



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)

Interim Report
2018/19



*For identification purposes only



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CORPORATE INFORMATION

Executive Directors

Ms. Zhou Yaying
(appointed on 26 April 2018 and re-designated as Chairman on 25 May 2018)

Mr. Wei Liang (*Chief Executive Officer*)
(appointed on 2 May 2018)

Ms. Hong Jingjuan

Mr. Tang Wing Cheung Louis
(appointed on 25 May 2018)

Ms. Xie Yan
(resigned on 25 May 2018)

Mr. Wong Chun Hung
(appointed on 11 April 2018 and resigned on 25 May 2018)

Independent Non-executive Directors

Mr. Tse Kwong Chan
Mr. Yiu To Wa
Mr. Lau Leong Yuen

Company Secretary

Mr. Chan Kin Ming
(appointed on 25 May 2018)

Mr. Wong Chun Hung
(appointed on 11 April 2018 and resigned on 25 May 2018)

Ms. Wan Wai Sum
(resigned on 11 April 2018)

Audit Committee

Mr. Yiu To Wa (*Chairman*)
Mr. Tse Kwong Chan
Mr. Lau Leong Yuen

Remuneration Committee

Mr. Tse Kwong Chan (*Chairman*)
Ms. Zhou Yaying
(appointed on 26 April 2018)

Mr. Lau Leong Yuen
Ms. Xie Yan
(resigned on 26 April 2018)

Nomination Committee

Mr. Yiu To Wa (*Chairman*)
Ms. Zhou Yaying
(appointed on 26 April 2018)

Mr. Tse Kwong Chan
Ms. Xie Yan
(resigned on 26 April 2018)

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



CORPORATE INFORMATION (Continued)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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
CMB 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
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 condensed consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 September 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and during the six months ended 30 September 2018, the Group was principally engaged in the businesses of internet services, design, OEM and marketing of jewelry, money lending and financial services.

RESULTS

The Group’s results for the six months ended 30 September 2018 and the state of affairs of the Group as at that date are set out in the condensed consolidated interim financial statements on pages 19 to 52.

FINANCIAL REVIEW

For the six months ended 30 September 2018, the Group’s revenue was approximately HK\$57.65 million, representing an increase of approximately HK\$44.09 million or 325% as compared to approximately HK\$13.56 million of corresponding period of 2017. The revenue included approximately HK\$0.39 million from online products sales, provision of marketing, web design and maintenance services (the “**Internet Services**”) business (2017: HK\$1.15 million), approximately HK\$52.29 million from design, original equipment manufacturer (“**OEM**”) and marketing of jewelry business (the “**Design, OEM and Marketing of Jewelry**”) (2017: HK\$8.21 million), approximately HK\$4.88 million from money lending business (the “**Money Lending**”) (2017: HK\$3.88 million) and approximately HK\$0.09 million from provision of financial advisory and intermediary services (the “**Financial Services**”) business (2017: HK\$0.32 million).

Gross profit was approximately HK\$12.50 million (2017: HK\$5.36 million). Gross profit margin was approximately 21.69% (2017: 39.52%). The increase in gross profit was due to the increase in revenue generated from Design, OEM and Marketing of Jewelry business of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Loss after tax of the Group was approximately HK\$23.22 million (2017: HK\$332.37 million). The significant decrease of loss after tax was mainly due to, including but not limited to (a) the increase in revenue generated from Design, OEM and Marketing of Jewelry business of approximately HK\$44.08 million; (b) recorded the impairment loss on goodwill and available-for-sale investments of approximately HK\$28.84 million and HK\$218.44 million, respectively, for the six months ended 30 September 2017 whereas no such impairments were made for the six months ended 30 September 2018; (c) offset the expenses relating to the share options which were granted to director and employees during the six months ended 30 September 2018 and the share-based payment expense of approximately HK\$7.18 million; and (d) the loss on investment amounted to approximately HK\$12.00 million, representing a decrease of approximately HK\$56.47 million comparing with the last corresponding period of approximately HK\$68.47 million.

Selling, distribution and administrative expenses were approximately HK\$20.49 million (2017: HK\$15.57 million), representing an increase of approximately 31.60% as compared with the same period last year, it was due to including the expenses relating to the share options which were granted to director and employees during the six months ended 30 September 2018 and the share-based payment expense of approximately HK\$7.18 million. The finance costs of the Group amounted to approximately HK\$0.33 million (2017: HK\$2.18 million) which were decreased mainly due to settled the unconvertible bonds and the promissory notes issued by the Company in the last year.

BUSINESS REVIEW

The Group was principally engaged in the businesses of Internet Services, Design, OEM and Marketing of Jewelry (redefined from “Trading of Gold and Diamond” business), Money Lending and Financial Services.

Internet Services business

During the period under review, the revenue generated from the Internet Services business was approximately HK\$0.39 million (2017: HK\$1.15 million). The revenue of the Internet Services business was mainly attributed from the market of Mainland China. The decrease of approximately 66.29% as compared with the same period last year was due to the unsustainable growth of the market. The Board is considering to reallocate the resources of this business to other businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Design, OEM and Marketing of Jewelry business

During the period under review, H & S Creation Limited (“**H&S**”), an indirect wholly-owned subsidiary, was principally engaged in the business of design, OEM and marketing of jewelry. The revenue and the operating profit before tax of H&S for the six months ended 30 September 2018 were approximately HK\$52.29 million and HK\$6.89 million, respectively (2017: HK\$8.21 million and HK\$0.97 million, respectively). The increase of approximately HK\$44.08 million in revenue was mainly due to the recent new developments in this business. H&S is engaging in design and sale of original designed manufacture (ODM) jewelry to wholesales. H&S will also participate in jewelry exhibitions in Hong Kong and overseas to promote the design of our products. The Group will proactively expand this business, but due to the intense competition in the market, the Group expects this business segment will continue to face more challenges in the coming years.

Money Lending business

During the period under review, Great Luck Finance Limited (“**Great Luck**”), an indirect wholly-owned subsidiary, was principally engaged in the money lending business in Hong Kong. Great Luck is a company holding a money lender’s license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). As at 30 September 2018, Great Luck had made loans to certain borrowers amounting to approximately HK\$37.98 million in total at the average interest rate of 10.32% per annum. Great Luck entered into a loan agreement, amounting to RMB22 million (equivalent to approximately HK\$25.00 million) with a borrower on 28 September 2018 and the borrower drewdown it in October 2018. For the six months ended 30 September 2018, interest income from money lending was approximately HK\$4.88 million (2017: HK\$3.88 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Financial Services business

During the period under review, C.E. Securities and Asset Management Limited (“**C.E. Securities**”), an indirect wholly-owned subsidiary, was principally engaged in the financial services in Hong Kong. C.E. Securities contributed approximately HK\$90,000 to the Group’s revenue for the six months ended 30 September 2018 (2017: HK\$322,000). 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.

Investment in exploration and exploitation of natural resources

During the period under review, Pure Power Holdings Limited (“**Pure Power**”), 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\$1.06 million (2017: HK\$0.18 million). On 21 June 2018, the Company, as vendor, and Hongkong Dragon Well Co., Limited (the “**Purchaser**”) entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 2,000 ordinary shares (the “**Disposal**”), representing approximately 23.53% of the issued share capital of Pure Power, which owned by the Company at a consideration of HK\$106,000,000. This Disposal was approved by the shareholder of the Company in the special general meeting on 3 October 2018. The carrying amount of 23.53% equity interests have been classified as held for sale. Upon completion of the Disposal the Company still has 25.88% equity interest in Pure Power, which remains as an associate of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 September 2018, the Company did not have any material acquisition and disposal except for the disclosed in above "Investment in exploration and exploitation of natural resources" under "Business Review".

SHARE CAPITAL AND CAPITAL STRUCTURE

During the six months ended 30 September 2018, 43,713,860 share options were granted under the share option scheme of the Company and fully exercised, of which 4,371,386 share options were granted to the director of the Company and 39,342,474 share options were granted to employees; and (ii) a total of 43,713,860 new shares of the Company were issued and allotted upon exercise of share options granted under the Company's share option scheme.

As a result, the number of shares of the Company in issue increased from 524,138,640 as at 1 April 2018 to 567,852,500 as at 30 September 2018.

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 2018.

SIGNIFICANT INVESTMENTS

As at 30 September 2018, the fair value of the equity investment fund was approximately HK\$47.05 million (31 March 2018: HK\$59.04 million).

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)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group's net current assets were approximately HK\$119.68 million (31 March 2018: net current liabilities of approximately HK\$2.60 million), including cash and cash equivalents of approximately HK\$38.28 million (31 March 2018: HK\$5.54 million). Total interest-bearing borrowings amounted to approximately HK\$11.55 million as at 30 September 2018 (31 March 2018: approximately HK\$11.80 million). The Group's gearing ratio, which was net debt divided by total equity plus net debt, as at 30 September 2018 was 7.51% (31 March 2018: 7.15%).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and Mainland China, most transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. During the six months ended 30 September 2018, 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 30 September 2018 and 31 March 2018.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2018 and 31 March 2018.

PLEDGE OF ASSETS

As at 30 September 2018 and 31 March 2018, the Group did not have any pledge on its assets.

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 39 employees as at 30 September 2018 (31 March 2018: 27). Remunerations are commensurate with the nature of the job, experience and market conditions.

OTHER INFORMATION

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 Rules Governing the Listing of Securities on the Stock Exchange (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 2018.

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 2018.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Long positions in the ordinary shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of interest
Ms. Zhou Yaying	Beneficial owner	4,371,386	0.77%

Note:

The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2018, that is 567,852,500 ordinary shares of the Company.



OTHER INFORMATION (Continued)

Other than as disclosed above, as at 30 September 2018, 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

Save as disclosed under the sections headed “Directors’ Interests and Short Positions in Shares and Underlying Shares” and “Share Option Scheme”, at no time during the six months ended 30 September 2018 was the Company or any of its subsidiaries a party to any arrangement which enabled the Company’s Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2018, 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 shareholder	Capacity	Number of ordinary shares held	Approximate percentage of interest
Mr. Xiong Wei	Beneficial owner	62,910,000	11.08%
Ms. Guo Sha	Beneficial owner	47,000,000	8.28%
Ms. Dong Qian	Beneficial owner	40,000,000	7.04%

OTHER INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Long positions in the ordinary shares of the Company (Continued)

Note:

The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2018, that is 567,852,500 ordinary shares of the Company.

Other than as disclosed above, as at 30 September 2018, there was no person who had any interest or 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.

SHARE OPTION SCHEME

On 30 August 2011, the Company adopted a new share option scheme (the “**Share Option Scheme**”). Under the Share Option Scheme, the Company may grant options to eligible persons for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

The total number of shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on 30 August 2011 unless the Company obtains a refresh approval from its shareholders. The 10% general limit was refreshed after the passing of the ordinary resolution by the shareholders at the annual general meeting dated 11 September 2017 on the basis of 437,138,640 shares in issue on that date. After the refreshment, the maximum number of new shares which may be issued upon exercise of all share options that may be granted under the 10% general limit so refreshed is 43,713,864.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company (or the subsidiary) shall not exceed 10% of the total number of shares in issue from time to time. No options may be granted under any share option schemes of the Company (or the Subsidiary) if this will result in the limit being exceeded.



OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The options must be taken up within 28 days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Share Option Scheme.

The purpose of the Share Option Scheme is provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest.

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12 month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12 month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.

Details of the share options granted by the Company pursuant to the Share Option Scheme and the movement of the share options during the six months ended 30 September 2018 were shown as follows:

Name of grantee	Date of grant	Exercisable period	Subscription price per share	Outstanding as at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2018
Director:								
Ms. Zhou Yaying	3/7/2018	3/7/2018 to 2/7/2028	HK\$0.35	-	4,371,386	(4,371,386)	-	-
Employees	3/7/2018	3/7/2018 to 2/7/2028	HK\$0.35	-	39,342,474	(39,342,474)	-	-
Total					<u>43,713,860</u>	<u>(43,713,860)</u>	-	-

During the six months ended 30 September 2018, 43,713,860 share options has been exercised which the weighted average closing price of the shares immediately before the dates on share options were exercised was HK\$0.353 and no share options remained outstanding as at period end.



OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

The weighted average fair values of the options granted during the six months ended 30 September 2018 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

Weighted average fair value	HK\$0.164
Closing price of the shares on approval date/grant date	HK\$0.300
Exercise price	HK\$0.350
Expected volatility	66.25%
Option life	10 years
Risk-free interest rate	2.20%
Expected dividend yield	0%

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the “**CG Code**”) during the six months ended 30 September 2018, except for the code provisions A.2.1 and A.4.1:

Code provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

During the period from 1 April 2018 to 2 May 2018, Ms. Xie Yan (“**Ms. Xie**”) has held the positions of Chairman and Chief Executive Officer of the Company until Mr. Wei Liang replaced Ms. Xie as Chief Executive Officer of the Company on 2 May 2018. Ms. Xie also resigned as Chairman and Executive director of the Company on 25 May 2018. Ms. Xie has extensive experience in management 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.

OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE (Continued)

Code provision A.2.1 (Continued)

Therefore, the Company has complied with the provision of Code A.2.1 as from the date of 2 May 2018.

Code provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Mr. Yiu To Wa and Mr. Lau Leong Yuen who are the independent non-executive directors of the Company, are engaged for a term of 1 year, which are automatically renewable for successive term of one year upon the expiry of the then current term; whereas the other independent non-executive directors of the Company, namely Mr. Tse Kwong Chan, is not appointed for a specific term. However, all of the Company's independent non-executive directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting pursuant to the Bye-laws provisions as mentioned above. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the 2017/18 annual report of the Company are set out below:

Mr. Lau Leong Yuen has appointed as an independent non-executive director of Yuk Wing Group Holdings Limited, which are listed on the Stock Exchange (Stock Code: 1536), with effect from 20 April 2018.

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 2018.



OTHER INFORMATION (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 six months ended 30 September 2018.

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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, 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 CG code contained in Appendix 14 to the Listing Rules and has reviewed the Company's condensed consolidated interim financial statements for the period ended 30 September 2018 and discussed financial and internal control, and financial reporting matters of the Company.

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.

OTHER INFORMATION (Continued)

CORPORATE COMMUNICATIONS (Continued)

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 chinaenvenergy-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

Zhou Yaying

Chairman

Hong Kong

30 November 2018



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		Unaudited	Unaudited
	Notes	HK\$'000	HK\$'000
Revenue	4	57,645	13,563
Cost of sales		(45,142)	(8,203)
Gross profit		12,503	5,360
Other income and losses	5	(12,647)	(319,515)
Selling and distribution expenses		(372)	(154)
Administrative expenses		(20,115)	(15,417)
Finance costs	6	(325)	(2,181)
Share of loss of an associate		(1,063)	(179)
Loss before tax	7	(22,019)	(332,086)
Income tax expense	8	(1,201)	(284)
Loss for the period attributable to owners of the Company		(23,220)	(332,370)

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

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		Unaudited	Unaudited
Notes		HK\$'000	HK\$'000
	Other comprehensive expense		
	<i>Items that may be reclassified subsequently to profit or loss</i>		
	Exchange differences on:		
	Translation of foreign operations	(31)	38
	Available-for-sale investments		
	Reclassification adjustments for amounts transferred to profit or loss:		
	– Gain on disposal	–	(410,007)
	– Impairment loss	–	7,126
	Other comprehensive expense for the period	(31)	(402,843)
	Total comprehensive expense for the period attributable to owners of the Company	(23,251)	(735,213)
	Loss per share		
	Basic/Diluted	(HK\$0.04)	(HK\$0.84)
		10	



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	2,757	4,868
Goodwill	13	23,374	23,374
Intangible assets	12	13,922	13,922
Interest in an associate	14	103,111	198,290
Loan receivables	15	36,480	50,000
Deferred tax assets		523	523
Available-for-sale investments	16	–	59,044
Financial assets at fair value through profit or loss	16	47,045	–
Statutory deposits		205	205
Deposits paid		377	377
		227,794	350,603
Current assets			
Trade receivables	17	40,287	6,787
Loan and interest receivables	15	1,766	3,994
Other receivables, prepayments and deposits paid		553	1,913
Income tax recoverable		762	784
Cash deposits held by securities brokers		1	1
Client trust bank balance		114	103
Bank balances and cash		38,275	5,537
		81,758	19,119
Assets classified as held for sale	18	94,116	–
		175,874	19,119

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2018

	Notes	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Current liabilities			
Trade payables	19	27,547	335
Loan and interest payables		1,678	1,853
Other payables and accruals		26,145	19,325
Income tax payable		824	202
		<u>56,194</u>	<u>21,715</u>
Net current asset/(liabilities)		<u>119,680</u>	<u>(2,596)</u>
Total assets less current liabilities		<u>347,474</u>	<u>348,007</u>
Non-current liabilities			
Unconvertible bonds		10,408	10,158
		<u>10,408</u>	<u>10,158</u>
Net assets		<u>337,066</u>	<u>337,849</u>
Capital and reserves			
Share capital	20	56,785	52,414
Share premium and reserves		280,281	285,435
Total equity		<u>337,066</u>	<u>337,849</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Investments revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	
At 31 March 2017 and 1 April 2017	37,423	2,601,203	2,031	402,881	8,621	464	-	(2,039,886)	1,012,737
Loss for the period	-	-	-	-	-	-	-	(332,370)	(332,370)
Other comprehensive (expense)/income	-	-	-	-	-	-	-	-	-
Exchange difference arising from translation of foreign operations	-	-	-	-	38	-	-	-	38
Impairment loss recognised on available-for-sale investments	-	-	-	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)
Total comprehensive expenses for the period	-	-	-	(402,881)	38	-	-	(332,370)	(735,213)
Issue of shares upon placing of shares	6,291	13,840	-	-	-	-	-	-	20,131
Share issue expenses	-	(20)	-	-	-	-	-	-	(20)
At 30 September 2017 (Unaudited)	43,714	2,615,023	2,031	-	8,659	464	-	(2,372,256)	297,635
At 31 March 2018	52,414	2,642,863	2,031	8,694	8,707	464	-	(2,377,324)	337,849
Adjustment on initial application of HKFRS 9	-	-	-	(17,187)	-	-	-	17,187	-
Adjusted balance at 1 April 2018	52,414	2,642,863	2,031	(8,493)	8,707	464	-	(2,360,137)	337,849
Loss for the period	-	-	-	-	-	-	-	(23,220)	(23,220)
Other comprehensive expense	-	-	-	-	-	-	-	-	-
Exchange difference arising from translation of foreign operations	-	-	-	-	(31)	-	-	-	(31)
Total comprehensive expenses for the period	-	-	-	-	(31)	-	-	(23,220)	(23,251)
Equity-settled share option arrangement	-	-	-	-	-	-	7,184	-	7,184
Issue of shares upon exercise of share options	4,371	18,112	-	-	-	-	(7,184)	-	15,299
Share issue expenses	-	(15)	-	-	-	-	-	-	(15)
At 30 September 2018 (Unaudited)	56,785	2,660,960	2,031	(8,493)	8,676	464	-	(2,383,357)	337,066

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Net cash generated from operating activities	9,706	26,401
Cash flows from investing activities		
Deposits received from partial disposal of interests in an associate	8,000	–
Proceeds from disposal of listed available-for-sale investments	–	43,863
Acquisition of available-for-sale investments	–	(13,344)
Net cash generated from investing activities	8,000	30,519
Cash flows from financing activities		
Proceeds from loan payables	400	–
Repayment of loan payables	(650)	–
Proceeds from issue of shares upon exercise of share options	15,299	–
Share issue expenses	(15)	–
Proceeds from unsecured loan	–	1,000
Repayments of promissory notes payables	–	(94,000)
Repayments of unconvertible bonds	–	(20,764)
Net cash generated from/(used in) financing activities	15,034	(113,764)
Net increase/(decrease) in cash and cash equivalents	32,740	(56,844)
Cash and cash equivalents at beginning of the period	5,538	67,051
Effects of exchange rate changes	(2)	10
Cash and cash equivalents at end of the period	38,276	10,217
Cash and cash equivalents at end of the period represented by:		
Cash deposits held by securities brokers	1	2,032
Bank balances and cash	38,275	8,185
	38,276	10,217



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. General Information

China Environmental Energy Investment Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rule**”). The condensed 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 2018.

2. Basis of Preparation

The condensed 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 2018, except for the accounting policy changes that mentioned in note 3.

The preparation of condensed 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 condensed 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 2018.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

3. Application of Hong Kong Financial Reporting Standards

The HKICPA had issued a number of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has adopted the following revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these interim financial statements.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual improvements to HKFRSs 2014-2016 cycle
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration
Amendments to HKAS 40	Transfers of investment property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

3. Application of Hong Kong Financial Reporting Standards (Continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 April 2018 was recognised. However, as the presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18, as required for the interim condensed financial information, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 4(a) for the disclosure of disaggregated revenue.

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together two aspects of the accounting for financial instruments: classification and measurement; and impairment.

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“FVTPL”), amortised cost, or fair value through other comprehensive income (“FVTOCI”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instrument’s contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the “SPPI” criterion).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

3. Application of Hong Kong Financial Reporting Standards (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

The new classification and measurement of the Group's financial assets are as follows:

Debt instruments at amortised cost

Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, loan and interest receivables and financial assets included in other receivables, prepayments and deposit paid.

Equity instruments designated as at FVTOCI

At the date of initial application, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI, because these equity investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with zero fair value were reclassified from available-for-sale investments to equity instruments at FVTOCI.

Investment in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

3. Application of Hong Kong Financial Reporting Standards (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

Equity instruments designated as at FVTOCI (Continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and losses" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. At the date of initial application of HKFRS 9, the Group's equity investment fund of approximately HK\$59,044,000 were reclassified from available-for-sale investments at fair value to financial assets at FVTPL. The cumulative fair value changes of the instrument as at 1 April 2018 of approximately HK\$17,187,000 was reclassified from investments revaluation reserve to accumulated losses.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

3. Application of Hong Kong Financial Reporting Standards (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are a probability – weighted estimate of credit losses. Credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at 30 September 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-months ECLs on loan and interest receivables and financial assets included in other receivables, prepayments and deposit paid. Impairment based on the expected credit loss model on the Group's trade receivables, loan and interest receivables and financial assets included in other receivables, prepayment and deposit paid have no significant financial impact on the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

3. Application of Hong Kong Financial Reporting Standards (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

(b) Impairment (Continued)

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

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 four reportable segments.

Internet Services:	online products sales, provision of marketing, web design and maintenance services
Design, OEM and Marketing of Jewelry*:	design of jewelry, OEM and sales and marketing of jewelry
Money Lending:	provision of loans as money lending
Financial Services:	provision of financial advisory and intermediary services

* The management redefined the "Trading of Gold and Diamond" segment to "Design, OEM and Marketing of Jewelry" to reflect the strategic decision during the period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

4. Segment Information (Continued)

(a) Revenue

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

	Six months ended 30 September	
	2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Income from Design, OEM and Marketing of Jewelry (i)	52,283	8,206
Income from Internet Services (i)	390	1,157
Interest income from Money Lending	4,882	3,878
Service income from Financial Services (i)	90	322
	57,645	13,563

(i) The timing of revenue recognition is at a point in time.

Disaggregation of revenue according to geographic location

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Hong Kong		The People's Republic of China ("PRC")		Total	
	Six months ended 30 September	2017 Unaudited HK\$'000	Six months ended 30 September	2017 Unaudited HK\$'000	Six months ended 30 September	2017 Unaudited HK\$'000
Segment revenue	2018 Unaudited HK\$'000		2018 Unaudited HK\$'000		2018 Unaudited HK\$'000	
Revenue from external customers	57,645	12,406	-	1,157	57,645	13,563



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

4. Segment Information (Continued)

(b) Analysis of segment revenue and result

For the six months ended 30 September 2018 (Unaudited)

	Internet Services HK\$'000	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Financial Services HK\$'000	Total HK\$'000
Segment revenue:					
Revenue from external customers	390	52,283	4,882	90	57,645
Net Segment Result:					
Segment result	(209)	6,890	912	(3,432)	4,161
Share of loss of an associate					(1,063)
Loss on financial assets at fair value through profit or loss					(11,999)
Other unallocated income (Note a)					3,618
Other unallocated expenses					(16,411)
Finance costs					(325)
Loss before tax					(22,019)
Income tax expense					(1,201)
Loss for the period					(23,220)

Note:

- (a) The unallocated income represents the loan interest income which loan from the Company to the subsidiary under Money Lending segment.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

4. Segment Information (Continued)

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

For the six months ended 30 September 2017 (Unaudited)

	Internet Services HK\$'000	Design, OEM and Marketing of Jewelry 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)
Net realised loss on disposal of listed equity securities held for investment					(68,466)
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 tax					(332,086)
Income tax expense					(284)
Loss for the period					(332,370)



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

4. Segment Information (Continued)

(c) Analysis of segment assets and liabilities

As at 30 September 2018 (Unaudited)

	Internet Services HK\$'000	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Financial Services HK\$'000	Total HK\$'000
Assets and liabilities					
Segment assets					
– Hong Kong	10	62,161	64,779	27,122	154,072
– PRC	72	–	–	–	72
	82	62,161	64,779	27,122	154,144
Financial assets at fair value through profit or loss					47,045
Interest in an associate					103,111
Assets classified as held for sale					94,116
Unallocated corporate assets					5,252
Consolidated total assets					403,668
Segment liabilities:					
– Hong Kong	1,187	28,004	55,580	268	85,039
– Elimination of loan payables (Note a)	–	–	(55,400)	–	(55,400)
	1,187	28,004	180	268	29,639
Unconvertible bonds					10,408
Loan and interest payables					1,677
Unallocated corporate liabilities					24,878
Consolidated total liabilities					66,602

Note:

- (a) The loan was made from the Company to the subsidiary under Money Lending segment which bears fixed interest rate 15% per annum. As at 30 September 2018, the loan principle outstanding was HK\$55,400,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

4. Segment Information (Continued)

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

As at 31 March 2018 (Audited)

	Internet Services HK\$'000	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Financial Services HK\$'000	Total HK\$'000
Assets and liabilities:					
Segment assets					
– Hong Kong	10	29,650	54,997	21,474	106,131
– PRC	647	–	–	–	647
	<u>657</u>	<u>29,650</u>	<u>54,997</u>	<u>21,474</u>	<u>106,778</u>
Available-for-sale investments					59,044
Interest in an associate					198,290
Unallocated corporate assets					<u>5,610</u>
Consolidated total assets					<u>369,722</u>
Segment liabilities:					
– Hong Kong	1,130	392	47,880	588	49,990
– Elimination of loan payables	–	–	(47,245)	–	(47,245)
– PRC	2	–	–	–	2
	<u>1,132</u>	<u>392</u>	<u>635</u>	<u>588</u>	<u>2,747</u>
Unconvertible bonds					10,158
Loan and interest payables					1,853
Unallocated corporate liabilities					<u>17,115</u>
Consolidated total liabilities					<u>31,873</u>



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

4. Segment Information (Continued)

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

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, certain bank balances and cash, assets classified as held for sale, financial assets at fair value through profit or loss, available-for-sale investments, interest in an associate, certain other receivables, prepayments and deposits paid, income tax recoverable and deferred tax assets; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, loan and interest payables, promissory notes payable, income tax payable, unconvertible bonds and deferred tax liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

5. Other Income and Losses

	Six months ended 30 September	
	2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Other income:		
Others	–	(5)
Other losses:		
Loss on written off of property, plant and equipment	303	–
Net exchange losses	345	–
Loss on financial assets at fair value through profit or loss	11,999	–
Net realised loss on disposal of listed equity securities held for investment	–	68,466
Loss on settlement of promissory note by issue of shares (Note a)	–	3,773
Impairment loss recognised on goodwill (Note 13)	–	28,840
Impairment loss recognised on available-for-sale investments (Note b)	–	218,441
	12,647	319,515

Notes:

- (a) The loss arising from the fair value of shares allotted on 24 July 2017 exceeded the carrying amount of promissory note settled.
- (b) The impairment loss consists of (i) approximately HK\$209,948,000 impairment loss 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 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

6. Finance Costs

	Six months ended 30 September	
	2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Interest expenses on:		
Other borrowings	75	–
Imputed interest on unconvertible bonds	250	–
Promissory notes payables	–	2,181
	325	2,181

7. Loss Before Tax

	Six months ended 30 September	
	2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Auditor's remuneration	150	160
Staff costs (including directors' emoluments)	13,007	7,496
Cost of inventories recognised as an expense	45,139	8,150
Other service costs	3	53
Depreciation of property, plant and equipment	1,791	1,833
Loss on written off of property, plant and equipment	303	–
Operating lease rentals in respect of rental premises	1,001	998
Equity-settled share-based payment (included in staff costs)	7,184	–
Share of loss of an associate	1,063	179

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

8. Income Tax Expense

Income tax recognised in profit or loss

	Six months ended 30 September	
	2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Current Tax		
Hong Kong Profits Tax	1,201	312
PRC Enterprise Income Tax credit	—	(28)
Total	<u>1,201</u>	<u>284</u>

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the remaining assessable profits (six months ended 30 September 2017: at a flat rate of 16.5% on the estimated assessable profits) on the estimated assessable profit for the six months ended 30 September 2018.

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 2018 is 25% (six months ended 30 September 2017: 25%).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

9. Interim Dividend

The Board did not propose to declare an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

10. Loss Per Share

The calculation of the basic and diluted loss per share is based on the loss attributable to owners and on the weighted average number of 533,932,456 ordinary shares of the Company (six months ended 30 September 2017: 397,948,804) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2018 and 2017 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the six months ended 30 September 2018 and 2017.

11. Property, Plant and Equipment

During the period, no any addition of property, plant and equipment (six months ended 30 September 2017: Nil) to the Group, the Group written off of certain property, plant and equipment with an aggregate carrying amount of HK\$303,000 (six months ended 30 September 2017: Nil) at nil proceed and the depreciation of property, plant and equipment is amount of approximately HK\$1,791,000 (six months ended 30 September 2017: HK\$1,833,000).

12. Intangible Assets

As at 30 September 2018 and 31 March 2018, the carrying amount of intangible assets represented the regulated activities licenses issued by SFC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

13. Goodwill

	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Design, OEM and Marketing of Jewelry business	20,999	20,999
Money Lending business	1,000	1,000
Financial Services business	1,375	1,375
	<hr/>	<hr/>
At the end of the period/year	23,374	23,374
	<hr/>	<hr/>

Note:

No impairment loss was recognised for the six months ended 30 September 2018. An impairment loss on goodwill amounting to approximately HK\$28,840,000 (Note 5) for the six months ended 30 September 2017 was recognised on internet services business segment 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.

14. Interest in an Associate

	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Unlisted		
Cost of investment in an associate	204,358	204,358
Share of post-acquisition loss and other comprehensive income, net of dividend received	(7,131)	(6,068)
Transferred to assets classified as held for sale	(94,116)	-
	<hr/>	<hr/>
At the end of the period/year	103,111	198,290
	<hr/>	<hr/>



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

14. Interest in an Associate (Continued)

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 2018	31 March 2018	
Pure Power Holdings Limited ("Pure Power")	British Virgin Islands	United States of America	49.41%*	49.41%	Investment holding and exploration and exploitation of natural resources

- * On 21 June 2018, the Company, as vendor, and the Hongkong Dragon Well Co., Limited (the "Purchaser") entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 2,000 ordinary shares (the "Disposal"), representing approximately 23.53% of the issued share capital of Pure Power, which owned by the Company at a consideration of HK\$106,000,000. This Disposal was approved by the shareholder of the Company in the special general meeting on 3 October 2018. Upon completion of the Disposal the Company still has 25.88% equity interest in Pure Power Holdings Limited, which remains as an associate of the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

15. Loan and Interest Receivables

	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Loan receivables	37,980	50,000
Interest receivables	266	3,994
	38,246	53,994
Less: non-current portion	(36,480)	(50,000)
	1,766	3,994

At 30 September 2018, included in the gross balances are loans of approximately HK\$36,480,000, which was secured by certain equity interest in a PRC company. At 31 March 2018, the gross balances are loans of approximately HK\$50,000,000, which was secured by corporate guarantee from independent third parties and listed shares in Hong Kong.

At 30 September 2018, the loan receivables arising from Money Lending business bear fixed interest rate ranging from 10% to 18% per annum (31 March 2018: 20%).

The loan receivables from customers have been reviewed by management of the Company to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgment, including the current creditworthiness, the value of pledged assets and the past collection statistics of individually significant accounts or a portfolio of accounts on a collective basis.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

15. Loan and Interest Receivables (Continued)

The maturity profile of these loan receivables from customers (including interest receivables), at the end of reporting period, analysed by remaining periods to their contracted maturity, is as follow:

	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Repayable:		
Within 3 months	240	–
Over 3 months but less than 1 year	1,526	3,994
Over 1 year but less than 2 years	36,480	50,000
	38,246	53,994

On 28 September 2018, an indirect wholly-owned subsidiary of the Company, entered into a Loan Agreement with a customer to provide a two-years term loan with principal amount of RMB22,000,000 (equivalent to approximately HK\$25,047,000), repayable on 28 September 2020. The loan was subsequently provided in early October 2018.

The loan bears fixed interest rate 10% per annum and secured by certain equity interest in a PRC company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

16. Financial Assets at Fair Value through Profit or Loss/Available-For-Sale Investments

	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Equity investment fund, at fair value	<u>47,045</u>	<u>59,044</u>
At the end of the period/year	<u>47,045</u>	<u>59,044</u>

The equity investment fund was reclassified from available-for-sale investments to financial assets at fair value through profit or loss as at 1 April 2018 under the adoption of HKFRS 9.

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 HKFRS 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

16. Financial Assets at Fair Value through Profit or Loss/Available-For-Sale Investments (Continued)

During the period, the equity investment fund are categorised into Level 2 and there was no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2017: 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 2 of the fair value measurement hierarchy, the fair values are determined based on the net asset values of the underlying assets. The net asset values were determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

The movement of the equity investment fund during the period/year are as follow:

	30 September 2018 HK\$'000 Unaudited	31 March 2018 HK\$'000 Audited
At the beginning of the period/year	59,044	770,657
Addition for equity investment fund	–	260,298
Addition for listed equity securities	–	13,344
Increase in fair value of equity investment fund	–	8,694
Decrease in fair value of equity investment fund	(11,999)	–
Impairment loss recognised on listed equity securities	–	(1,367)
Impairment loss recognised on equity investment fund	–	(209,948)
Disposal of listed equity securities	–	(502,882)
Disposal of listed equity securities and transferred to equity investment fund	–	(279,752)
	<hr/>	<hr/>
At the end of the period/year	47,045	59,044

Equity investment fund are measured at fair value through profit or loss at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

17. Trade Receivables

	30 September 2018 HK\$'000 Unaudited	31 March 2018 HK\$'000 Audited
Trade receivables	40,287	6,953
Less: allowance for impairment loss	<u>—</u>	<u>(166)</u>
	<u>40,287</u>	<u>6,787</u>

The Group has a policy of allowing credit period ranging from 1 to 3 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 receivables, net of impairment loss recognised, at the end of reporting period, based on the invoice date, is as follows:

	30 September 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Within 3 months	31,578	4,795
4 to 6 months	8,410	1,600
Over 6 months	<u>299</u>	<u>392</u>
	<u>40,287</u>	<u>6,787</u>

The carrying amounts of trade receivables approximate to their fair values.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

18. Assets classified as held for sale

As disclosed in note 14, on 21 June 2018, approximately 23.53% of interest in an associate was transferred to assets classified as held for sale with carrying amount of approximately HK\$94,116,000. As at the date of this interim report, the disposal was not yet completed. Deposits on the Disposal amounting HK\$8,000,000 were received and recorded in “Other payables and accruals” during the interim period ended 30 September 2018.

19. Trade Payables

	30 September 2018 HK\$'000 Unaudited	31 March 2018 HK\$'000 Audited
Amounts payable arising from securities broking:		
Clearing house (note a)	–	232
Cash clients (note b)	114	103
Other trade payables (note c)	27,433	–
	27,547	335

Note:

- (a) The settlement terms of amounts payable to clearing house arising from securities broking are two trade days after the trade execution date. The balance is aged within 30 days.
- (b) Amounts payable to cash clients are repayable on demand. No aged analysis is disclosed as, in the opinion of the management, the aged analysis does not give additional value in view of the nature of the business.
- (c) Other trade payables related to Design, OEM and Marketing of Jewelry business with credit period on purchase of goods ranges from 60 to 90 days included in the balances, approximately HK\$25,380,000 was aged within 3 months and remaining HK\$2,053,000 was aged between 4 to 6 months base on invoice date.

At 30 September 2018 and 31 March 2018, the trade payables were denominated in HK\$ and the carrying amounts of trade payables approximate to their fair values.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

20. Share Capital

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1 April 2017, 31 March 2018, 1 April 2018, and 30 September 2018	10,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2017	374,229	37,423
Issue of shares upon settlement of promissory note (Note a)	149,910	14,991
Ordinary shares of HK\$0.1 each at 31 March 2018 and 1 April 2018	524,139	52,414
Exercise of share options (Note b)	43,714	4,371
Ordinary shares of HK\$0.1 each at 30 September 2018 (Unaudited)	567,853	56,785

Notes:

- (a) On 11 July 2017, the Company entered into the deed of settlement with the Promissory Notes Holder, 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 at fair value of shares on the same day of HK\$0.32 per share.
- On 31 October 2017, the Company further entered into the deed of settlement with another Promissory Notes Holder, 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 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 at fair value of shares on the same day of HK\$0.42 per share.
- (b) During the period ended 30 September 2018, 43,713,860 options were exercised at the exercise price of HK\$0.35 per share, resulting in the issue of 43,713,860 new shares of HK\$0.1 each. Proceeds generated from exercising the share options amounted of HK\$15,299,000. HK\$4,371,000 was credited to share capital, HK\$18,112,000 was credited to share premium account, HK\$7,184,000 was fully debited to share option reserve.

All the new ordinary shares issued and allotted during the period/year presented rank pari passu in all respect with the then existing ordinary shares of the Company.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

21. 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 2018 (six months ended 30 September 2017: Nil) and there were no material forfeitures available to reduce the Group’s future contributions at 30 September 2018 and 31 March 2018.

22. Commitments

(a) Capital commitments

The Group had no material capital commitments authorised but not provided for as at 30 September 2018 (31 March 2018: 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2018

22. Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group as lessee (Continued)

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 2018 Unaudited HK\$'000	31 March 2018 Audited HK\$'000
Within one year	1,692	1,240
Later than one year and within five years	1,931	121
	3,623	1,361

23. Related party transactions

Other than disclosed elsewhere in these condensed consolidated interim 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 2018 Unaudited HK\$'000	2017 Unaudited HK\$'000
Short-term employee benefits	933	559
Equity-settled share-based payment	776	–
Post-employment benefits	–	5
Total compensation paid to key management personnel	1,709	564

24. Event after Reporting Period

Save as disclosed in note 14 and note 15 to the condensed consolidated interim financial statements, the Group did not have any significant events occurred after the reporting period.