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## **China Environmental Energy Investment Limited**

**中國環保能源投資有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 986)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016**

The board of directors (the “Board”) of China Environmental Energy Investment Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2016 together with the comparative figures for the year ended 31 March 2015 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Continuing Operations</b>			
Revenue	4	<b>19,086</b>	11,245
Cost of sales		<b>(11,380)</b>	(5,713)
Gross profit		<b>7,706</b>	5,532
Investment and other income	6	<b>1,028</b>	10
Other gains and losses	7	<b>(44,039)</b>	(14,026)
Selling and distribution expenses		<b>(380)</b>	(162)
Administrative expenses		<b>(36,275)</b>	(27,983)
Finance costs	8	<b>(8,937)</b>	(47,188)
Loss before taxation	9	<b>(80,897)</b>	(83,817)
Taxation	10	<b>(820)</b>	(570)
Loss for the year from continuing operations		<b>(81,717)</b>	(84,387)
<b>Discontinued Operations</b>			
Loss for the year from discontinued operations	11	<b>(21,673)</b>	(66,781)
Loss for the year		<b>(103,390)</b>	(151,168)

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
Loss for the year		<u>(103,390)</u>	<u>(151,168)</u>
Other comprehensive income/(expense), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations			
Exchange differences arising during the year		(2,262)	(348)
Reclassification adjustments relating to foreign operations disposed of during the year		<u>2,350</u>	<u>–</u>
		<u>88</u>	<u>(348)</u>
Available-for-sale investment			
Increase in fair value		466,854	80,588
Reclassification adjustments for gains included in the consolidated statement of profit or loss – Gain on disposal		<u>(23,495)</u>	<u>–</u>
		<u>443,359</u>	<u>80,588</u>
Other comprehensive income for the year, net of income tax		<u>443,447</u>	<u>80,240</u>
Total comprehensive income/(expense) for the year		<u><b>340,057</b></u>	<u><b>(70,928)</b></u>
Loss for the year from continuing operations attributable to:			
Owners of the Company		(81,808)	(84,814)
Non-controlling interests		<u>91</u>	<u>427</u>
		<u><b>(81,717)</b></u>	<u><b>(84,387)</b></u>
Loss for the year from discontinued operations attributable to:			
Owners of the Company		(20,754)	(63,068)
Non-controlling interests		<u>(919)</u>	<u>(3,713)</u>
		<u><b>(21,673)</b></u>	<u><b>(66,781)</b></u>

	<i>Notes</i>	<b>2016</b> <b><i>HK\$'000</i></b>	2015 <i>HK\$'000</i>
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		(102,562)	(147,882)
Non-controlling interests		<u>(828)</u>	<u>(3,286)</u>
		<b><u>(103,390)</u></b>	<b><u>(151,168)</u></b>
 Total comprehensive income/(expense) attributable to:			
Owners of the Company		340,484	(67,637)
Non-controlling interests		<u>(427)</u>	<u>(3,291)</u>
		<b><u>340,057</u></b>	<b><u>(70,928)</u></b>
		<b>2016</b> <b><i>HK\$</i></b>	2015 <i>HK\$</i>
<b>Loss per share</b>	<i>13</i>		
From continuing and discontinued operations			
Basic		<b><u>(0.03)</u></b>	<b><u>(0.15)</u></b>
Diluted		<b><u>(0.03)</u></b>	<b><u>(0.15)</u></b>
From continuing operations			
Basic		<b><u>(0.02)</u></b>	<b><u>(0.09)</u></b>
Diluted		<b><u>(0.02)</u></b>	<b><u>(0.09)</u></b>
From discontinued operations			
Basic		<b><u>(0.01)</u></b>	<b><u>(0.06)</u></b>
Diluted		<b><u>(0.01)</u></b>	<b><u>(0.06)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		11,172	20,253
Goodwill		91,493	260,573
Intangible assets		–	27,979
Interest in an associate		204,358	–
Available-for-sale investments		835,517	274,248
		<b>1,142,540</b>	583,053
<b>Current assets</b>			
Inventories		–	494
Trade and bills receivables	14	3,263	16,795
Loan and interest receivables		44,427	–
Other receivables, prepayments and deposits paid		24,342	14,880
Restricted bank deposits		–	5,877
Cash deposits held by securities brokers		7	36,574
Bank balances and cash		22,766	214,330
		<b>94,805</b>	288,950
Assets classified as held for sale		178,081	65,092
		<b>272,886</b>	354,042
<b>Current liabilities</b>			
Trade and bills payables	15	335	7,064
Other payables and accruals		54,960	41,944
Promissory notes payable		101,381	201,902
Bank and other borrowings		–	23,759
Financial liabilities designated at fair value through profit or loss		–	1,933
Income tax payable		425	22,610
		<b>157,101</b>	299,212
Liabilities directly associated with assets classified as held for sale		108,710	20,600
		<b>265,811</b>	319,812
<b>Net current assets</b>		<b>7,075</b>	34,230
		<b>1,149,615</b>	617,283

	<b>2016</b>	2015
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>37,423</b>	26,023
Share premium and reserves	<b>1,062,941</b>	556,225
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>1,100,364</b>	582,248
Non-controlling interests	<b>(2,472)</b>	(6,548)
	<hr/>	<hr/>
<b>Total equity</b>	<b>1,097,892</b>	575,700
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Promissory notes payable	<b>31,289</b>	–
Unconvertible bonds	<b>20,434</b>	20,297
Deferred tax liabilities	<b>–</b>	21,286
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>51,723</b>	41,583
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	<b>1,149,615</b>	617,283
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*NOTES:*

**1. GENERAL INFORMATION**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and its principal place of business is Room 910, 9th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

**2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and of the Hong Kong Companies Ordinance.

**3. APPLICATION OF HKFRSs**

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA:

HKAS 19 (Amendment)	Defined Benefit Plans
HKFRSs (Amendment)	Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The adoption of the above new standards, revisions and amendments to existing standards did not have any material impact on the preparation of the Group's financial statements.

**New standards, amendments to existing standards and interpretation which have been issued but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted:**

Annual improvement project	Annual Improvements 2012-2014 Cycle <sup>1</sup>
HKAS 1 (Amendment)	Disclosure Initiative <sup>1</sup>
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants <sup>1</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> *Effective for financial year beginning on or after 1 April 2016*

<sup>2</sup> *Effective for financial year beginning on or after 1 April 2018*

<sup>3</sup> *Effective date to be determined*

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

The Group intends to adopt the above standards, amendments and interpretations when they become effective.

#### 4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances and trade discounts, income from online products sales, provision of marketing, web design and maintenance services ("Internet Services") and interest income from provision of loans as money lending ("Money Lending") and is analysed as below:

	Continuing Operations		Discontinued Operations		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Sale of goods	8,171	-	25,540	41,465	33,711	41,465
Income from Internet Services	10,488	11,245	-	-	10,488	11,245
Interest income from Money Lending	427	-	-	-	427	-
	<u>19,086</u>	<u>11,245</u>	<u>25,540</u>	<u>41,465</u>	<u>44,626</u>	<u>52,710</u>

#### 5. SEGMENT INFORMATION

##### (a) Business segments

The Group's operating and reportable segments which are based on the types of products manufactured and services rendered are as follows:

##### *Continuing Operations*

Internet Services: online products sales, provision of marketing, web design and maintenance services

Trading of Gold and Diamond: purchase and sale of gold and diamond

Money Lending: provision of loans as money lending

##### *Discontinued Operations*

Wastes Recycling: waste paper, scrap metal and consumable wastes recycling

Trading of Petrochemical Products: purchase and sale of petrochemical products



The following is an analysis of the Group's revenue and results by reporting segments:

**For the year ended 31 March 2016**

	Continuing operations			Discontinued operations			Total
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	
Segment revenue:							
Sales to external customers	10,488	8,171	427	19,086	16,972	8,568	44,626
Intercompany sales	-	-	-	-	-	-	-
Revenue from external customers	<u>10,488</u>	<u>8,171</u>	<u>427</u>	<u>19,086</u>	<u>16,972</u>	<u>8,568</u>	<u>44,626</u>
Segment result	<u>(815)</u>	<u>1,143</u>	<u>192</u>	<u>520</u>	<u>(20,636)</u>	<u>(663)</u>	<u>(20,779)</u>
Interest income							1,014
Other unallocated income							122
Gain on disposal of non-listed securities							3,257
Fair value gain on disposal of listed equity securities held for investment							23,495
Realised gain on disposal of listed equity securities held for investment							10,229
Impairment loss on available-for-sale investments							(74,695)
Other unallocated expenses							(35,794)
Finance costs							<u>(10,504)</u>
Loss before tax							(103,655)
Taxation							<u>265</u>
Loss for the year							<u><u>(103,390)</u></u>

For the year ended 31 March 2015

	Continuing operations			Discontinued operations			Total <i>HK\$'000</i>
	Internet Services <i>HK\$'000</i>	Trading of Gold and Diamond <i>HK\$'000</i>	Money Lending <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Wastes Recycling <i>HK\$'000</i>	Trading of Petrochemical Products <i>HK\$'000</i>	
Segment revenue:							
Sales to external customers	11,245	-	-	11,245	29,773	11,692	41,465
Intercompany sales	-	-	-	-	-	-	-
Revenue from external customers	<u>11,245</u>	<u>-</u>	<u>-</u>	<u>11,245</u>	<u>29,773</u>	<u>11,692</u>	<u>41,465</u>
Segment result	<u>4,987</u>	<u>-</u>	<u>-</u>	<u>4,987</u>	<u>(65,808)</u>	<u>(414)</u>	<u>(66,222)</u>
Interest income							170
Gain on early repayment of promissory notes payable							3,093
Other unallocated income							2,335
Realised loss on disposal of listed equity securities held for investment							(7,434)
Impairment loss on available-for-sale investments							(11,208)
Loss on change in fair value of financial liabilities designated at fair value through profit or loss ("FVTPL")							(133)
Interest on financial liabilities designated at FVTPL							(133)
Other unallocated expenses							(28,220)
Finance costs							(48,795)
Loss before tax							(151,560)
Taxation							392
Loss for the year							<u>(151,168)</u>

The following is an analysis of the Group's assets and liabilities by reportable segments:

**For the year ended 31 March 2016**

	Continuing operations			Discontinued operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	
<i>Assets and liabilities</i>							
<i>Segment assets</i>							
– Hong Kong	605	31,409	45,466	77,480	–	–	77,480
– The People's Republic of China (“PRC”)	64,367	–	–	64,367	178,081	–	242,448
	<u>64,972</u>	<u>31,409</u>	<u>45,466</u>	<u>141,847</u>	<u>178,081</u>	<u>–</u>	<u>319,928</u>
Available-for-sale investments							835,517
Interest in an associate							204,358
Assets classified as held for sale							–
Unallocated corporate assets							55,623
Consolidated total assets							<u>1,415,426</u>
<i>Segment liabilities</i>							
– Hong Kong	1,148	449	145	1,742	–	–	1,742
– PRC	446	–	–	446	35,610	–	36,056
	<u>1,594</u>	<u>449</u>	<u>145</u>	<u>2,188</u>	<u>35,610</u>	<u>–</u>	<u>37,798</u>
Promissory notes payable							132,670
Liabilities directly associated with assets classified as held for sale							67,357
Unconvertible bonds							20,434
Unallocated corporate liabilities							59,275
Consolidated total liabilities							<u>317,534</u>

**For the year ended 31 March 2015**

	Continuing operations			Discontinued operations			Total HK\$'000
	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	
<i>Assets and liabilities</i>							
<i>Segment assets</i>							
– Hong Kong	71,019	–	–	71,019	–	–	71,019
– PRC	65,001	–	–	65,001	185,751	3,333	254,085
	<u>136,020</u>	<u>–</u>	<u>–</u>	<u>136,020</u>	<u>185,751</u>	<u>3,333</u>	<u>325,104</u>
Available-for-sale investments							274,248
Interest in an associate							–
Assets classified as held for sale							65,092
Unallocated corporate assets							272,651
Consolidated total assets							<u>937,095</u>
<i>Segment liabilities</i>							
– Hong Kong	8,330	–	–	8,330	–	–	8,330
– PRC	104	–	–	104	36,023	1,647	37,774
	<u>8,434</u>	<u>–</u>	<u>–</u>	<u>8,434</u>	<u>36,023</u>	<u>1,647</u>	<u>46,104</u>
Promissory notes payable							201,902
Financial liabilities designated at FVTPL							1,933
Liabilities directly associated with assets classified as held for sale							20,600
Unconvertible bonds							20,297
Unallocated corporate liabilities							70,559
Consolidated total liabilities							<u>361,395</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property, plant and equipment, restricted bank deposits, cash deposits held by securities brokers and bank balances and cash, available-for-sale investments, certain other receivables, prepayments and deposits paid, certain assets classified as held for sale, and assets used jointly by reportable segments. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, income tax payable, unconvertible bonds, deferred tax liabilities and liabilities for which reportable segments are jointly liable. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

**(b) Geographical information**

The Group's operations are mainly located in Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue by geographic market, irrespective of the origin of customers:

	Hong Kong		PRC		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	<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>	<i>HK\$'000</i>
<b>Segment revenue</b>								
Sales to external customers	<u>15,020</u>	<u>10,821</u>	<u>29,203</u>	<u>41,776</u>	<u>403</u>	<u>113</u>	<u>44,626</u>	<u>52,710</u>

An analysis of the non-current assets of the Group (other than financial assets) by geographical areas in which the assets are located:

	Hong Kong		PRC		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	<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>	<i>HK\$'000</i>
Non-current assets other than financial assets	<u>40,016</u>	<u>71,899</u>	<u>213,223</u>	<u>236,906</u>	<u>204,358</u>	<u>–</u>	<u>457,597</u>	<u>308,805</u>

## 6. INVESTMENT AND OTHER INCOME

	Continuing Operations		Discontinued Operations		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	77	3	108	167	185	170
Other interest income	829	–	–	–	829	–
Value added tax and other taxes refunded (Note below)	–	–	–	1,168	–	1,168
Others	122	7	15	468	137	475
	<b>1,028</b>	<b>10</b>	<b>123</b>	<b>1,803</b>	<b>1,151</b>	<b>1,813</b>

*Note:* Certain subsidies were granted by the PRC local government to the Company's subsidiaries which are engaged in wastes recycling business in the PRC. Under these subsidies, the subsidiaries were entitled to a refund of value added tax and other taxes paid, calculated on a basis as agreed by the local government.

## 7. OTHER GAINS AND LOSSES

	Continuing Operations		Discontinued Operations		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other gains						
Foreign exchange gain, net	5	1,860	–	–	5	1,860
Gain on early repayment of promissory notes payable	–	3,093	–	–	–	3,093
Reversal of impairment loss on other receivables	–	–	–	21	–	21
Fair value gain on disposal of listed equity securities held for investment	23,495	–	–	–	23,495	–
Realised gain on disposal of listed equity securities held for investment	10,229	–	–	–	10,229	–
Gain on disposal of non-listed securities	3,257	–	–	–	3,257	–
Gain on redemption of convertible bond	122	–	–	–	122	–
	<b>37,108</b>	<b>4,953</b>	<b>–</b>	<b>21</b>	<b>37,108</b>	<b>4,974</b>

	Continuing Operations		Discontinued Operations		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other losses						
Amortisation of intangible assets	-	-	(4,172)	(4,257)	(4,172)	(4,257)
Loss on disposal of property, plant and equipment	-	(71)	-	(1,521)	-	(1,592)
Realised loss on disposal of listed equity securities held for investment	-	(7,434)	-	-	-	(7,434)
Loss on change in fair value of financial liabilities designated at FVTPL	-	(133)	-	-	-	(133)
Interest on financial liabilities designated at FVTPL	-	(133)	-	-	-	(133)
Impairment loss recognised on:						
- goodwill	(3,699)	-	(15,500)	(48,216)	(19,199)	(48,216)
- available-for-sale investments	(74,695)	(11,208)	-	-	(74,695)	(11,208)
- other receivables	-	-	-	(11,705)	-	(11,705)
Loss on disposal of subsidiaries	(2,753)	-	-	-	(2,753)	-
	<u>(81,147)</u>	<u>(18,979)</u>	<u>(19,672)</u>	<u>(65,699)</u>	<u>(100,819)</u>	<u>(84,678)</u>
Other losses, net	<u>(44,039)</u>	<u>(14,026)</u>	<u>(19,672)</u>	<u>(65,678)</u>	<u>(63,711)</u>	<u>(79,704)</u>

## 8. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on:						
Bank borrowings	-	-	1,567	1,607	1,567	1,607
Promissory notes payable	7,765	13,307	-	-	7,765	13,307
Other borrowings wholly repayable within five years	-	32,752	-	-	-	32,752
Other	34	-	-	-	34	-
Imputed interest on unconvertible bonds	1,138	1,129	-	-	1,138	1,129
	<u>8,937</u>	<u>47,188</u>	<u>1,567</u>	<u>1,607</u>	<u>10,504</u>	<u>48,795</u>

## 9. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Auditors' remuneration	540	632	210	219	750	851
Cost of inventories recognised as an expense	6,774	–	25,209	40,614	31,983	40,614
Other service costs	4,606	5,713	–	–	4,606	5,713
Depreciation of property, plant and equipment	3,562	3,255	776	792	4,338	4,047
Operating lease rentals in respect of rental premises	1,275	667	–	–	1,275	667
	<u>1,275</u>	<u>667</u>	<u>–</u>	<u>–</u>	<u>1,275</u>	<u>667</u>

## 10. TAXATION

### Income tax recognised in profit or loss

	Continuing operations		Discontinued operations		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong Profits Tax	421	556	–	–	421	556
PRC Enterprise Income Tax	399	14	–	–	399	14
	820	570	–	–	820	570
Deferred tax credit	–	–	(1,085)	(962)	(1,085)	(962)
Income tax expense/(credit) for the year	<u>820</u>	<u>570</u>	<u>(1,085)</u>	<u>(962)</u>	<u>(265)</u>	<u>(392)</u>

### Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

### PRC Enterprise Income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25%.

## 11. DISCONTINUED OPERATIONS

On 3 February 2016, the Company entered into a memorandum of understanding with a purchaser which is a third party independent of the Company in relation to possible disposal of approximately 93.33% equity interests of Ideal Market Holdings Limited (“Ideal Market”) owned by the Company (the “Possible Disposal”). Ideal Market and its subsidiaries (collectively, the “Disposal Group”) represent the whole principal business segments of the Group in the businesses of wastes recycling and trading of petrochemical products in the PRC.

In view of the unsatisfactory performance of the Disposal Group over the last few years which had been affected by intensified competition in the market and the increase in operating costs and costs of raw materials, labour and manufacturing overhead, the directors of the Company (the “Directors”) had considered the possibility of selling the Disposal Group to realise the investment and generate cash inflow for the Group. The Possible Disposal is expected to allow the Group to realise its investment in the Disposal Group, eliminate from the Group the uncertainty of future performance of the waste paper, scrap metal and consumable wastes recycling and trading petrochemical products businesses, reallocate its resources to other business segments and strengthen the capital base of the Group.

At the end of the reporting period, the Possible Disposal was in progress. All assets and liabilities under the Disposal Group were classified as assets and liabilities held for sale. Wastes recycling and trading of petrochemical products businesses were classified as discontinued operations.

	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss for the year from discontinued businesses	<b><u>21,673</u></b>	<u>66,781</u>



The result of the discontinued operations for the current and prior year are as follows:

	Wastes Recycling		Trading of Petrochemical Products		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	16,972	29,773	8,568	11,692	25,540	41,465
Cost of sales	(16,282)	(28,897)	(8,927)	(11,717)	(25,209)	(40,614)
Gross profit/(loss)	690	876	(359)	(25)	331	851
Investment and other income	123	1,803	-	-	123	1,803
Other gains and losses	(19,672)	(65,678)	-	-	(19,672)	(65,678)
Selling and distribution expenses	(431)	(556)	(155)	(118)	(586)	(674)
Administrative expenses	(1,238)	(2,167)	(149)	(271)	(1,387)	(2,438)
Finance costs	(1,567)	(1,607)	-	-	(1,567)	(1,607)
Loss before taxation	(22,095)	(67,329)	(663)	(414)	(22,758)	(67,743)
Taxation	1,085	962	-	-	1,085	962
Loss for the year	<u>(21,010)</u>	<u>(66,367)</u>	<u>(663)</u>	<u>(414)</u>	<u>(21,673)</u>	<u>(66,781)</u>
Loss for the year attributable to:						
Owners of the Company					(20,754)	(63,068)
Non-controlling interests					(919)	(3,713)
					<u>(21,673)</u>	<u>(66,781)</u>

## 12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2016 (2015: Nil), nor has any dividend been proposed since the end of the reporting period (2015: Nil).

### 13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is as follows:

	Continuing and discontinued operations		Continuing operations	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Loss</b>				
Loss for the purpose of basic loss per share				
Loss for the year attributable to owners of the Company	<u>(102,562)</u>	<u>(147,882)</u>	<u>(81,808)</u>	<u>(84,814)</u>
	Continuing and discontinued operations		Continuing operations	
	2016 <i>'000</i>	2015 <i>'000</i>	2016 <i>'000</i>	2015 <i>'000</i>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>3,437,314</u>	<u>1,007,379</u>	<u>3,437,314</u>	<u>1,007,379</u>

For the year ended 31 March 2016 and 2015, diluted loss per share from continuing and discontinued operations and from continuing operations are the same as the basic loss per share from continuing and discontinued operations and from continuing operations because the Group sustained a loss for each of the years presented and the impact of conversion of convertible notes, if any, is regarded anti-dilutive.

#### 14. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade and bills receivables	3,263	22,795
<i>Less: allowance for impairment loss</i>	<u>–</u>	<u>(6,000)</u>
	<u><b>3,263</b></u>	<u><b>16,795</b></u>

The Group has a policy of allowing credit period ranging from 3 to 6 months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted. The Group does not hold any collateral over the balances.

An aged analysis of trade and bills receivables, net of impairment loss recognised, at the end of reporting period, based on the invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	1,664	8,928
4 to 6 months	1,599	4,679
Over 6 months	<u>–</u>	<u>3,188</u>
At end of the year	<u><b>3,263</b></u>	<u><b>16,795</b></u>

#### 15. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables at the end of reporting period, based on the invoice date, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	319	6,907
4 to 6 months	12	–
Over 6 months	<u>4</u>	<u>157</u>
	<u><b>335</b></u>	<u><b>7,064</b></u>

The credit period on purchase of goods ranged from 60 to 90 days.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 March 2016, the Group's revenue from continuing operations was approximately HK\$19.09 million (2015: approximately HK\$11.25 million), representing an increase of approximately 69.69% as compared with last year. The revenue included approximately HK\$10.49 million from online products sales, provision of marketing, web design and maintenance services business (2015: approximately HK\$11.25 million), approximately HK\$8.17 million from trading of gold and diamond business (2015: Nil) and approximately HK\$0.43 million from Money Lending business (2015: Nil).

Gross profit from continuing operations was approximately HK\$7.71 million (2015: approximately HK\$5.53 million), representing an increase of approximately 39.42% as compared with last year. Gross profit margin was approximately 40.39% (2015: approximately 49.16%). The increase in gross profit was attributable to the contribution from the Internet Services business and the new business of the Group.

Operating loss from continuing operations and discontinued operations after tax of the Group was approximately HK\$103.39 million (2015: approximately HK\$151.17 million), representing a decrease by approximately 31.61% as compared with last year. The decrease in operating loss was mainly attributable to fair value gains and realized gains on disposal of investment in securities of approximately HK\$33.72 million (2015: realized losses of approximately HK\$7.43 million). The operating loss included the impairment loss on goodwill arising from the acquisition of Internet Services business of approximately HK\$3.70 million (2015: Nil) and an impairment loss on available-for-sale investment in respect of the investment in Pure Power Holdings Limited ("Pure Power") of approximately HK\$74.70 million (2015: approximately HK\$11.21 million).

Selling, distribution and administrative expenses incurred in continuing operations was approximately HK\$36.66 million (2015: approximately HK\$28.15 million), representing an increase of approximately 30.28% as compared with last year. The finance costs from continuing operations of the Group amounted to approximately HK\$8.94 million (2015: approximately HK\$47.19 million) which were mainly incurred on the unconvertible bonds and the promissory notes issued by the Company. The decrease in finance costs was due to reduction in debt level during the year under review.

## **BUSINESS REVIEW**

For the year ended 31 March 2016, the Group was principally engaged in the businesses of waste paper, scrap metal and consumable wastes recycling, trading of petrochemical products, online products sales, provision of marketing, web design and maintenance services, trading of gold and diamond and Money Lending.

### **Online products sales, provision of marketing, web design and maintenance business**

During the year under review, the Company disposed the entire share capital of Asian Champion Limited (the “Disposal Company”), which in turn held 90% equity interest in HKOMall Limited (the “Disposal Subsidiary”). The Disposal Subsidiary is principally engaged in the business of online products sales, web design and maintenance services in Hong Kong.

The Group had relied on the management of the Disposal Subsidiary to operate the business of the Disposal Subsidiary. However, during the process of merging the operation of the Disposal Subsidiary into the Group, there were disagreements between the Company and the management of the Disposal Subsidiary, on the business model of the Disposal Subsidiary for the shift of focus from online shopping platform to provision of website consultancy services, and non-cooperation of the management of the Disposal Subsidiary in carrying out the Group’s policies (the “Disputes”).

During the said process, the Company and the management of the Disposal Subsidiary had held several rounds of negotiation to try to resolve the Disputes. However, it was far less likely to succeed as the shareholder holding the 10% minority interest of the Disposal Subsidiary (the “Purchaser”) and the management of the Disposal Subsidiary insisted on their own perspective and standpoints. Consequently, both parties failed to reach any consensus on, including but not limited to, the assignment of a staff in charge of operation and management of the Disposal Subsidiary or the buying out of the 10% minority interest in the Disposal Subsidiary from the Purchaser. Despite the Disposal Subsidiary was profit-making for the year ended 31 December 2014, having taken into account (i) the Disputes and the inability of the Company and the management of the Disposal Subsidiary to resolve the Disputes despite the Company’s efforts; and (ii) the potential operational risk imposed on the Company resulting from the non-cooperation of the management of the Disposal Subsidiary should the Disposal Subsidiary remains as a subsidiary of the Company. The Directors considered that the disposal represented a good opportunity for the Group to exit its investment from a dispute situation at the same price. As such, the Company resolved to dispose the Disposal Company and the Disposal Subsidiary.

During the year under review, the Company was still carrying out the online products sales, provision of marketing, web design and maintenance services business in the PRC through its subsidiary, namely 麗哲貿易(上海)有限公司 (Ritz Trading (Shanghai) Company Limited\*). The revenue and operating profit before tax generated from the Internet Services was approximately HK\$3.66 million and HK\$1.79 million respectively. The business picked up a steady and upward growth. Such increase was mainly driven by the rapid growth in the online shopping market in the PRC in recent years due to, in particular, the large number of internet users, along with a dynamic mobile telecommunications sector. It therefore offers huge potential for the Internet Services.

In view of the growth of online retailing sector in the PRC aligned with the global shift towards online channels and away from physical stores, the Group will continue investing in the enhancement of the Internet Services business to increase the revenue stream of the Group.

### **Trading of gold and diamond business**

On 18 September 2015, the Group completed the acquisition of Elite Honest Inc. (“Elite Honest”) which through its wholly-owned subsidiary, H & S Creation Limited (“H&S”), is principally engaged in the business of trading of gold and diamond. The vendor of Elite Honest has irrevocably and unconditionally warranted and guaranteed to the Company that the audited net profit after tax of H&S for the financial years ended 31 December 2015 and 2016 shall be at least HK\$1.40 million and HK\$2.80 million respectively. The revenue and the operating profit before tax generated from H&S was approximately HK\$8.17 million and HK\$1.14 million respectively for the year ended 31 March 2016. As such, this business segment will continue to have positive contribution to the Group’s earnings in the coming future.

### **Money lending business**

The Group has commenced its Money Lending business in Hong Kong through a wholly-owned subsidiary, Great Luck Finance Limited (“Great Luck”). Great Luck is a company holding a money lender’s license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). For the year ended 31 March 2016, Great Luck had successfully made loans to certain clients amounting to approximately HK\$44 million in total at the average interest rate of 20% per annum. In view of the increasing demand in money lending in Hong Kong, the Group will proactively expand such business and the Directors believe that it can provide steady interest income for the Group.

\* *For identification purposes only*

## **Recycling business and trading of petrochemical products business**

During the year under review, the demand and price of recycling products from waste paper, scrap metal and consumable waste as well as the petrochemical products have continued to remain low without any sign of improvement. The gross profit of trading of petrochemical products business had been minimal owing to high operating costs and costs of raw materials, labor and manufacturing overheads. As a result, losses from such business segments recorded approximately HK\$21.67 million for the financial year ended 31 March 2016.

In view of the unsatisfactory performance of these business segments, the Group had considered the possibility of selling the recycling business if the disposal would help the Group in realising its investment and would generate cash inflow for the Group. As such, the Group entered into a sale and purchase agreement with an independent third party on 19 May 2016 to dispose the Company's equity interest in Ideal Market, which together with its wholly-owned subsidiaries are principally engaged in recycling business and trading of petrochemical products business, at a consideration of HK\$150 million (this transaction was referred to as "Possible Disposal" on page 16 of this announcement). Prior to the completion of the Possible Disposal, these business segments had been classified as discontinued operations for the year ended 31 March 2016. The revenue of discontinued operations were approximately HK\$16.97 million (2015: approximately HK\$29.77 million) and approximately HK\$8.57 million (2015: approximately HK\$11.69 million) from recycling business and trading of petrochemical products business respectively.

As the Possible Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the shareholders' approval at the general meeting of the Company which has been scheduled on 12 July 2016. Upon completion of the Possible Disposal, the Company will cease to hold any equity interest in Ideal Market and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

## **Investment in exploration and exploitation of natural resources**

In 2014, the Company acquired 10% equity interest of Pure Power, which in turn owned 100% equity interest in a company (the “Oil Company”) which is principally engaged in the exploration and exploitation of natural resources in Nevada, the United States of America. In January 2016, the Company had further acquired approximately 39.41% equity interest in Pure Power and had then been effectively interested in approximately 49.41% of the issued share capital of the Oil Company through Pure Power.

The principal assets of the Oil Company are the oil & gas rights under the federal oil and gas leases which cover an aggregate area of approximately 4,240.88 acres located in Nye County, Nevada, the United States. According to a geological and drilling report produced by Ehni Enterprises Inc., a company specialised in geological consulting, in September 2015 on one of the wells owned and operated by the Oil Company, the results from the drilling showed presence of oil/condensate and gas anomalies and significant intervals of sandstone units bearing oil/hydrocarbon which were observed down the well. Despite the drop in oil price in recent years, in view of the limited oil resources and the constant demand in oil in the long term, the Company believes that oil price will rebound once the global economy recovers. The Company will monitor the oil price closely and consider to make further investment in drilling and oil production when the upward trend of oil price is confirmed.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the year ended 31 March 2016, the Company made the following acquisitions and disposals:

### **Acquisitions**

1. On 4 September 2015, the Company and Mr. Wong Him Shun Philip, as a vendor, entered into a sale and purchase agreement, pursuant to which the vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire equity interest in Elite Honest, at a consideration of HK\$30 million by way of issuing promissory note by the Company. Elite Honest was incorporated under the laws of the British Virgin Islands with limited liability and it owns 100% equity interest in H&S. H&S is principally engaged in the business of trading of gold and diamond. The acquisition was completed on 18 September 2015.



2. On 16 October 2015, a wholly-owned subsidiary of the Company acquired the entire issued share capital of Great Luck at a consideration of HK\$1 million. Great Luck is incorporated in Hong Kong with limited liability and is a company holding a money lender's license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).
3. On 16 November 2015, the Company had, as guarantor, entered into a sale and purchase agreement with Gold Castle Group Limited (a wholly-owned subsidiary of the Company), as purchaser, and STI Financial Group Limited, as vendor, in relation to the acquisition of the entire issued share capital of STI Securities & Wealth Management Limited ("STI") which is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The completion of such acquisition is subject to, among others, the approval of the Securities and Futures Commission ("SFC") for Gold Castle Group Limited (and its beneficial owners) to become substantial shareholder(s) of STI under the Securities and Futures Ordinance. The Company had obtained such approval from the SFC on 11 April 2016 and the conditions precedent to such acquisition had been fulfilled. Pursuant to the sale and purchase agreement, Gold Castle Group Limited has applied to the SFC to nominate certain number of persons to act as new responsible officers of STI and the completion of such acquisition is subject to the approval from the SFC for change of existing responsible officers of STI.
4. On 20 November 2015, the Company as the purchaser, entered into a sale and purchase agreement with certain shareholders of Pure Power as the vendors, pursuant to which the Company had conditionally agreed to acquire and the vendors had conditionally agreed to dispose of 3,350 shares of Pure Power, representing approximately 39.41% of the issued share capital of Pure Power, which in turn owned 100% equity interest in the Oil Company, at a consideration of HK\$163 million, which was settled as to HK\$100 million by way of delivery of the promissory notes issued by the Company due in 12 months from the issue date and carrying interest of 8% per annum and as to HK\$63 million by cash. The acquisition was completed on 29 January 2016. The Company is indirectly interested in aggregate approximately 49.41% of the issued share capital of the Oil Company through Pure Power, and Pure Power became an associate of the Company.

## **Disposals**

1. On 4 June 2014, the Company, as vendor, entered into a sale and purchase agreement (the “SPA”) with Lucky East International Limited, as purchaser, pursuant to which the purchaser had agreed to acquire and the Company had agreed to sell the 9.9% of the entire issued share capital of Swift Profit International Limited (“Swift Profit”), at a consideration of HK\$66 million. On 29 January 2015 and 27 March 2015, the Company entered into two supplemental agreements with the purchaser to amend certain terms of the SPA including the postponement of completion date to 30 September 2015 and vary of payment terms. Upon completion of the disposal, Swift Profit ceased to be available-for-sale investment of the Group. The Group completed the disposal on 30 September 2015.
2. On 27 November 2015, the Group as vendor entered into a sale and purchase agreement with Ms. Chow Yan Ping as purchaser, pursuant to which the purchaser had agreed to acquire and the Company had agreed to sell the entire issued share capital of Asian Champion Limited at a consideration of HK\$58 million. Upon completion of the disposal, the Company ceased to hold any equity interest of the Asian Champion Limited and the results of Asian Champion Limited and its subsidiary were no longer consolidated into the consolidated financial statements of the Group. The disposal was completed on 4 February 2016.

## **Outlook**

The Directors will continue to enhance the Group’s businesses through review of its existing business portfolio from time to time and also seek suitable investment opportunities in the long run so as to broaden the source of income of the Group and diversify the Group’s business portfolio. For its existing businesses, the Group will allocate more resources to develop those businesses with high growth potential and will consider to divest those businesses with losses or facing intensive competition. For any potential acquisition, the Group will evaluate the management of the target company to be acquired as well as the intrinsic value of the acquisition, with an overall goal and strategy to acquire businesses with high intrinsic value at attractive price.

The Company believes that the acquisition of STI is the prime opportunity for the Company to enter the financial services industry. Following the completion of such acquisition, the Company intends to strengthen the development of the financial services business, including the provision of securities trading, advising on securities, asset management and margin financing businesses which will help diversifying the businesses, building a stronger business foundation and enlarging the source of income of the Group, thereby creating value for the shareholders of the Company.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2016, the Group's net current assets were approximately HK\$7.08 million (2015: approximately HK\$34.23 million), including cash and cash equivalents of approximately HK\$22.77 million (2015: approximately HK\$250.90 million). Total bank loans, other borrowings, convertible and unconvertible bonds and promissory notes payable amounted to approximately HK\$153.10 million as at 31 March 2016 (2015: approximately HK\$247.89 million). During the year, an aggregate principal amount of HK\$130 million of the promissory notes had been issued for the acquisitions. The Group's gearing ratio, which was net debt divided by total shareholders' equity plus net debt, as at 31 March 2016 was 0.14 (2015: 0.06).

## **SHARE CAPITAL AND CAPITAL STRUCTURE**

On 20 April 2015, the Company entered into a placing agreement with a placing agent, Southwest Securities (HK) Brokerage Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 520,000,000 placing shares of the Company to not less than six places at the placing price of HK\$0.245 per placing share under the then general mandate granted to the Directors. The placing price of HK\$0.245 per placing share represented a discount of approximately 18.33% to the closing price of HK\$0.300 per share of the Company as quoted on the Stock Exchange on 20 April 2015, being the date of the placing agreement. The placing was completed on 8 May 2015 and the Company issued 520,000,000 new shares to not less than six places. The net proceeds from the placing was approximately HK\$125.69 million, among which (i) HK\$113.12 million was used for acquisition of listed securities in Hong Kong; and (ii) HK\$12.57 million was used for the operating expenses of the Group.

On 19 August 2015, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, up to 620,000,000 placing shares of the Company to not less than six places at the placing price of HK\$0.134 per placing share under the then general mandate granted to the Directors. The placing price of HK\$0.134 per placing share represented a discount of approximately 8.84% to the closing price of HK\$0.147 per share of the Company as quoted on the Stock Exchange on 19 August 2015, being the date of the placing agreement. The placing was completed on 28 August 2015 and the Company issued 620,000,000 new shares to not less than six places. The net proceeds from the placing was approximately HK\$82.19 million, among which (i) HK\$73 million was used for acquisition of listed securities in Hong Kong; (ii) HK\$3.80 million was used for the operating expenses of the Group; and (iii) the remaining balance was deposited in bank.

On 18 September 2015, the Company issued a promissory note in the principal amount of HK\$30 million at the interest rate of 8% per annum to Mr. Wong Him Shun Philip as the consideration for the acquisition of entire issued share capital of Elite Honest.

On 29 January 2016, the Company issued a promissory note in the principal amount of HK\$100 million at the interest rate of 8% per annum to a vendor as the partial consideration for the acquisition of approximately 39.41% of the issued share capital of Pure Power.

For the year ended 31 March 2016, the Company repaid promissory notes and convertible note in the principal amounts of HK\$191.95 million and HK\$1.8 million respectively.

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly operates in Hong Kong and Mainland China, with revenues and expenditures denominated in Renminbi. During the year, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate times.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 March 2016 and 31 March 2015.

## **CAPITAL COMMITMENTS**

Except for the acquisition of the issued share capital of STI as detailed in the section “Material Acquisitions and Disposals” above and contracted, the Group had no material capital commitments authorised but not provided for as at 31 March 2016 (2015: Nil).

## **PLEDGE OF ASSETS**

As at 31 March 2016, the Group's deposits amounted to HK\$2.4 million were placed with a bank in the PRC to secure bills issued and payable by the Group which were disclosed in assets classified as held for sale when an operation was classified as discontinued. (2015: HK\$5.88 million disclosed in restricted bank deposits).

## **LITIGATION**

The Company announced that a writ of summons (the "Writ") was issued in the Court of First Instance of the High Court of Hong Kong by First Federal Capital Limited ("FDCL") against the Company and it was served on the Company by FDCL's legal adviser on 8 July 2013. In the statement of claim under the Writ, FDCL claims as the holder in due course or, alternatively, the holder for value of a promissory note with principal amount of HK\$5 million issued by the Company (the "Promissory Note") and claims for the principal amount of HK\$5 million under the Promissory Note, together with interest and costs.

The Promissory Note was issued by the Company to All Prosper Group Limited (the "Note Holder") and was due on 31 January 2013. The Company had been in negotiation with the Note Holder for extension of the maturity date for the Promissory Note but as there had been dispute between the Note Holder with FDCL on the ownership of the Promissory Note, the negotiation for extension is pending. FDCL had through its legal adviser requested the Company to register a transfer of the Promissory Note from the Note Holder to FDCL but had not delivered all necessary documents as requested by the Company and as required under the terms and conditions of the Promissory Note. The Company considered that the registration of the transfer of the Promissory Note shall only be made upon strict compliance with the terms and conditions of the Promissory Note for the interest of the Company. The Company had made enquiry to the Note Holder on the transfer of the Promissory Note to FDCL and was informed that the Note Holder had all along been the registered holder of the Promissory Note and had not effected any transfer of the Promissory Note. The Company had instructed legal adviser to contest the claim and to handle all other legal issues arising with FDCL in connection with the dispute.

The High Court had approved the consent summons (the “Consent Summons”) for settlement on 19 August 2015. Pursuant to the Consent Summons:

1. the Company had to make the payment of approximately HK\$5.72 million (with its breakdown of HK\$5 million being the principal sum stated in the Promissory Note together with the outstanding interest at a rate of 5.25% per annum calculable from 7 November 2012 to 6 August 2015 at approximately HK\$0.72 million in accordance with the terms and conditions of the Promissory Note) (the “Sum”) into the Court within 28 days from 20 August 2015;
2. all FDCL’s claims and allegations in this action against the Company shall be withdrawn and discontinued;
3. there be no order as to the costs in respect of the dispute(s) between FDCL and the Company in this action; and
4. there be no order as to the costs in respect of the Consent Summons application.

The Company had made the payment of the Sum to the Court on 31 August 2015.

## **DIVIDEND**

No dividend for the year ended 31 March 2016 (2015: Nil) is recommended by the Board.

## **EMPLOYMENT AND REMUNERATION POLICY**

During the year under review, the Group continued to strengthen its staff quality through staff development and training programmes. The Group had approximately 40 employees as at 31 March 2016 (2015: 41). Remunerations are commensurate with the nature of job, staff experience and market conditions.

## SIGNIFICANT INVESTMENTS

During the year, the Group had the following significant investments in equity securities listed on the Stock Exchange which were classified as available-for-sale investments:

Name (Stock Code)	Principal Business	Unrealized gain/(loss) on fair change for the year ended 31 March 2016 <i>HK\$ millions</i>	Market value as at 31 March 2016 <i>HK\$ millions</i>	% of shareholding held as at 31 March 2016	% of net assets as at 31 March 2016
China National Culture Group Limited (745)	Provision of advertising media services, e-commerce, film production and distribution	(10.89)	19.56	3.32%	1.78%
RCG Holdings Limited (802)	Trading of biometric and RFID products, solutions services, internet and mobile applications services and commodities trading	12.60	35.70	4.59%	3.25%
China Jicheng Holdings Limited (1027)	Manufacture and sale of POE umbrellas, nylon umbrellas and umbrellas parts	300.37	332.13	1.86%	30.25%
China Southern Airlines Company Limited (1055)	Provision of services of domestic, international and regional scheduled and unscheduled air transportation of passenger, cargo, mail and baggage, general aviation and aircraft maintenance	(0.51)	2.20	0.02%	0.20%
Suncorp Technologies Limited (1063)	Sale and marketing of residential telephone products under its license arrangement with Motorola brand	(4.74)	24.22	1.11%	2.21%
Lerado Financial Group Company Limited (1225)	Provision of financial services, manufacturing and distributing children plastic toys and medical care products	(0.42)	8.07	1.53%	0.74%
Capital VC Limited (2324)	Investment in listed and unlisted companies	(5.12)	5.89	2.27%	0.54%
WLS Holdings Limited (8021)	Provision of scaffolding and fitting out services, management contracting services, other services for construction and buildings work and money lending	42.09	116.68	2.81%	10.63%
GreaterChina Professional Services Limited (8193)	Provision of asset advisory services and asset appraisal, corporate services and consultancy, media advertising and financing services	0.67	38.43	1.24%	3.50%
L & A International Holdings Limited (8195)	Manufacture, sale and retailing of garment products	109.31	222.03	1.73%	20.22%
<b>Total</b>		<b>443.36</b>	<b>804.91</b>		

During the year under review, the Group's securities investment business recorded a realized gain of approximately HK\$33.72 million (2015: realized loss of approximately HK\$7.43 million) and a net unrealized gain of approximately HK\$443.36 million (2015: approximately HK\$80.59 million). As at 31 March 2016, the market value of the listed securities being held by the Group is approximately HK\$804.91 million in value (2015: approximately HK\$127.59 million).

The Company will adopt a diversified investment strategy to generate long-term returns for the shareholders of the Company while avoiding concentration risk and maintaining reasonable spread of the Group's investments by investing in both short and long term Hong Kong listed securities, including initial public offering securities. The targets of the investment portfolio cover a wide range of business sectors, including but not limited to, companies engaged in manufacturing, construction and buildings work, advertising, financial services, money lending, aviation, investment and retailing sectors.

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Own Code"). Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Own Code during the year under review.

## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 March 2016, except for the code provisions A.2.1, A.4.1 and E.1.2:



### **Code provision A.2.1**

This code stipulates that the roles of chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Currently, Ms. Chen Tong (“Ms. Chen”) holds the offices of Chairman and Chief Executive Officer of the Company. Ms. Chen has extensive experience in management and over 30 years’ business experience. The Board believes that it is in the interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group’s development and planning, as well as to execute business strategies of the Group.

### **Code provision A.4.1**

This code provision stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Ms. Zhang Ruisi, an independent non-executive Director, is engaged for a term of one year, which is automatically renewable for successive terms of one year upon the expiry of the then current term; whereas the other independent non-executive Directors, namely Mr. Tse Kwong Chan and Ms. Zhou Jue, are not appointed for a specific term. However, all of the independent non-executive Directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting pursuant to the Company’s Bye-laws. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

### **Code provision E.1.2**

This code provision stipulates that the chairman of a listed issuer should attend the issuer’s annual general meeting. Ms. Chen Tong, the Chairman of the Board, was unable to attend the Company’s annual general meeting held on 31 August 2015 since she was overseas at that time.

The code provision also stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders’ approval. At the Company’s special general meeting held on 3 July 2015 in respect of the approval of the refreshment of general mandate (details of such transaction were set out in the Company’s circular dated 12 June 2015), the independent board committee members were not present. However, the Company’s management was arranged to answer questions from the independent shareholders at the meeting.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three members, being the three independent non-executive Directors, namely Ms. Zhang Ruisi (Chairman of the Audit Committee), Mr. Tse Kwong Chan and Ms. Zhou Jue. The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 March 2016 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

## **REVIEW OF FINANCIAL INFORMATION**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Cheng & Cheng Limited on the preliminary announcement.

## **PUBLICATION OF THE AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.986.com.hk>). The annual report for the year ended 31 March 2016 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By Order of the Board

**China Environmental Energy Investment Limited**

**Chen Tong**

*Chairman*

Hong Kong, 28 June 2016

*As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Chen Tong (Chairman) and Mr. Xiang Liang; and three independent non-executive Directors, namely Ms. Zhang Ruisi, Mr. Tse Kwong Chan and Ms. Zhou Jue.*

\* *For identification purposes only*