximately HK$2,839,000, representing 21.1% (six months ended 30 June 2017: nil) of total gross profit from continuing operations for the six months ended 30 June 2018.

During the six months ended 30 June 2018, the Group had over 10 key customers, all of which are Independent Third Parties. Among these customers, two are subsidiaries of companies listed in Hong Kong and/or in the PRC. During the same period, the Group had about 15 key suppliers, all of which are Independent Third Parties. Among these suppliers, two are subsidiaries of companies listed in Hong Kong and/or the PRC.

BUSINESS PROSPECTS AND FUTURE PLANS

The Group is optimistic about the prospect of its building materials trading business because when demand for properties grows in the Greater Bay Area, demand for building materials is expected to increase correspondingly. The Company plans to continue developing this business segment by recruiting additional staff and adopt more proactive approach to select and solicit quality suppliers and customers. Following the economic growth in the Greater Bay Area benefited from the recent PRC national policies promulgated by the government of the PRC for the region, demand for properties is expected to increase, which will in turn stimulate the revenue from trading of building materials, bringing a turnaround to profit in the long run.

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

As at 30 June 2018, all investments in securities or bonds were disposed of. Going forward, the Company will continue to actively explore the potential for other strategic investments and capture the opportunities in a prudent manner and balance the investment risks.

On 14 March 2018, Enviro Energy Finance (BVI) Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Quick Master Company Limited ("**QMS**") at a consideration of HK$450,000. The acquisition was completed on 14 March 2018. QMS holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Board considers that the acquisition provides a prime opportunity to diversify the Group's business scope, broaden the Group's sources of income and achieve better return to the shareholders of the Company. The Board is of the view that the acquisition would be in the interests of the Group and the shareholders as a whole.

Looking ahead, China's economy is expected to maintain steady in the second half of 2018 as a result of the economic and financial reform driven by the States with the recent PRC national policies related to the "Greater Bay Area". The markets of property investment and trading of building materials in Mainland China are also expected to grow at a steady pace. Against this background, the Broad is fully confident in the future business development of the Group.

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

FINANCIAL REVIEW

Overall Results

For the six months ended 30 June 2018, the Group recorded a consolidated revenue of approximately HK$631,410,000 (six months ended 30 June 2017: HK$1,310,000 (Restated)) from its continuing operations, representing an increase by over 481 times when compared with the six months ended 30 June 2017. The significant increase in revenue was mainly attributable to the start up of trading of building materials business in the second half of 2017.

The Group's gross profit from its continuing operations for the six months ended 30 June 2018 was approximately HK$13,454,000 (six months ended 30 June 2017: HK$1,310,000 (Restated)) with an average gross profit margin of 2.1% (six months ended 30 June 2017: 100.0%), which resulted in an increase of approximately HK$12,144,000, representing an increase of approximately 927.0% when compared with the six months ended 30 June 2017.

The loss from continuing operations was approximately HK$13,097,000 in the six months ended 30 June 2018 (six months ended 30 June 2017: HK$17,252,000 (Restated)). The decrease in the net loss by approximately HK$4,155,000 was mainly attributable to the increased revenue from the trading of building materials business as discussed above.

Profit from the discontinued operations was nil for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$129,000).

The overall net loss attributable to owners of the Company for the six months ended 30 June 2018 was approximately HK$13,097,000 (six months ended 30 June 2017: HK$17,123,000), representing a decrease of losses by approximately HK$4,026,000 when compared with the six months ended 30 June 2017. Both the basic and diluted loss per share attributable to owners of the Company from continuing and discontinued operations for the six months ended 30 June 2018 were HK$0.15 as compared with HK$0.23 for the six months ended 30 June 2017.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, other than the assets classified as held of sale, the Group had current assets of HK$426,004,000 comprising trade deposit paid in advance of approximately HK$283,486,000 (31 December 2017: HK$230,676,000) and bank balances and cash of HK$11,908,000 (31 December 2017: HK$154,140,000). The Group's current ratio, calculated based on current assets of HK$466,699,000 (31 December 2017: HK$619,648,000) over current liabilities of HK$416,064,000 (31 December 2017: HK$577,169,000), was about 1.12 at 30 June 2018 (31 December 2017: 1.07).

As at the six months ended 30 June 2018, the Group's current liabilities decreased by 28% to HK$416,064,000 during the six months ended 30 June 2018 and the decrease was primarily due to bank borrowings of approximately HK$176,976,000 settled (31 December 2017: HK$577,169,000) during the six months ended 30 June 2018. As at 30 June 2018, the bank borrowings were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year.

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

As at 30 June 2018, the equity attributable to owners of the Company amounted to HK$576,307,000 (31 December 2017: HK$603,238,000).

As at 30 June 2018, the Group had cash and bank balances of approximately HK$11,910,000 (31 December 2017: HK$154,140,000), representing 92.3% decrease mainly due to the repayment of bank borrowings of approximately HK$176,980,000 during the six months ended 30 June 2018.

As at 30 June 2018, the Group made a fund advance of approximately HK$61,306,000 (31 December 2017: nil) to a related company. The amount due from a related company is unsecured, interest-free and repayable on demand. No guarantees had been given to the related company. As at 30 June 2018, the above related company is beneficially owned or controlled by Mr. Li Sen, the Chairman, executive Director and Chief Executive Officer of the Company. The actual proceeds of the payment were paid directly by the independent third party to the listed company and the related company did not have any income.

As at 30 June 2018, 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 44% (31 December 2017: 71%) and 42% (31 December 2017: 46%) respectively.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

As set forth in the section headed “Business Review” in this announcement, the Group disposed entire equity interest in Haida during the six months ended 30 June 2018 and the disposal was completed on 19 June 2018. Details on the disposal are set out in the announcement of the Company dated 18 May 2018.

Save as the above, there were no other material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As set forth in the section headed "Business Review" in this announcement, subsequent to six months ended 30 June 2018, the Group has contracted to dispose the entire equity interest in Hailanggu to two Independent Third Parties at a total consideration of RMB2. As at the date of this announcement, the disposal has been completed. Details on the disposal are set out in the announcement of the Company dated 28 August 2018.

MATERIAL EVENTS

The audit qualifications made by the former Company's auditors as disclosed in the annual report and the annual results announcement

Prepayment for purchases of construction materials

On 21 June 2017, Hailanggu, made a prepayment of RMB79,000,000 to a supplier ("**Supplier A**") for purchases of construction materials. On 18 August 2017, Hailanggu received a partial refund of the abovementioned prepayment from Supplier A. On 25 August 2017, Hailanggu and Supplier A entered into a supplemental agreement and acknowledged that Hailanggu has suspended the relevant refurbishment project but reserved the right to utilise the prepayment at a later date. Furthermore, on 20 September 2017, the remaining balance of prepayment due to Hailanggu of RMB77,500,000 was assigned to an another third party ("**Assignee A**") pursuant to an agreement entered into between Hailanggu, Supplier A and Assignee A. On 21 September 2017, Hailanggu received an amount of RMB2,270,000 from Assignee A, representing a partial repayment of the prepayment. The remaining balance of prepayment amounted to RMB75,230,000 was paid back in full to Hailanggu by Assignee A on 21 March 2018.

During the period from October 2017 to December 2017, Hailanggu received three payments which amounted to approximately RMB6,700,000 in total from another company affiliated to the Assignee A ("**Company A**"). To the best knowledge and information of the Company, such payments were intended to be partial repayments of the prepayment. However, due to miscommunication between the local management and the accounting staff of Hailanggu, after Company A having made the transfer to Hailanggu, the transfer was recorded mistakenly by the accounting staff of Hailanggu as "other payables due to Company A". The Group did not record such payments as overpayment until March 2018, when the full amount of the prepayment was received by Hailanggu in March 2018. As Company A did not seek repayment from Hailanggu for repayment of these sums, the reconciliation of balances was not completed until April 2018. During the six months ended 30 June 2018, the Group completed the reconciliation of the balance with the Assignee A and Company A, but such balance has not yet been paid to Company A as at the date of this announcement, since the Company has been occupied by other business matters (for example, handling interim results related work) since March 2018. The outstanding balance with them is expected to be settled within September 2018.

Prepayment for purchases of aluminum materials

During the period from August 2017 to November 2017, HN Industrial made prepayments totalling RMB117,000,000 in five installments to a supplier (the "**Supplier B**") pursuant to an agreement dated 17 August 2017 for purchases of aluminium materials. On 20 March 2018, the Supplier B refunded the abovementioned balance of RMB117,000,000 to the Group.

Details on the prepayments are set out in the announcement of the Company dated 24 July 2018.

USE OF NET PROCEEDS FROM THE SUBSCRIPTION

A subscription agreement dated 25 October 2017 was entered into between the Company and the subscriber in respect of the subscription of 1,507,900,000 new ordinary shares of the Company at the subscription price of HK$0.13 per share. On 7 November 2017, the subscription of new ordinary shares under the general mandate was completed with a total of 1,507,900,000 new ordinary shares being subscribed, raising net proceeds of approximately HK$196,027,000. Further details of the subscription of new shares are set out in the announcements of the Company dated 25 October 2017, 27 October 2017 and 7 November 2017.

The table below sets out the proposed applications of the net proceeds from the subscription and actual usage up to 30 June 2018:

	Proposed application *HK$'000*	**Actual usage up to 30 June 2018** *HK$'000*
Investment holding business	6,400	6,400
Future projects or investment*	160,000	160,000
General working capital	29,600	29,600
	196,000	196,000

* Future projects or investment mainly included the investment in trading of building materials business

Charge on Group Assets

As at 30 June 2018, the investment properties of the Group with carrying amount of approximately HK$301,983,000 (31 December 2017: HK$424,380,000) were pledged to secure certain bank borrowings.

Foreign Exchange Exposure

During the six months ended 30 June 2018, 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 2018, the Group did not have any capital commitments (31 December 2017: nil).

Contingent Liabilities

As at 30 June 2018, the Group did not have any contingent liabilities (31 December 2017: nil).

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

During the six months ended 30 June 2018, 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 2017 annual report are disclosed as below pursuant to Rule 13.51B(1) of the Listing Rules:

With effect from 30 August 2018, Mr. Chiang Bun has resigned as the Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee of the Company and Dr. Hou Chaohui has been appointed as the Independent Non-executive Director, Chairman of the Remuneration Committee, a member of the Nomination Committee and a member of the Audit Committee of the Company.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018 except for the following deviation with reason as explained:

Code Provision A.2.1

Under the code provision A.2.1, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual.

Deviation

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issue (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 2018.

ENGAGEMENT OF INTERNAL CONTROL CONSULTANT

In view of the qualified opinion of the auditors for the year ended 31 December 2017, the Company understands the importance of improving its internal control procedures. On 30 May 2018, the Company engaged AVISTA PRO-WIS Risk Advisory Limited ("**AVISTA**") as its internal control consultant to conduct a review of the Group's internal control system for the year ended 31 December 2017 and for the three months ended 31 March 2018, including the Group's revenue and receipt cycle, trading and procurement cycle, inventory cycle, expenditure cycle, financial reporting cycle, cash management and treasury cycle, property investment and development cycle (the "**Internal Control Review**"), and to make recommendations to the Company for this purpose. Based on the Board's assessment on the scope of work and the working timetable proposed by AVISTA, it is currently expected that a draft report of the findings of the Internal Control Review should be ready at around the mid of September 2018, and the final report should be ready as soon as practicable thereafter.

RETIREMENT OF AUDITORS

PricewaterhouseCoopers ("**PwC**") retired as the auditor of the Group upon expiration of its term of office at the close of the 2018 annual general meeting of the Company held on 6 June 2018. The Company is currently in the process of identifying and appointing a new auditor to fill the casual vacancy following the retirement of PwC. To the best of the Company's knowledge, the new auditor candidate is currently undergoing certain procedures in relation to the proposed appointment. The Company will make a further announcement relating to the appointment of new auditor as soon as practicable.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Wen Guangwei (Chairman), Dr. Hou Chaohui and Dr. Chiao Li (with Mr. Wen Guangwei 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 2018 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 2018 interim report of the Company for the six months ended 30 June 2018 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 Sen
Chairman, Chief Executive Officer and executive Director

Hong Kong, 31 August 2018

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

* *Literal translation of the Chinese Name*