



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)



2017/18
Interim Report

*For identification purposes only

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CORPORATE INFORMATION

Executive Directors

- Ms. Xie Yan
(*Chairlady and Chief Executive Officer*)
(appointed on 10 October 2017)
- Ms. Hong Jingjuan
(appointed on 6 March 2017)
- Ms. Chen Tong
(*Chairman and Chief Executive Officer*)
(resigned on 10 October 2017)
- Mr. Xiang Liang
(resigned on 10 October 2017)

Independent Non-executive Directors

- Mr. Tse Kwong Chan
- Mr. Yiu To Wa
(appointed on 31 July 2017)
- Mr. Lau Leong Yuen
(appointed on 31 July 2017)
- Ms. Zhang Ruisi
(retired on 11 September 2017)
- Ms. Zhou Jue
(retired on 11 September 2017)

Company Secretary

- Ms. Wan Wai Sum
(appointed on 1 September 2017)
- Ms. Cheng Suk Kuen
(resigned on 1 September 2017)

Audit Committee

- Mr. Yiu To Wa (*Chairman*)
(appointed on 31 July 2017)
- Mr. Tse Kwong Chan
- Mr. Lau Leong Yuen
(appointed on 31 July 2017)
- Ms. Zhang Ruisi (*Chairman*)
(retired on 11 September 2017)
- Ms. Zhou Jue
(retired on 11 September 2017)

Remuneration Committee

- Mr. Tse Kwong Chan (*Chairman*)
- Ms. Xie Yan
(appointed on 10 October 2017)
- Mr. Lau Leong Yuen
(appointed on 31 July 2017)
- Mr. Xiang Liang
(resigned on 10 October 2017)
- Ms. Zhou Jue
(retired on 11 September 2017)

Nomination Committee

- Mr. Yiu To Wa (*Chairman*)
(appointed on 31 July 2017)
- Mr. Tse Kwong Chan
- Ms. Xie Yan
(appointed on 10 October 2017)
- Mr. Xiang Liang
(resigned on 10 October 2017)
- Ms. Zhang Ruisi (*Chairman*)
(retired on 11 September 2017)

Auditor

Cheng & Cheng Limited
10/F, Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

Legal Advisor

Li, Wong, Lam & W.I. Cheung
22/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION (CONTINUED)

Head Office and Principal Place of Business

Room 910, 9/F, Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

Principal Bankers

China Construction Bank (Asia)
Corporation Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of
China Limited
Wing Lung Bank Limited

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Website

<http://www.986.com.hk>

Stock Code

986

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of China Environmental Energy Investment Limited (the “**Company**”) hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and during the six months ended 30 September 2017, the Group was principally engaged in the businesses of internet services, trading of gold and diamond, money lending and financial services.

RESULTS

The Group’s results for the six months ended 30 September 2017 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 17 to 48.

FINANCIAL REVIEW

For the six months ended 30 September 2017, the Group’s revenue was approximately HK\$13.56 million, representing a decrease of approximately HK\$29.58 million or 68.57% as compared to approximately HK\$43.14 million of corresponding period of 2016. The revenue included approximately HK\$1.16 million from online products sales, provision of marketing, web design and maintenance services (the “**Internet Services**”) business (2016: HK\$1.12 million), approximately HK\$8.21 million from trading of gold and diamond business (2016: HK\$33.80 million), approximately HK\$3.88 million from money lending business (2016: HK\$8.22 million) and approximately HK\$0.32 million from provision of financial advisory and intermediary services (the “**Financial Services**”) business that the Group had acquired in August 2016 (2016: Nil).

Gross profit was approximately HK\$5.36 million (2016: HK\$11.21 million). Gross profit margin was approximately 39.53% (2016: 25.99%). The decrease in gross profit was due to the decrease in revenue generated trading of gold and diamond business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Operating loss after tax of the Group was approximately HK\$332.37 million (2016: operating profit of approximately HK\$187.21 million consists of profit from continuing operations of HK\$129.33 million and profit from discontinuing operation of HK\$57.88 million). The change from operating profit to operating loss was mainly due to, including but not limited to (a) the decrease in revenue generated from trading of gold and diamond business of approximately HK\$25.59 million; (b) the net disposal loss of investment in equity securities of approximately HK\$68.47 million (2016: net disposal profit of approximately HK\$155.01 million); (c) the impairment loss on available-for-sale investments of approximately HK\$218.44 million (2016: Nil); and (d) the impairment loss on goodwill of approximately HK\$28.84 million (2016: HK\$9.70 million) arising from the Internet Services business for the six months ended 30 September 2017.

Selling, distribution and administrative expenses were approximately HK\$15.57 million (2016: HK\$19.47 million), representing a decrease of approximately 20.03% as compared with the same period last year. The finance costs of the Group amounted to approximately HK\$2.18 million (2016: HK\$5.79 million) which were mainly incurred on the unconvertible bonds and the promissory notes issued by the Company.

BUSINESS REVIEW

The Group was principally engaged in the businesses of Internet Services, trading of gold and diamond, money lending and Financial Services.

Internet services business

During the period under review, the revenue generated from the Internet Services business was approximately HK\$1.16 million (2016: HK\$1.12 million). The revenue of the Internet Services business was mainly attributed from the market of Mainland China. The slightly increase of approximately 3.57% as compared with the same period last year was due to the unsustainable growth of the market. This business segment will likely continue to face challenges, competition and uncertainties in the coming years. Any events that result in a reduction in online retail and e-commerce customers could materially and adversely affect the Group's ability to maintain or increase current level of revenue, profitability and positive cash flow from operating activities in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Trading of gold and diamond business

During the period under review, Elite Honest Inc., a subsidiary of the Company, which through its wholly-owned subsidiary, H & S Creation Limited (“**H&S**”), was principally engaged in the business of trading of gold and diamond. The revenue and the operating profit before tax of H&S for the six months ended 30 September 2017 were approximately HK\$8.21 million and HK\$0.97 million respectively (2016: HK\$33.80 million and HK\$1.56 million respectively). The decrease of approximately HK\$25.59 million in revenue was mainly due to the intense competition in the market. As a result, H&S changed its strategy to focus on selling to the customers which can generate high margin and resulted a higher gross profit from 3.85% for the six months ended 30 September 2016 to 8.04% for the same period in 2017. The Group expects this business segment will continue to face more challenges in the coming years.

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**”) since March 2016. Great Luck is a company holding a money lender’s license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the period under review, Great Luck had made loans to certain borrowers amounting to HK\$50 million in total at the average interest rate of 20% per annum. For the six months ended 30 September 2017, interest income from money lending was approximately HK\$3.88 million (2016: HK\$8.22 million). In view of the increasing demand in money lending in Hong Kong, the Group will proactively expand such business as the Directors believe that it will provide steady interest income for the Group and has been one of the focal businesses of the Group.

Financial services business

The Group had commenced its Financial Service business in Hong Kong through a wholly-owned subsidiary, C.E. Securities and Asset Management Limited (“**C.E. Securities**”) since August 2016. C.E. Securities contributed approximately HK\$0.32 million to the Group’s revenue for the six months ended 30 September 2017 (2016: Nil). The Board continue believe that the outlook of the financial services sector is positive. It is expected that C.E. Securities will also participate in providing other financial services, including but not limited to providing securities brokerage and asset management businesses, and will generate more income for the Group and enhance the shareholders’ value.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Investment in exploration and exploitation of natural resources

During the period under review, Pure Power Holdings Limited, an associate of the Group, owned 100% equity interest in a company which is principally engaged in the exploration and exploitation of natural resources in Nevada, the United States of America since January 2016. The Group shared the loss of an associate of approximately HK\$0.18 million (2016: HK\$1.72 million). No impairment was made for the investment in an associate, the crude oil price has risen steadily and the Board is anticipating the recovery of oil industry in the coming years.

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 on an on-going basis.

VERY SUBSTANTIAL ACQUISITION AND VERY SUBSTANTIAL DISPOSAL

On 27 March 2017, the Company (through its wholly-owned subsidiary) entered into a subscription agreement with the Henghua Global Fund SPC (the "**Fund Company**") with respect to a subscription of Class B Shares in the Henghua Global New Opportunity Fund SP II (the "**Fund**"). Please refer to the announcement of the Company dated 27 March 2017 and circular of the Company dated 11 May 2017 for further details. The shareholders of the Company (the "**Shareholders**") had approved the resolution for approving the subscription (including the transfer of listed securities) at the special general meeting of the Company on 29 May 2017. The completion of the subscription (the "**Completion**") had taken place on 21 June 2017. At Completion, the Company subscribed for approximately 260,297 Class B Shares of the Fund based on an aggregate market value of the listed securities of approximately HK\$260.30 million. Please refer to the announcement dated 3 July 2017. Such investment in the Fund is accounted for available-for-sale investments in the Group's financial statements upon the Completion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SHARE CAPITAL AND CAPITAL STRUCTURE

On 11 July 2017, the Company entered into a deed of settlement with Mr. Xiong Wei (the **"First Promissory Notes Holder"**), a holder of the promissory notes with principal amounts and accrued interests of approximately HK\$16.36 million issued by the Company on 29 January 2016, pursuant to which the Company has agreed to settle the outstanding amount of promissory notes and accrued interests thereon by issue of 62,910,000 ordinary shares under the general mandate of the Company (the **"First Settlement Shares"**) of par value of HK\$0.10 each in the share capital of the Company at the issue price of HK\$0.26 per First Settlement Share to the First Promissory Notes Holder. Such settlement was completed on 24 July 2017. For further details of the First Settlement Shares, please refer to the announcement of the Company dated 11 July 2017.

On 31 October 2017, the Company entered into a deed of settlement with Mr. Wong Him Shun Philip (the **"Second Promissory Notes Holder"**), a holder of the promissory notes with principal amounts and accrued interests of approximately HK\$35 million issued by the Company on 18 September 2015, pursuant to which the Company has agreed to settle the outstanding amount of promissory notes and accrued interests thereon by issue of 87,000,000 ordinary shares under the general mandate of the Company (the **"Second Settlement Shares"**) of par value of HK\$0.10 each in the share capital of the Company at the issue price of HK\$0.40 per Second Settlement Share to the Second Promissory Notes Holder. Such settlement was completed on 13 November 2017. For further details of the Second Settlement Shares, please refer to the announcement of the Company dated 31 October 2017.

Save as disclosed above, there was no other change in the share capital and capital structure of the Company during the six month period ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS

During the six months ended 30 September 2017, the Group's securities investment recorded a net disposal loss of approximately HK\$68.47 million (2016: net disposal gain of approximately HK\$155.01 million). In addition, the Group recorded an approximately HK\$209.95 million of impairment loss of the fair value of the equity investment fund, which was the Fund subscribed on 21 June 2017, and also recorded an approximately HK\$8.49 million of impairment loss of the market value of the listed securities as 11,784,000 shares of Lerado Financial Group Company Limited (a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code: 1225) (the "**Lerado Financial**") held by the Group as at 30 September 2017, which was suspended from trading its shares with effect from 6 June 2017. Furthermore, the unrealised loss on investment was nil (2016: unrealised loss of approximately HK\$4.76 million) as the Group disposed all its listed securities, apart from the shares of Lerado Financial, during the six months ended 30 September 2017.

On 28 June 2017, the Group disposed a total of 17,840,000 shares of Luen Wong Group Holdings Limited, (a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange with stock code: 8217) ("**Luen Wong**"). The aggregate gross sale proceeds of the disposal is approximately HK\$18.66 million (excluding transaction costs), which is receivable in cash on settlement and the net disposal loss is approximately HK\$534.79 million. For further details, please refer to the announcement of the Company dated 29 June 2017 and the table on page 10 of this report.

As at 30 September 2017, the market value of the listed securities held by the Group was nil (31 March 2017: approximately HK\$770.66 million) and the fair value of the equity investment fund was HK\$50.35 million (31 March 2017: Nil).

The Group will continue to adopt a diversified investment strategy and monitor the performance of the Group's investments with reference to the advice from investment professionals to achieve better shareholders' return.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS (CONTINUED)

During the six months ended 30 September 2017, the Group had the following significant investments in equity securities listed on the Stock Exchange which were classified as available-for-sale investments:

Company name	Stock Code	Principal activities	Number of shares disposed	Realised profit/(loss) on fair value change for the period HK\$'000	Realised revaluation reserve to profit or loss for the period HK\$'000	Total realised profit/(loss) on fair value change HK\$'000	Reasons for realised loss on fair value change for the period
China e-Wallet Payment Group Limited	802	Provision of biometric and RFID products and solutions services, internet and mobile application and related services	58,000,000	(7,420)	23,798	16,378	To optimise the investment portfolio
China Jicheng Holdings Limited	1027	Manufacture and sale of POE umbrellas, nylon umbrellas and umbrellas parts	578,470,000	(103,718)	507,194	403,476	To optimise the investment portfolio
WLS Holdings Limited	8021	Provision of scaffolding and fitting out services, management contracting services, other services for construction and buildings work and money lending business and securities investment business	524,010,000	(48,342)	80,189	31,847	To optimise the investment portfolio
GreaterChina Professional Services Limited	8193	Provision of asset advisory services and asset appraisal, corporate services and consultancy, media advertising and financing services	69,745,000	25,472	(633)	24,839	To optimise the investment portfolio
Luen Wong Group Holdings Limited	8217	Provision of civil engineering works and investment holding	17,840,000	(320,299)	(214,494)	(534,793)	To stop loss
Tai Kam Holdings Limited	8321	Provision of slope works and construction works	3,420,000	(13,680)	33,533	19,853	To optimise the investment portfolio
Others	N/A	N/A	N/A	(10,487)	(19,581)	(30,068)	To stop loss
				(478,474)	410,006	(68,468)	

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group's net current assets were approximately HK\$14.43 million (31 March 2017: net current liabilities of approximately HK\$21.42 million), including cash and cash equivalents of approximately HK\$8.19 million (31 March 2017: HK\$66.97 million). The amounts of loan and interest payables, unconvertible bonds and promissory notes payable were HK\$45.87 million as at 30 September 2017 (31 March 2017: HK\$173.81 million). The Group's gearing ratio, which was net debt divided by total shareholders' equity plus net debt, as at 30 September 2017 was 0.16 (31 March 2017: 0.11).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and Mainland China, with revenues and expenditures mainly denominated in Renminbi. During the six months ended 30 September 2017, the Group did not enter into any derivative contracts aimed at minimizing 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 30 September 2017 and 31 March 2017.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2017.

PLEDGE OF ASSETS

As at 30 September 2017 and 31 March 2017, the Group did not have any pledge on its assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the period under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 28 employees as at 30 September 2017 (31 March 2017: 35). Remunerations are commensurate with the nature of the job, experience and market conditions.

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 Company's listed securities during the six months ended 30 September 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors (the "**INED(s)**"), Mr. Lau Leong Yuen, Mr. Tse Kwong Chan and Mr. Yiu To Wa. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and has reviewed the Company's unaudited condensed consolidated financial statements for the period ended 30 September 2017 and discussed financial and internal control, and financial reporting matters of the Company.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the CG Code during the six months ended 30 September 2017, except for the code provisions A.2.1 and A.4.1:

Code provision A.2.1

This code provision 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. Xie Yan ("**Ms. Xie**") holds the offices of chairman and chief executive officer of the Company. Ms. Xie has an extensive experience in the field of management, property investment, finance, auditing, accounting and taxation. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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. Mr. Lau Leong Yuen and Mr. Yiu To Wa who are the new INEDs and both appointed on 31 July 2017 and Ms. Zhang Ruisi, an INED who retired on 31 July 2017, are engaged for a term of one year, which is automatically renewable for successive term of one year upon the expiry of the then current term; whereas the other INEDs, namely Mr. Tse Kwong Chan and Ms. Zhou Jue who retired on 31 July 2017, were not appointed for a specific term. However, all of the INEDs are subject to retirement by rotation and re-election by the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), Appendix 10 to the Listing Rules, as its own code of conduct regarding directors' dealings in the securities of the Company. Having made specific enquiry, all Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2017.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "**Relevant Employees**") in respect of their dealings in the securities of the Company (the "**Written Guidelines**") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines by the employees was noted by the Company during the six months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors nor their respective close associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors nor their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the six months ended 30 September 2017, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company were granted to any Director of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their close associates, to acquire such benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Xiong Wei	Beneficial owner	62,910,000	14.39%

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 September 2017. As at 30 September 2017, the number of issued shares of the Company was 437,138,640 shares of HK\$0.1 each.

Save as disclosed above, as at 30 September 2017, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CORPORATE COMMUNICATIONS

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications*. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders may also send such a notice by email to chinaenvenenergy-ecom@hk.tricorglobal.com.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

* The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.

On behalf of the Board

Xie Yan

Chairlady

Hong Kong

29 November 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Continuing Operations			
Revenue	4	13,563	43,136
Cost of sales		(8,203)	(31,925)
Gross profit		5,360	11,211
Investment and other income	5	5	38
Other gains and losses	6	(319,520)	145,697
Selling and distribution expenses		(154)	—
Administrative expenses		(15,417)	(19,472)
Finance costs	7	(2,181)	(5,788)
Share of loss of an associate		(179)	(1,722)
(Loss)/profit before taxation	8	(332,086)	129,964
Taxation	9	(284)	(638)
(Loss)/profit for the period from continuing operations		(332,370)	129,326
Discontinued Operations			
Profit for the period from discontinued operations	10	—	57,884
(Loss)/profit for the period		(332,370)	187,210

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on:		
Translation of foreign operations	38	(528)
Transferred to profit or loss on disposal of subsidiaries	—	6,697
	38	6,169
Available-for-sale investments		
Reclassification adjustments for amounts transferred to profit or loss:		
— gain on disposal	(410,007)	(176,315)
— impairment loss	7,126	—
Decrease in fair value	—	(4,755)
	(402,881)	(181,070)
Other comprehensive expense for the period	(402,843)	(174,901)
Total comprehensive (expense)/income for the period	(735,213)	12,309

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
(Loss)/profit for the period from continuing operations attributable to:		
Owners of the Company	(332,370)	129,326
Non-controlling interests	—	—
	(332,370)	129,326
Profit/(loss) for the period from discontinued operations attributable to:		
Owners of the Company	—	57,928
Non-controlling interests	—	(44)
	—	57,884
(Loss)/profit for the period from continuing and discontinued operations attributable to:		
Owners of the Company	(332,370)	187,254
Non-controlling interests	—	(44)
	(332,370)	187,210

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 September 2017

	Note	Six months ended 30 September	
		2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(735,213)	12,202
Non-controlling interests		—	107
		(735,213)	12,309
			(restated)
(Loss)/earnings per share	12		
From continuing and discontinued operations			
Basic/Diluted		(HK\$0.84)	HK\$0.50
From continuing operations			
Basic/Diluted		(HK\$0.84)	HK\$0.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Non-current assets			
Property, plant and equipment		6,882	8,686
Goodwill	13	23,374	52,214
Intangible assets		13,922	13,922
Interest in an associate	14	200,943	201,122
Available-for-sale investments	15	50,349	770,657
		295,470	1,046,601
Current assets			
Trade receivables	16	710	6,054
Loan and interest receivables		54,164	85,427
Other receivables, prepayments and deposits paid		7,075	5,994
Cash deposits held by securities brokers		2,032	79
Bank balances and cash		8,185	66,972
		72,166	164,526
Current liabilities			
Trade payables	17	2,059	425
Loan and interest payables		1,001	—
Other payables and accruals		18,506	20,794
Promissory notes payable		34,892	143,070
Unconvertible bonds		—	20,585
Income tax payable		1,274	1,068
		57,732	185,942
Net current assets/(liabilities)		14,434	(21,416)
Total assets less current liabilities		309,904	1,025,185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2017

	Note	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Non-current liabilities			
Deferred tax liabilities		2,297	2,297
Unconvertible bonds		9,972	10,151
Total non-current liabilities		12,269	12,448
Net assets		297,635	1,012,737
Capital and reserves			
Share capital	18	43,714	37,423
Share premium and reserves		253,921	975,314
Total equity		297,635	1,012,737

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Investments revaluation reserve	Exchange reserve	Capital redemption reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 Mar 2016 and 1 April 2016	37,423	2,601,203	2,031	523,947	2,647	464	(2,067,351)	1,100,364	(2,472)	1,097,892
Profit for the period	–	–	–	–	–	–	187,254	187,254	(44)	187,210
Other comprehensive income/ (expense)										
Exchange difference arising from translation of foreign operations	–	–	–	–	(679)	–	–	(679)	151	(528)
Decrease in fair value of available-for-sale investments	–	–	–	(4,755)	–	–	–	(4,755)	–	(4,755)
Gain transferred from other comprehensive income to profit or loss on disposal of listed equity securities held for investment	–	–	–	(176,315)	–	–	–	(176,315)	–	(176,315)
Transferred to profit or loss on disposal of subsidiaries	–	–	–	–	6,697	–	–	6,697	–	6,697
Total comprehensive income for the period	–	–	–	(181,070)	6,018	–	187,254	12,202	107	12,309
Disposal of subsidiaries	–	–	–	–	–	–	–	–	2,365	2,365
At 30 Sep 2016 (Unaudited)	37,423	2,601,203	2,031	342,877	8,665	464	(1,880,097)	1,112,566	–	1,112,566
At 31 Mar 2017 and 1 April 2017	37,423	2,601,203	2,031	402,881	8,621	464	(2,039,886)	1,012,737	–	1,012,737
Loss for the period	–	–	–	–	–	–	(332,370)	(332,370)	–	(332,370)
Other comprehensive (expense)/ income										
Exchange difference arising from translation of foreign operations	–	–	–	–	38	–	–	38	–	38
Impairment loss recognised on available-for-sale investments	–	–	–	7,126	–	–	–	7,126	–	7,126
Gain transferred from other comprehensive income to profit or loss on disposal of listed equity securities held for investment	–	–	–	(410,007)	–	–	–	(410,007)	–	(410,007)
Total comprehensive expenses for the period	–	–	–	(402,881)	38	–	(332,370)	(735,213)	–	(735,213)
Issue of shares upon placing of shares	6,291	13,840	–	–	–	–	–	20,131	–	20,131
Share issue expenses	–	(20)	–	–	–	–	–	(20)	–	(20)
At 30 Sep 2017 (Unaudited)	43,714	2,615,023	2,031	–	8,659	464	(2,372,256)	297,635	–	297,635

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Net cash generated from/(used in) operating activities	26,401	(91,044)
Net cash generated from investing activities	30,519	77,655
Net cash used in financing activities	(113,764)	(500)
Net decrease in cash and cash equivalents	(56,844)	(13,889)
Cash and cash equivalents at beginning of the period	67,051	22,773
Effects of exchange rate changes	10	(1)
Cash and cash equivalents at end of the period (Note)	10,217	8,883
Note:		
Cash and cash equivalents at end of the period represented by:		
Cash deposits held by securities brokers	2,032	458
Bank balances and cash	8,185	8,425
	10,217	8,883

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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. The unaudited consolidated interim financial statements for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and comply with the provisions set out in Appendix 16 to the Listing Rules. The unaudited consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report of the Company for the year ended 31 March 2017.

2. BASIS OF PREPARATION

The unaudited consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual report of the Company for the year ended 31 March 2017, except for the accounting policy changes that mentioned in note 3.

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

The unaudited consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group and the Group's interest in an associate since the issuance of the annual financial statements for the year ended 31 March 2017.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued certain amendments to HKFRSs which are first effective for the current accounting period of the Group. The amendments do not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

The Group's operating and reportable segments are based on the types of products manufactured and services rendered. The Group has identified the following six reportable segments.

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
Financial Services:	provision of financial advisory and intermediary services

Discontinued Operations

Wastes Recycling:	waste paper, scrap metal and consumable wastes recycling
Trading of Petrochemical Products:	purchase and sale of petrochemical products

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (CONTINUED)

(a) Revenue

Revenue from continuing operations and discontinued operations for the period which are allocated with reference to sales and services generated by the reportable segments are as follows:

	Continuing Operations Six months ended 30 Sep		Discontinued Operations Six months ended 30 Sep		Total Six months ended 30 Sep	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Sales of recycled materials	—	—	—	1,007	—	1,007
Sales of petrochemical products	—	—	—	—	—	—
Sales of gold and diamond	8,206	33,797	—	—	8,206	33,797
Income from Internet Services	1,157	1,122	—	—	1,157	1,122
Interest income from Money Lending	3,878	8,217	—	—	3,878	8,217
Service income from Financial Services	322	—	—	—	322	—
	13,563	43,136	—	1,007	13,563	44,143

During the period, revenue generated by geographic market is as follows:

	Hong Kong		The People's Republic of China ("PRC")		Other		Total	
	Six months ended 30 Sep	2016 Unaudited HK\$'000	Six months ended 30 Sep	2016 Unaudited HK\$'000	Six months ended 30 Sep	2016 Unaudited HK\$'000	Six months ended 30 Sep	2016 Unaudited HK\$'000
Segment revenue	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue from external customers	5,244	34,668	5,035	9,224	3,284	251	13,563	44,143

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (CONTINUED)

(b) Analysis of segment revenue and result

For the six months ended 30 September 2017 (Unaudited)

	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Financial Services HK\$'000	Total HK\$'000
Segment revenue:					
Revenue from external customers	1,157	8,206	3,878	322	13,563
Net Segment Result:					
Segment result	(351)	969	(417)	(3,180)	(2,979)
Impairment loss recognised on goodwill	(28,840)	—	—	—	(28,840)
	(29,191)	969	(417)	(3,180)	(31,819)
Impairment loss recognised on available-for-sale investments					(218,441)
Realised loss on disposal of listed equity securities held for investment					(478,473)
Gain transferred from other comprehensive income to profit or loss on disposal of listed equity securities held for investment					410,007
Loss on settlement of promissory note by issue of shares					(3,773)
Share of loss of an associate					(179)
Other unallocated income					4,292
Other unallocated expenses					(11,519)
Finance costs					(2,181)
Loss before taxation					(332,086)
Taxation					(284)
Loss for the period					(332,370)

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (CONTINUED)

(b) Analysis of segment revenue and result (Continued)

For the six months ended 30 September 2016 (Unaudited)

	Continuing Operations				Discontinued Operations			Total HK\$'000
	Internet Services HK\$'000	Gold and Diamond HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Wastes Recycling HK\$'000	Trading of Petrochemical Products HK\$'000	Sub-total HK\$'000	
Segment revenue:								
Revenue from external customers	1,122	33,797	8,217	43,136	1,007	–	1,007	44,143
Segment result	764	1,556	7,591	9,911	(1,749)	–	(1,749)	8,162
Impairment loss recognised on goodwill	(9,700)	–	–	(9,700)	–	–	–	(9,700)
	(8,936)	1,556	7,591	211	(1,749)	–	(1,749)	(1,538)
Interest income								9
Dividend income								38
Gain on disposal of subsidiaries								59,784
Gain on disposal of non-listed securities								390
Gain transferred from other comprehensive income to profit or loss on disposal of listed equity securities held for investment								176,315
Realised loss on disposal of listed equity securities held for investment								(21,308)
Share of loss of an associate								(1,722)
Other unallocated expenses								(18,172)
Finance costs								(6,368)
Profit before taxation								187,428
Taxation								(218)
Profit for the period								187,210

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (CONTINUED)

(c) Analysis of segment assets and liabilities

As at 30 September 2017 (Unaudited)

	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Financial Services HK\$'000	Total HK\$'000
Assets and liabilities					
Segment assets					
— Hong Kong	166	27,014	55,165	16,379	98,724
— PRC	723	—	—	—	723
	889	27,014	55,165	16,379	99,447
Available-for-sale investments					50,349
Interest in an associate					200,943
Unallocated corporate assets					16,897
Consolidated total assets					367,636
Segment liabilities:					
— Hong Kong	—	658	50,993	2,059	53,710
— Elimination of loan payables	—	—	(50,993)	—	(50,993)
— PRC	132	—	—	—	132
	132	658	—	2,059	2,849
Promissory notes payable					34,892
Unconvertible bonds					9,972
Unallocated corporate liabilities					22,288
Consolidated total liabilities					70,001

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (CONTINUED)

(c) Analysis of segment assets and liabilities (continued)

As at 31 March 2017 (Audited)

	Internet Services HK\$'000	Trading of Gold and Diamond HK\$'000	Money Lending HK\$'000	Financial Services HK\$'000	Total HK\$'000
Assets and liabilities					
Segment assets					
— Hong Kong	1,874	28,799	86,427	16,499	133,599
— PRC	30,270	—	—	—	30,270
	<u>32,144</u>	<u>28,799</u>	<u>86,427</u>	<u>16,499</u>	<u>163,869</u>
Available-for-sale investments					770,657
Interest in an associate					201,122
Unallocated corporate assets					<u>75,479</u>
Consolidated total assets					<u>1,211,127</u>
Segment liabilities:					
— Hong Kong	1,068	2,236	81,739	124	85,167
— Elimination of loan payables	—	—	(81,700)	—	(81,700)
— PRC	424	—	—	—	424
	<u>1,492</u>	<u>2,236</u>	<u>39</u>	<u>124</u>	<u>3,891</u>
Promissory notes payable					143,070
Unconvertible bonds					30,736
Unallocated corporate liabilities					<u>20,693</u>
Consolidated total liabilities					<u>198,390</u>

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

4. SEGMENT INFORMATION (CONTINUED)

(c) Analysis of segment assets and liabilities (continued)

As at 31 March 2017 (Audited)

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, cash deposits held by securities brokers and bank balances and cash, available-for-sale investments, interest in an associate, certain other receivables, prepayments and deposits paid 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, income tax payable, unconvertible bonds and liabilities for which reportable segments are jointly liable. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

5. INVESTMENT AND OTHER INCOME

	Continuing Operations Six months ended 30 September		Discontinued Operations Six months ended 30 September		Total Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Bank interest income	—	—	—	9	—	9
Dividend income	—	38	—	—	—	38
Other	5	—	—	95	5	95
	5	38	—	104	5	142

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

6. OTHER GAINS AND LOSSES

	Continuing Operations Six months ended 30 September		Discontinued Operations Six months ended 30 September		Total Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Gain transferred from other comprehensive income to profit or loss on disposal of listed equity securities held for investment	410,007	176,315	—	—	410,007	176,315
Realised loss on disposal of listed equity securities held for investment	(478,473)	(21,308)	—	—	(478,473)	(21,308)
Gain on disposal of non-listed securities	—	390	—	—	—	390
Loss on settlement of promissory note by issue of shares (Note a)	(3,773)	—	—	—	(3,773)	—
Amortisation of intangible assets	—	—	—	(1,665)	—	(1,665)
Impairment loss recognised on goodwill (Note 13)	(28,840)	(9,700)	—	—	(28,840)	(9,700)
Impairment loss recognised on available-for-sale investments (Note b)	(218,441)	—	—	—	(218,441)	—
Gain on disposal of subsidiaries	—	—	—	59,784	—	59,784
Total	(319,520)	145,697	—	58,119	(319,520)	203,816

Notes:

- (a) The loss arising from the fair value of shares allotted on 24 July 2017 (Note 18(b)) exceeded the carrying amount of promissory note settled.
- (b) The impairment loss consists of (i) approximately HK\$209,948,000 impairment loss (Note 15) of equity investment fund and (ii) approximately HK\$8,493,000 impairment loss of equity securities listed in Hong Kong which included approximately HK\$1,367,000 (Note 15) from carrying amount of equity securities listed in Hong Kong and approximately HK\$7,126,000 of unrealised loss transferred from investment revaluation reserve.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

7. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2017	2016	2017	2016	2017	2016
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on:						
Bank borrowings	—	—	—	580	—	580
Promissory notes payables	2,181	5,214	—	—	2,181	5,214
Imputed interest on unconvertible bonds	—	574	—	—	—	574
	2,181	5,788	—	580	2,181	6,368

8. (LOSS)/PROFIT BEFORE TAXATION

	Continuing Operations		Discontinued Operations		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2017	2016	2017	2016	2017	2016
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' emoluments)	7,496	5,892	—	164	7,496	6,056
Cost of inventories recognised as an expense	8,150	31,925	—	348	8,150	32,273
Depreciation of property, plant and equipment	1,833	1,826	—	275	1,833	2,101
Operating lease rentals in respect of rental premises	998	918	—	—	998	918

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

9. TAXATION

Income tax recognised in profit or loss

	Continuing Operations		Discontinued Operations		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Current Tax						
Hong Kong Profits Tax	312	638	—	—	312	638
PRC Enterprise Income Tax credit	(28)	—	—	—	(28)	—
Deferred tax credit	—	—	—	(420)	—	(420)
Total	284	638	—	(420)	284	218

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profit for the six months ended 30 September 2017.

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 for the six months ended 30 September 2017 is 25% (six months ended 30 September 2016: 25%).

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

10. DISCONTINUED OPERATIONS

On 19 May 2016, the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, pursuant to which the purchaser had agreed to acquire and the Company had agreed to sell the approximately 93.33% of the entire issued share capital of Ideal Market Holdings Limited (“**Ideal Market**”). Ideal Market and its subsidiaries (collectively, the “**Disposal Group**”) represented the whole principal business segments of the Group in the businesses of Wastes Recycling and Trading of Petrochemical Products in the PRC. These business segments of the Disposal Group were classified as discontinued operations. The completion of the disposal took place on 30 August 2016.

	Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Loss from discontinued operations	—	(1,900)
Gain on disposal	—	59,784
Profit for the period from discontinued operations	—	57,884

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

10. DISCONTINUED OPERATIONS (CONTINUED)

Note:

Analysis of the result of the discontinued operations is as follows:

	Wastes Recycling		Trading of Petrochemical Products		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Revenue	–	1,007	–	–	–	1,007
Cost of sales	–	(348)	–	–	–	(348)
Gross profit	–	659	–	–	–	659
Investment and other income	–	104	–	–	–	104
Other losses	–	(1,665)	–	–	–	(1,665)
Selling and distribution expenses	–	(164)	–	–	–	(164)
Administrative expenses	–	(674)	–	–	–	(674)
Finance costs	–	(580)	–	–	–	(580)
Loss before taxation	–	(2,320)	–	–	–	(2,320)
Taxation	–	420	–	–	–	420
Loss for the period	–	(1,900)	–	–	–	(1,900)
Loss for the period attributable to:						
Owners of the Company					–	(1,856)
Non-controlling interests					–	(44)
					–	(1,900)

11. INTERIM DIVIDEND

The Board did not propose to declare an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the (loss)/profit attributable to owners and on the weighted average number of 397,948,804 ordinary shares of the Company (six months ended 30 September 2016: 374,228,640 (restated)) in issue during the period.

The weighted average numbers of shares for the prior period have been adjusted to reflect the impact of the share consolidation, on the basis that every ten ordinary shares of HK\$0.01 each consolidated into one ordinary share of HK\$0.1 each, which was accounted for as a reverse stock split effective on 21 October 2016.

13. GOODWILL

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Internet Services business (Note)	—	28,840
Trading of Gold and Diamond business	20,999	20,999
Money Lending business	1,000	1,000
Financial Services business	1,375	1,375
At the end of the period/year	23,374	52,214

Note:

An impairment loss on goodwill amounting to approximately HK\$28,840,000 (Note 6) for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$9,700,000) was recognised by the Group and charged to profit or loss, which was calculated based on the recoverable amount of the cash-generating units of Internet Services business.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

14. INTEREST IN AN ASSOCIATE

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Share of net assets at the end of the period/year	200,943	201,122

At the end of the reporting period, the Group had interest in the following associate:

Name of entity	Country/place of incorporation	Principal place of business	Proportion of ownership interest and voting power held by the Group		Principal activities
			30 September 2017	31 March 2017	
Pure Power Holdings Limited	British Virgin Islands	United States of America	49.41%	49.41%	Natural resources

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

15. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Equity investment fund, at fair value (Note)	50,349	—
Equity securities listed in Hong Kong, at market value (Note)	—	770,657
At the end of the period/year	50,349	770,657

Note:

The Group (as subscriber) entered into the subscription agreement with the fund company, pursuant to which the subscriber made the subscription of specific shares in the fund. The investment and payment for the subscription was settled by the transfer of equity securities listed in Hong Kong, at market value to the fund company upon entering into the subscription agreement.

Please refer to the announcements dated 27 March 2017 and 3 July 2017 and circular dated 11 May 2017 for further details.

For significant transactions on available-for-sale investment incurred during the period, please refer to P.10 of this report for further details.

The following table presents the fair value of the Group's financial instrument measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in Hong Kong Financial Reporting Standards 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

15. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

	Fair value at 30 September 2017	Fair value measurement as at 30 September 2017 categorized into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale equity investment fund	50,349	—	—	50,349

	Fair value at 31 March 2017	Fair value measurement as at 31 March 2017 categorized into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Financial assets:				
Listed available-for-sale investments	770,657	770,657	—	—

During the period, there was no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2016: Nil). The Group's policy is to recognize transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

For equity investment fund classified under Level 3 of the fair value measurement hierarchy, the fair values are determined based on the net asset values of those investment funds provided by the fund company.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

15. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The movement during the period/year in the balance of Level 3 fair value measurements is as follow:

	At 30 September 2017 Unaudited HK\$'000	At 31 March 2017 Audited HK\$'000
Available-for-sale equity investment fund		
At the beginning of the period/year	—	—
Addition	260,297	—
Impairment loss recognised on equity investment fund (Note 6(b))	(209,948)	—
At the end of the period/year	50,349	—

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2017 and 31 March 2017.

The movement during the period/year in the balance of Level 1 fair value measurements is as follow:

	At 30 September 2017 Unaudited HK\$'000	At 31 March 2017 Audited HK\$'000
Available-for-sale equity securities listed in Hong Kong		
At the beginning of the period/year	770,657	835,517
Addition	13,345	276,100
Increase in fair value of listed securities	—	159,452
Impairment loss recognised on listed shares (Note 6(b))	(1,367)	—
Disposal	(782,635)	(500,412)
At the end of the period/year	—	770,657

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

15. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Available-for-sale equity securities are measured at fair value at the end of the reporting period. The Group holds the equity securities for long term investment purpose. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the equity securities are disposed of or are determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

16. TRADE RECEIVABLES

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Trade receivables	710	6,054
Less: allowance for impairment loss	—	—
	710	6,054

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.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

16. TRADE RECEIVABLES (CONTINUED)

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

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Within 3 months	710	3,402
4 to 6 months	—	1,940
Over 6 months	—	712
	710	6,054

17. TRADE PAYABLES

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

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Within 3 months	2,059	425
4 to 6 months	—	—
Over 6 months	—	—
	2,059	425

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

As at 30 September 2017 and 31 March 2017, trade payables were substantially denominated in the functional currencies of the relevant group entities.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

18. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 April 2016	100,000,000	1,000,000
Share consolidation (Note a)	(90,000,000)	—
Ordinary shares of HK\$0.1 each at 31 March 2017, 1 April 2017 and 30 September 2017	10,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2016	3,742,285	37,423
Share consolidation (Note a)	(3,368,058)	—
Ordinary shares of HK\$0.1 each at 31 March 2017 and 1 April 2017	374,227	37,423
Share allotment (Note b)	62,910	6,291
Ordinary shares of HK\$0.1 each at 30 September 2017 (Unaudited)	437,137	43,714

Notes:

- (a) On 12 September 2016, the Company proposed to implement a share consolidation scheme on the basis that every ten issued and unissued shares of HK\$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK\$0.1 each. The share consolidation was effected on 21 October 2016.
- (b) On 11 July 2017, the Company entered into the deed of settlement with Mr. Xiong Wei, pursuant to which the Company has agreed to settle the outstanding amount of promissory notes and accrued interests thereon by issue of 62,910,000 settlement shares at the issue price of HK\$0.26 per settlement share to the promissory notes holder or its nominee. The settlement shares were issued under the general mandate and allotted on 24 July 2017.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

19. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance (“**MPF Schemes**”) for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee’s relevant monthly income, up to a maximum of HK\$1,500 per month.

The employees of PRC subsidiaries of the Group are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

No forfeited contributions were recognised during the six months ended 30 September 2017 (six months ended 30 September 2016: Nil) and there were no material forfeitures available to reduce the Group’s future contributions at 30 September 2017 and 31 March 2017.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

20. COMMITMENTS

(a) Capital commitments

The Group had no material capital commitments authorised but not provided for as at 30 September 2017 (31 March 2017: Nil).

(b) Operating lease commitments

The Group as lessee

The Group rented certain office premises under operating lease arrangements, with the leases negotiated for a term within one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	30 September 2017 Unaudited HK\$'000	31 March 2017 Audited HK\$'000
Within one year	1,920	2,182
Later than one year and within five years	693	1,514
	2,613	3,696

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2017

21. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties.

Compensation of key management personnel of the Group, who were the Directors, are as follows:

	Six months ended 30 September	
	2017 Unaudited HK\$'000	2016 Unaudited HK\$'000
Short-term employee benefits	559	905
Post-employment benefits	5	9
Total compensation paid to key management personnel	564	914

22. EVENT AFTER REPORTING PERIOD

On 31 October 2017, the Company entered into the deed of settlement with Mr. Wong Him Shun Philip, pursuant to which the Company has agreed to settle the promissory notes and all outstanding accrued interests thereon by issue of 87,000,000 settlement shares at the issue price of HK\$0.4 per settlement share. The settlement shares were issued under the general mandate and allotted on 13 November 2017.

Please refer to the announcement dated 31 October 2017 for further details.