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Enviro Energy International Holdings Limited

環能國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1102)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Board of Directors (the “**Board**”) of Enviro Energy International Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
Continuing operations:			
Revenue	4	184,595	13,171
Cost of sales		(171,770)	(12,722)
		<hr/>	<hr/>
Gross profit		12,825	449
Other gains, net	5	10,752	45
Impairment loss on exploration and evaluation asset	11	(78,747)	(49,802)
Selling and distribution expenses		(80)	(156)
Administrative and operating expenses		(21,746)	(29,033)
		<hr/>	<hr/>
Operating loss		(76,996)	(78,497)
Finance income		19	188
Finance cost	6	(10,187)	–
		<hr/>	<hr/>
Loss before taxation	7	(87,164)	(78,309)
		<hr/>	<hr/>

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Income tax	8	—	—
Loss for the year from continuing operations		(87,164)	(78,309)
Discontinued operation:			
Profit for the year from discontinued operation		—	4
Loss for the year		(87,164)	(78,305)
Attributable to:			
Owners of the Company			
Continuing operations		(34,849)	(44,931)
Discontinued operation		—	211
		(34,849)	(44,720)
Non-controlling interests			
Continuing operations		(52,315)	(33,378)
Discontinued operation		—	(207)
		(52,315)	(33,585)
		(87,164)	(78,305)
(Loss)/earnings per share attributable to owners of the Company (expressed in HK cent per share)	<i>10</i>		
Basic and diluted — from continuing operations		(0.49)	(0.75)
Basic and diluted — from discontinued operation		—	0.01
Basic and diluted		(0.49)	(0.74)
Dividends	9	—	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year	<u>(87,164)</u>	<u>(78,305)</u>
Other comprehensive loss		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	<u>(7,234)</u>	<u>(62,288)</u>
Other comprehensive loss for the year, net of tax	<u>(7,234)</u>	<u>(62,288)</u>
Total comprehensive loss for the year	<u><u>(94,398)</u></u>	<u><u>(140,593)</u></u>
Attributable to:		
Owners of the Company	<u>(42,890)</u>	<u>(88,952)</u>
Non-controlling interests	<u>(51,508)</u>	<u>(51,641)</u>
Total comprehensive loss for the year	<u><u>(94,398)</u></u>	<u><u>(140,593)</u></u>
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	<u>(42,890)</u>	<u>(46,928)</u>
Discontinued operation	<u>-</u>	<u>(42,024)</u>
	<u><u>(42,890)</u></u>	<u><u>(88,952)</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		45	760
Exploration and evaluation asset	<i>11</i>	–	77,500
Investment properties	<i>12</i>	358,279	96,882
Prepayment for investment property	<i>15</i>	25,022	–
Available-for-sale investments	<i>13</i>	100,200	290
Club memberships		330	330
Deposits	<i>15</i>	–	330
		<hr/>	<hr/>
		483,876	176,092
		<hr/>	<hr/>
Current assets			
Inventories		–	407
Trade receivables	<i>14</i>	41,106	6,932
Deposits, prepayments and other receivables	<i>15</i>	95,560	42,734
Bank balances and cash		20,609	310,736
		<hr/>	<hr/>
		157,275	360,809
		<hr/>	<hr/>
Total assets		641,151	536,901
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>18</i>	18,850	17,630
Reserves		415,292	359,822
		<hr/>	<hr/>
		434,142	377,452
Non-controlling interests		(2,789)	48,719
		<hr/>	<hr/>
Total equity		431,353	426,171
		<hr/>	<hr/>
LIABILITIES			
Current liabilities			
Trade and other payables	<i>16</i>	28,914	13,848
Consideration payables for acquisition of investment properties	<i>16</i>	–	96,882
Bank borrowings	<i>17</i>	180,884	–
		<hr/>	<hr/>
Total liabilities		209,798	110,730
		<hr/>	<hr/>
Total equity and liabilities		641,151	536,901
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. General information

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (Revised) of the Cayman Islands on 3 July 2002. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and the requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention except for investment properties and available-for-sale investments which are measured at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

For the year ended 31 December 2016, the Group recorded a net loss of HK\$87,164,000 and had operating cash outflows of HK\$84,554,000. The loss for the year included an impairment loss recognised for the mining properties in Indonesia of HK\$78,747,000 due to the expiry of the mining permit associated with the mining properties. As at 31 December 2016, the Group’s current liabilities exceeded its current assets by HK\$52,523,000 and included in current liabilities were bank borrowings of HK\$180,884,000. The Group had bank balances and cash of HK\$20,609,000 at the same date.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and its available sources of financing to assess whether the Group will have sufficient funds to fulfill its financial obligations to continue as a going concern. The Group has taken a number of measures to improve the Group’s financial position and alleviate its liquidity pressure, which include, but not limited to, the following:

1. Subsequent to 31 December 2016, the Group has successfully renewed short-term bank borrowings of RMB92,000,000 (approximately HK\$102,724,000) and RMB70,000,000 (approximately HK\$78,160,000) by extending the maturity date to 16 January 2018 and 22 March 2018 respectively. In addition, the Group has confirmed with the bank that it will unconditionally extend the maturity dates for another twelve months upon the expiry of the bank borrowings.

2. 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. Such loan is unsecured, bears interest at 12% per annum and once drawn down, the principal is repayable on the date falling at the end of the eighteenth month from the first drawdown date and the interest is repayable on a monthly basis.
3. In respect of the Group's business in trading solar panels, the directors of the Company are enhancing its credit management, including but not limited to, shortening the credit period offered to its customers and demanding its customers to pay deposits in advance so as to improve the Group's working capital. With respect to the properties investment segment, the Group is actively marketing its investment properties for rental in order to increase the cash inflows and at the same time also considering opportunities to dispose of its investment properties for capital gains as they arise.
4. The Group shall implement other cost-saving measures with the objective of keeping the administrative and daily operational expenditures to a minimum.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management of the Company which cover a period of not less than twelve months from 31 December 2016. Based on the cashflow projections and taking into account the anticipated cash flows generated from the Group's operations, possible changes in its operating performance, the new loan facility of HK\$100,000,000 secured, and the continuous availability of the Group's existing banking facilities, the directors of the Company are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2016. Accordingly, the directors of the Company consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

- (a) The following new standards/amendments to standards are mandatory for accounting periods beginning on or after 1 January 2016.

Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these new standards/amendments to standards does not have any significant impact to the results and financial position of the Group.

- (b) The following new standards/amendments to standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2016 and have not been early adopted.

HKAS 7 (Amendment)	Statement of Cash Flows – Disclosure Initiative
HKAS 12 (Amendment)	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 (2014)	Financial Instruments
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKFRS 16	Leases

The Group has commenced an assessment of the impact of these new standards/amendments to standards but is not yet in a position to state whether they would have a significant impact on its results and financial position.

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) Natural resources and energy related business
- (ii) Information technology and related business
- (iii) Properties investment
- (iv) Investment holding
- (v) Exploration, development and production of coalbed methane and natural gas in China (discontinued operation)

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 club memberships and other unallocated corporate assets.
- (b) Segment liabilities include all liabilities with the exception of bank borrowings and other unallocated 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, impairment loss on exploration and evaluation asset, selling and distribution expenses 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 consolidated financial statements.

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

	Continuing operations				Consolidated HK\$'000
	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Properties investment HK\$'000	Investment holding HK\$'000	
	For the year ended 31 December 2016				
Segment revenue	161,970	14,168	1,022	7,435	184,595
Gross profit	4,205	209	976	7,435	12,825
Other gains, net	7,750	802	2,316	(90)	10,778
Impairment loss on exploration and evaluation asset	(78,747)	-	-	-	(78,747)
Selling and distribution expenses	(80)	-	-	-	(80)
Administrative and operating expenses	(2,062)	-	(1,617)	-	(3,679)
Segment results	(68,934)	1,011	1,675	7,345	(58,903)
Unallocated:					
Other losses, net					(26)
Administrative and operating expenses					(18,067)
Operating loss					(76,996)
Finance income					19
Finance cost					(10,187)
Loss before taxation					(87,164)
Income tax					-
Loss for the year					(87,164)
As at 31 December 2016					
Segment assets	143,275	-	384,656	107,635	635,566
Unallocated assets					5,585
Total assets					641,151
Segment liabilities	8,064	-	18,224	-	26,288
Unallocated liabilities					183,510
Total liabilities					209,798

Continuing operations

	Natural resources and energy related business <i>HK\$'000</i>	Information technology and related business <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2016					
Capital expenditures (including additions of investment properties and property, plant and equipment)	-	-	274,348	-	274,348

	Continuing operations			Discontinued operation		Consolidated HK\$'000
	Natural resources and energy related business HK\$'000	Information technology and related business HK\$'000	Properties investment HK\$'000	Subtotal HK\$'000	Gas exploration in China HK\$'000	
For the year ended 31 December 2015						
Segment revenue	13,160	11	–	13,171	–	13,171
Gross profit	440	9	–	449	–	449
Other gains, net	24	32	–	56	5	61
Impairment loss on exploration and evaluation asset	(49,802)	–	–	(49,802)	–	(49,802)
Selling and distribution expenses	(156)	–	–	(156)	–	(156)
Administrative and operating expenses	(3,011)	(623)	(359)	(3,993)	(1)	(3,994)
Segment results	<u>(52,505)</u>	<u>(582)</u>	<u>(359)</u>	<u>(53,446)</u>	<u>4</u>	<u>(53,442)</u>
Unallocated:						
Other losses, net						(11)
Administrative and operating expenses						<u>(25,040)</u>
Operating loss						<u>(78,493)</u>
Finance income						188
Loss before taxation						<u>(78,305)</u>
Income tax						–
Loss for the year						<u><u>(78,305)</u></u>
As at 31 December 2015						
Segment assets	283,700	–	96,882	380,582	–	380,582
Unallocated assets						<u>156,319</u>
Total assets						<u><u>536,901</u></u>
Segment liabilities	11,697	–	97,227	108,924	–	108,924
Unallocated liabilities						<u>1,806</u>
Total liabilities						<u><u>110,730</u></u>

	Continuing operations			Subtotal	Discontinued operation	Unallocated	Consolidated
	Natural resources and energy related business	Information technology and related business	Properties investment		Gas exploration in China		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2015							
Capital expenditures (including additions of investment properties and property, plant and equipment)	-	-	96,882	96,882	-	1,037	97,919

The Group's non-current assets other than available-for-sale investments as at 31 December 2016 and 2015 are further analysed as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong (place of domicile)	330	660
The People's Republic of China (the "PRC")	383,324	96,882
Indonesia	22	78,260
	<u>383,676</u>	<u>175,802</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	161,894	8,684
Customer B	-	4,135
	<u>-</u>	<u>4,135</u>

Revenue from external customers/sources by geographical locations, based on the location of the external customers/sources:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	21,603	11
The PRC	162,916	12,819
Indonesia	76	341
	<u>184,595</u>	<u>13,171</u>

4. Revenue

Revenue represents amount receivable for goods sold and services provided to external customers in the normal course of business and income from investments.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations:		
Sale of solar panels	161,894	8,684
Sale of electronic components	14,168	–
Investment income	7,435	–
Rental income	1,022	–
Sale of marble products	76	341
Sale of base oil	–	4,135
Network infrastructure maintenance	–	11
	<u>184,595</u>	<u>13,171</u>

5. Other gains, net

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations:		
Change in fair value of investment properties	2,182	–
Impairment loss on an available-for-sale investment	(90)	(57)
Compensation received (<i>note</i>)	7,896	–
Gain on disposals of property, plant and equipment	26	51
Others, net	738	51
	<u>10,752</u>	<u>45</u>

Note:

Compensation received mainly represented the one-off compensation from suppliers which were not able to deliver the goods according to the contract terms. The Group entered into termination agreements with these suppliers and agreed on the amounts of compensation.

6. Finance cost

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations:		
Interest on bank borrowings wholly repayable within one year	<u>10,187</u>	<u>–</u>

7. Loss before taxation

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

	Continuing operations		Discontinued operation		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	171,303	12,504	-	-	171,303	12,504
Depreciation of property, plant and equipment	52	175	-	-	52	175
Auditor's remuneration						
— Audit services	1,709	1,147	-	-	1,709	1,147
— Non-audit services	130	118	-	-	130	118
Operating lease payments	2,380	2,514	-	-	2,380	2,514
Legal and professional fees	3,252	3,105	-	-	3,252	3,105
Investor relations expenses	-	273	-	-	-	273
Staff costs, including directors' emoluments						
— Salaries, allowances and other benefits	9,238	18,075	-	-	9,238	18,075
— Retirement benefit scheme contributions	292	249	-	-	292	249
— Social insurance	54	-	-	-	54	-
— Discretionary and performance related incentive payments	-	2,877	-	-	-	2,877
Exchange loss/(gain), net	529	(86)	-	(6)	529	(92)
Write down of inventories	421	216	-	-	421	216
Write-back of accrual of withholding tax	-	(3,157)	-	-	-	(3,157)
Property, plant and equipment written off	680	-	-	-	680	-
Trade receivable written off	38	-	-	-	38	-
Other receivable written off	437	-	-	-	437	-

8. Income tax

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly are exempted from the payment of the British Virgin Islands income taxes.

No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits in Hong Kong for the year ended 31 December 2016 (2015: nil).

Enterprise Income Tax has not been provided for the subsidiaries in the PRC as they did not generate any assessable profits during the year ended 31 December 2016 (2015: nil).

Corporate Income Tax has not been provided for the subsidiaries in Indonesia as they did not generate any assessable profits during the year ended 31 December 2016 (2015: nil).

9. Dividends

No dividend was paid or proposed for the year ended 31 December 2016 (2015: nil).

10. (Loss)/earnings per share

- (a) Basic (loss)/earnings 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 years ended 31 December 2016 and 2015.

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

	2016	2015
(Loss)/profit attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share (<i>HK\$'000</i>)		
— Continuing operations	(34,849)	(44,931)
— Discontinued operation	—	211
	<u>(34,849)</u>	<u>(44,720)</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share ('000)	<u>7,152,413</u>	<u>5,963,358</u>

- (b) The Group had share options outstanding as at 31 December 2016. The share options did not have a dilutive effect on loss per share for the year ended 31 December 2016 (2015: the share options and warrants did not have a dilutive effect on loss per share).

11. Exploration and evaluation asset

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mining properties	<u>—</u>	<u>77,500</u>

Movement of the mining properties during the year is as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost		
At 1 January	77,500	141,070
Exchange differences	1,247	(13,768)
Impairment loss	(78,747)	(49,802)
At 31 December	<u>—</u>	<u>77,500</u>

The Company indirectly holds approximately 90% interest in PT. Bara Hugo Energy (“**BHE**”, a subsidiary of the Company) which in turn holds 37.5% interest in PT. Grasada Multinational (“**GM**”). GM holds a mining permit (the “**Mining Permit**”) for a marble site covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency (the “**Maros Marble Project**”) in southwestern Sulawesi, Indonesia (the “**GM Quarry**”).

The Mining Permit associated with the mining properties expired on 22 January 2017, and the extension of which is subject to the approval by the Provincial Government of South Sulawesi.

In May 2016, after the management of BHE was made aware by the Provincial Government of South Sulawesi that certain of the mining areas within the GM Quarry might be designated as archaeological and tourism sites, and that GM had delegated BHE to submit an application (the “**Application**”) for extending the mining permit (the “**New Mining Permit**”), BHE had accordingly made the Application with a reduced mining area within the GM Quarry that focused on the key development area as referred to in the competent person’s report (the “**CPR**”) on the GM Quarry as stated in the Company’s announcement dated 17 February 2014.

As announced by the Company on 18 January 2017, despite the attempts by BHE to apply for the recommendation from the local government of Maros Regency which is essential for obtaining the New Mining Permit from the Provincial Government of South Sulawesi, the local government of Maros Regency verbally informed BHE that it refused to give such recommendation because the location of the relevant mine subject to the New Mining Permit falls into the planning tourist development area of Maros Regency which is no longer intended for mining activity. Upon receiving the verbal notification, BHE immediately sought for legal advice in Indonesia. Based on the legal advice obtained by BHE, the Provincial Government of South Sulawesi is unlikely to approve the application of the New Mining Permit in the absence of a positive recommendation from the local government of Maros Regency. Up to the date of the announcement, despite various attempts by BHE, the positive recommendation from the local government of Maros Regency in relation to the New Mining Permit still cannot be obtained. Accordingly, full impairment on the Group’s mining properties in relation to the Maros Marble Project with carrying value of approximately HK\$78,747,000 was provided during the year ended 31 December 2016.

12. Investment properties

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
At fair value		
At 1 January	96,882	–
Acquisitions	99,417	96,882
Acquired through subsidiaries	174,908	–
Exchange differences	(15,110)	–
Change in fair value	2,182	–
	<u>358,279</u>	<u>96,882</u>
At 31 December	<u>358,279</u>	<u>96,882</u>

On 23 December 2015, the Company announced the acquisition of the fourth floor and the fifth floor of a building situated at Dalian city, Liaoning province, the PRC at a consideration of approximately HK\$102,304,000, which would be settled by the allotment and issuance of 487,161,789 new shares of the Company (note 18 (iv)). The total floor area approximates 2,842.54 square meters, of which the fourth floor has a total floor area of 1,406.27 square meters and the fifth floor has a total floor area of 1,436.27 square meters. The transaction was approved by shareholders of the Company on 3 March 2016 and was completed on 18 October 2016 on which day the fair value of the 487,161,789 new shares issued by the Company was HK\$99,417,000.

On 12 July 2016, the Company announced the acquisition of Liaoning Taoqibao Mall Management Co., Ltd. (literal translation of the Chinese name) (“**Liaoning Taoqibao**”) which owned a piece of land of gross area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross construction area of approximately 17,800 square meters at a consideration of RMB100,000,000 (equivalent to approximately HK\$116,863,000). The property is situated in Yingkou city, Liaoning province, the PRC. The acquisition was completed on 20 July 2016.

On 23 December 2016, the Company announced the acquisition of Yingkou Hailanggu Travel Co., Limited (literal translation of the Chinese Name) which owned two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC with the gross usage area of approximately 59,245 square meters at a consideration of RMB62,000,000 (equivalent to approximately HK\$69,227,000). The acquisition was completed on 30 December 2016. Amongst the two parcels of land, the land use right permit for a parcel of land with a gross usage area of approximately 22,410 square meters has not been obtained as of 31 December 2016. Accordingly, the payment made was accounted for as a prepayment (note 15).

Rental income of approximately HK\$1,022,000 (2015: nil) and direct expenses of approximately HK\$46,000 (2015: nil) were recognised in profit and loss for investment properties during the year ended 31 December 2016.

Except for the parcel of land acquired on 30 December 2016, an independent valuation of the investment properties was performed by an independent valuer, RHL Appraisal Limited to determine the fair values of the investment properties as at 31 December 2016. For the parcel of land acquired on 30 December 2016, the management of the Company has assessed the fair value based on their estimation as the transaction was completed near year end.

13. Available-for-sale investments

	2016	2015
	HK\$'000	HK\$'000
At 1 January	290	347
Addition	100,000	–
Impairment loss (<i>note 5</i>)	(90)	(57)
	<hr/>	<hr/>
At 31 December	100,200	290
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2016, the available-for-sale investments are measured at fair value.

The addition during the year ended 31 December 2016 represented unlisted investment related to the subscription of Class A Shares of China Huacai Finance Equity Investment Fund SP (the “**Fund**”) in an aggregate amount of HK\$100,000,000. There was no change in fair value of this investment during the year ended 31 December 2016.

14. Trade receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	<u>41,106</u>	<u>6,932</u>

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 of the Group as at the balance sheet dates, based on invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	978	6,838
31–60 days	–	–
61–90 days	7,010	94
91–120 days	18,089	–
121–150 days	15,029	–
	<u>41,106</u>	<u>6,932</u>

15. Deposits, prepayments and other receivables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current		
Prepayment for investment property (<i>note</i>)	25,022	–
Deposits	–	330
	<u>25,022</u>	<u>330</u>
Current		
Deposits	390	41
Prepayments	353	925
Prepayment for purchases of inventories	87,276	41,335
Investment income receivables	7,435	–
Other receivables	106	433
	<u>95,560</u>	<u>42,734</u>
Total deposits, prepayments and other receivables	<u>120,582</u>	<u>43,064</u>

Note:

The amount represents the consideration paid for a parcel of land with a gross usage area of approximately 22,410 square meters. As the land use right permit in respect of such parcel of land has not been obtained as of 31 December 2016, the payment made was accounted for as a prepayment. For details please refer to note 12.

16. Trade and other payables

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables (<i>note</i>)	231	3,013
Construction and other costs payables	8,107	–
Other payables	10,001	830
Consideration payable	7,800	7,800
Accrued liabilities	2,775	2,205
	28,914	13,848
Consideration payables for acquisition of investment properties	–	96,882
	28,914	110,730

Note:

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	231	3,013

17. Bank borrowings

As at 31 December 2016, the analysis of the carrying amount of bank borrowings is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current		
Bank borrowings – secured	180,884	–

On 28 January 2016, Huan Neng International Trading (Yingkou) Company Limited (literal translation of the Chinese name) an indirect wholly owned subsidiary of the Company, as borrower, entered into a bank borrowing agreement for RMB92,000,000 (equivalent to approximately HK\$102,724,000) with a commercial bank in the PRC. The bank borrowing was secured by an investment property of the Group with carrying amount of HK\$91,894,000 as at 31 December 2016. The loan was subsequently renewed for one year in January 2017.

On 20 July 2016, the Group acquired 100% equity interest of Liaoning Taoqibao which had a bank borrowing of RMB70,000,000 (equivalent to approximately HK\$78,160,000) with a commercial bank in the PRC. The bank borrowing was secured by an investment property of the Group with carrying amount of HK\$125,726,000 as at 31 December 2016. The loan was subsequently renewed for one year in March 2017.

18. Share capital

	Number of shares (<i>'000</i>)	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.0025 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	20,000,000	50,000
Issued and fully paid:		
At 1 January 2015	5,240,327	13,101
Issuance of new shares upon exercise of share options (<i>note (i)</i>)	25,383	63
Issuance of new shares upon exercise of warrants (<i>note (ii)</i>)	738,297	1,846
Issuance of new shares upon placement (<i>note (iii)</i>)	1,048,000	2,620
At 31 December 2015	7,052,007	17,630
Issuance of new shares upon exercise of warrants (<i>note (ii)</i>)	775	2
Issuance of consideration shares (<i>note (iv)</i>)	487,162	1,218
At 31 December 2016	7,539,944	18,850

Notes:

- (i) During the year ended 31 December 2015, the Company issued 25,383,000 shares of the Company for proceeds of HK\$3,138,000, as a result of exercise of share options. The weighted average exercise price was approximately HK\$0.12 per share. Among the proceeds of HK\$3,138,000, HK\$63,000 were credited to the share capital account and the balance of HK\$3,075,000 were credited to the share premium account. No share options were exercised during the year ended 31 December 2016.
- (ii) During the year ended 31 December 2016, approximately 775,000 (2015: 738,297,000) shares of the Company were issued as a result of exercise of approximately 775,000 (2015: 738,297,000) units of warrants by warrant holders at the exercise price of HK\$0.21 per share. The proceeds from the exercise of the warrants were approximately HK\$163,000 (2015: HK\$155,042,000) among which approximately HK\$2,000 (2015: HK\$1,846,000) were credited to the share capital account and the balance of approximately HK\$161,000 (2015: HK\$153,196,000) were credited to the share premium account. On 20 November 2016, the subscription rights attaching to the outstanding warrants of the Company expired and HK\$8,643,000 were reallocated from other reserve to share premium.
- (iii) On 2 October 2015, 1,048,000,000 ordinary shares were issued at the subscription price of \$0.20 per share by way of placement to not less than six placees. The net proceeds received by the Company from the placement were approximately HK\$204,240,000, among which HK\$2,620,000 were credited to the share capital account and the balance of HK\$201,620,000 (net of professional fees of HK\$5,360,000) were credited to the share premium account.
- (iv) On 18 October 2016, the Company issued 487,161,789 shares of the Company as consideration shares for the acquisition of an investment property (note 12). The fair value of such investment property on 18 October 2016 was approximately HK\$99,417,000, among which HK\$1,218,000 were credited to the share capital account and the balance of HK\$98,199,000 were credited to the share premium account.

All the above shares rank *pari passu* in all respects with other shares in issue.

19. Events after balance sheet date

- (a) On 3 January 2017, Huan Neng Industrial (Yingkou) Company Limited (literal translation of the Chinese name), a wholly owned subsidiary of the Company, entered into an agreement to purchase Yingkou Haida Property Service Company Limited (literal translation of the Chinese name) which owned certain properties situated in Yingkou, Liaoning province, the PRC at a consideration of RMB24,650,000. The transaction was completed on 12 January 2017.
- (b) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2016, the Group continued to engage in investment holding, properties investment, natural resources and energy and information technology related businesses. For the year ended 31 December 2016, the Group reported revenue of HK\$184,595,000, increased by over 13 times from the previous year (2015: HK\$13,171,000), and gross profit of HK\$12,825,000, showing an increase of over 27 times compared to the prior year (2015: HK\$449,000). The increases in the Group's revenue and gross profit were mainly attributable to the increase in sales of energy related products and electronic components during the year.

Natural resources and energy related business

Operations

Since December 2015, the Group has expanded its scope of natural resources business to energy related products by engaging in the trading of solar panels. During the year ended 31 December 2016, the Group recorded revenue of HK\$161,894,000 from the sale of solar panels (2015: HK\$8,684,000) and booked a gross profit from these trades. The solar panels traded by the Group are for the use by solar power plants in the PRC for building their power generation facilities, and these solar panels are in good demand primarily as a result of the promotion of "Clean Energy" concept in the PRC. The Group also continued to trade marble products during the year and recorded revenue of HK\$76,000, decreased by 78% when compared to the previous year (2015: HK\$341,000) as demand remained low.

Resources and reserves

As at 31 December 2016, the Company indirectly held approximately 90% interest of BHE which in turn held 37.5% of GM. GM held a Mining Permit for a marble site covering approximately 33 hectares at Selenrang, Bontoa, Maros Regency in southwestern Sulawesi, Indonesia. BHE also held warrants in GM which upon exercise would bring its shareholding in GM to 60%. As announced on 17 February 2014, the Company completed the CPR on the GM Quarry. According to the CPR, as of 30 November 2013, the total proved and probable gross (100%) mineable reserve of marble estimated was approximately 2,613,000 m³.

The Mining Permit for the marble site was expired on 22 January 2017 and the required extension is subject to the approval by the Provincial Government of South Sulawesi. In May 2016, after the management of BHE was made aware by the Provincial Government of South Sulawesi that certain of the mining areas within the GM Quarry might be designated as archaeological and tourism sites, and that GM had delegated BHE to submit an Application for extending the mining permit, BHE had accordingly made the Application with a reduced mining area within the GM Quarry that focused on the key development area as referred to in the CPR.

Despite the attempts by BHE to apply for the recommendation from the local government of Maros Regency which is essential for obtaining the New Mining Permit from the Provincial Government of South Sulawesi, the local government of Maros Regency verbally informed BHE that it refused to give such recommendation because the location of the relevant mine subject to the New Mining Permit falls into the planning tourist development area of Maros Regency which is no longer intended for mining activity. Upon receiving the verbal notification, BHE immediately sought for legal advice in Indonesia. Based on the legal advice obtained by BHE, the Provincial Government of South Sulawesi is unlikely to approve the application of the New Mining Permit in the absence of a positive recommendation from the local government of Maros Regency. Up to the date of the announcement, despite various attempts by BHE, the positive recommendation from the local government of Maros Regency in relation to the New Mining Permit still cannot be obtained. Accordingly, full impairment on the Group's mining properties in relation to the Maros Marble Project with carrying value of approximately HK\$78,747,000 was provided during the current year.

As a whole, despite the solar panel trading operation had contributed a profitable result, the business recorded an overall loss of HK\$68,934,000 (2015: HK\$52,505,000) mainly due to the impairment loss on Maros Marble Project as mentioned.

Information technology and related business

During the year ended 31 December 2016, the revenue from the information technology and related business increased significantly and reached HK\$14,168,000 (2015: HK\$11,000), representing trading income from sale of information technology related products. The operation's profit for the current year was approximately HK\$1,011,000 compared to the operation's loss of approximately HK\$582,000 in the previous year. The improvement of the operation's results was mainly due to the expansion of the operation's scope of business by engaging in sales of components of various electronic devices.

Properties investment

The Group's investment properties situated in Yingkou City, Liaoning province, the PRC, comprising 40 commercial units totalling approximately 14,182 square meters, are still in the stage of refurbishment. The Group intends to lease out the properties for rental income as well as for potential capital gain.

On 23 December 2015, the Company announced the acquisition of the fourth floor and the fifth floor of a building situated at Dalian city, Liaoning province, the PRC. The total floor area approximates 2,843 square meters. The consideration of the acquisition comprised of 487,161,789 new shares of the Company. The transaction was approved by shareholders of the Company in an extraordinary general meeting convened on 3 March 2016 and was completed on 18 October 2016. The Group intends to lease out the properties for rental income.

On 12 July 2016, the Company announced the acquisition of Liaoning Taoqibao which owned a piece of land of gross area of approximately 4,320 square meters together with a twelve-floor property erected thereon with gross construction area of approximately 17,800 square meters at a consideration of RMB100,000,000 (equivalent to approximately HK\$116,863,000). The property is situated in Yingkou city, Liaoning Province, the PRC. The acquisition was completed on 20 July 2016. The property is currently being leased out for rental income.

On 23 December 2016, the Company announced the acquisition of Yingkou Hailanggu Travel Co., Limited (literal translation of the Chinese name) which owned two parcels of land located at Bai Sha Wan, Bayuquan district of Yingkou city, Liaoning province, the PRC with the gross usage area of approximately 59,245 square meters at a consideration of RMB62,000,000 (equivalent to approximately HK\$69,227,000). The acquisition was completed on 30 December 2016. Amongst the two parcels of land, the land use right permit for a parcel of land with a gross usage area of approximately 22,410 square meters has not been obtained as of 31 December 2016. Accordingly, the payment made was accounted for as a prepayment.

During the year ended 31 December 2016, the operation's rental income amounted to approximately HK\$1,022,000 (2015: nil). In addition, the operation recorded valuation gains of approximately HK\$2,182,000 (2015: nil) on its investment properties, as a whole, the operation booked a profitable result of HK\$1,675,000 for the year (2015: a loss of HK\$359,000).

Investment holding

In January 2016, the Group had subscribed for Class A Shares of the Fund for a consideration of HK\$100,000,000. The Fund is a sub-fund, which is a segregated portfolio, of Global High Growth Industries Fund Series SPC and managed by Sheng Yuan Asset Management Limited as investment manager (the “**Investment Manager**”) of the Fund. The principal investment objective of the Fund is to seek to achieve capital appreciation through investing in a portfolio consisting primarily of listed securities of companies established or operating in Hong Kong, Mainland China and Taiwan, as well as investing in various types of private funds, private equities and private debt products. The Investment Manager utilises a top-down and bottom-up investment process driven by intensive fundamental research to determine the optimal asset allocation for the Fund. The Board considers that the subscription is in line with the Group's objective to grow its investment return by adopting a proactive but prudent approach in its investments.

During the year ended 31 December 2016, the investment income from the Fund amounted to approximately US\$958,000 (equivalent to approximately HK\$7,435,000) (2015: nil) and it was received in full in January 2017. The business recorded a profit of HK\$7,345,000 for the year (2015: nil).

BUSINESS PROSPECTS

It is the intention of the management to step up its effort to improve the financial performance of the existing businesses of the Group and to explore investment opportunities in the natural resources and energy, information technology, properties investment and investment holding segments or other new segments with good prospects with the view to bring substantial value to the shareholders of the Company.

FINANCIAL REVIEW

Overall Results

For the year ended 31 December 2016, the Group recorded a loss attributable to owners of the Company of HK\$34,849,000 (2015: HK\$44,720,000) and basic loss per share of HK0.49 cent (2015: HK0.74 cent). The decrease in the Group's loss attributable to owners of the Company was mainly due to the increase in revenue and the decrease in administrative and operating expenses for the year, whilst these financial improvements were partly offset by the increase in impairment loss on exploration and evaluation asset.

Other Comprehensive Loss

During the year ended 31 December 2016, exchange losses mainly arose from the exchange translation of the properties investment operation in the PRC totalling HK\$7,234,000 (2015: HK\$62,288,000) as Renminbi depreciated by approximately 6% against Hong Kong Dollar during the year.

Liquidity, Financial Resources and Capital Structure

At 31 December 2016, the Group had current assets of HK\$157,275,000 (2015: HK\$360,809,000) comprising bank balances and cash of HK\$20,609,000 (2015: HK\$310,736,000). The Group's current ratio, calculated based on current assets of HK\$157,275,000 (2015: HK\$360,809,000) over current liabilities of HK\$209,798,000 (2015: HK\$110,730,000), was about 0.75 at the year end (2015: 3.26). At the year end, the Group's current liabilities increased by 89% to HK\$209,798,000 over last year (2015: HK\$110,730,000) and the increase was primarily due to new bank borrowings of HK\$180,884,000 raised during the year, whilst partly offset by the settlement of the consideration payables for acquisition of investment properties of HK\$96,882,000 accrued at last year end. At 31 December 2016, the bank borrowings were secured, denominated in Renminbi, bore interest of fixed rate and were due within one year. Subsequent to 31 December 2016, bank borrowings of RMB92,000,000 (equivalent to approximately HK\$102,724,000) and RMB70,000,000 (equivalent to approximately HK\$78,160,000) are renewed for one year in January 2017 and March 2017 respectively.

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.

At the year end, the equity attributable to owners of the Company amounted to HK\$434,142,000 (2015: HK\$377,452,000). The increase in the equity attributable to owners of the Company was mainly a result of the issuance of shares of the Company as consideration for acquisition of investment properties during the year.

As at 31 December 2016, the debt to equity ratio and net debt to equity ratio of the Group, which 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 42% (2015: nil) and 37% (2015: nil) respectively. The Group had no bank borrowing as at 31 December 2015.

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

Charge on Group Assets

As at 31 December 2016, the investment properties of the Group with carrying amount of HK\$217,620,000 (2015: nil) were pledged to secure certain bank borrowings.

Foreign Exchange Exposure

During the year ended 31 December 2016, the Group mainly earned revenue and incurred costs in Hong Kong Dollar, Indonesian Rupiah, Renminbi and United States dollar and no hedging measures had been undertaken. The management will continue to monitor closely the Group's foreign exchange risks by entering into forward contracts and utilising applicable derivatives to hedge out foreign exchange risks when considers appropriate.

Capital Commitments

As at 31 December 2016, the Group did not have material capital commitments (2015: HK\$102,304,000).

Contingent Liabilities

As at 31 December 2016, the Group had no contingent liabilities (2015: nil).

EMPLOYEES INFORMATION

As at 31 December 2016, the Group had 21 full-time employees (2015: 15) working in Hong Kong, Mainland China and Indonesia. The Group remunerates its employees based on their competence, performance and experience and prevailing market terms. Other benefits, such as medical and retirement benefits and training programs, are also provided.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2016 (2015: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions (“**Code Provisions**”) of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2016 except for the following deviation with reason as explained:

Code Provision E.1.2

Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting of the Company (the “**AGM**”).

Deviation

The Chairman of the Board was unable to attend the AGM for year 2016 as he had other important business engagement.

AUDIT COMMITTEE

The consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company and have been duly approved by the Board under the recommendation of the Audit Committee.

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

This announcement is published on the website of the Company (<http://www.enviro-energy.com.hk/>) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Enviro Energy International Holdings Limited
Zhang Yuanqing
Co-chief Executive Officer

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Zhang Yuanqing (Co-chief Executive Officer), Mr. Pu Wei (Co-chief Executive Officer), Mr. Lai Ming Wai and Mr. Zhu Lijia and three Independent Non-executive Directors, namely Mr. David Tsoi, Mr. Chiang Bun and Ms. Leung Pik Har, Christine.