



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)

2019/20

**INTERIM
REPORT**



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CORPORATE INFORMATION

Executive Directors

Ms. Zhou Yaying (*Chairman*)
Mr. Wei Liang (*Chief Executive Officer*)
Ms. Hong Jingjuan
Mr. Tang Wing Cheung Louis

Independent Non-executive Directors

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

Company Secretary

Mr. Chan Kin Ming

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
Mr. Lau Leong Yuen

Nomination Committee

Mr. Yiu To Wa (*Chairman*)
Ms. Zhou Yaying
Mr. Tse Kwong Chan

Auditor

CHENG & CHENG LIMITED
Level 35, Tower 1
Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

Legal Advisor

H.Y. Leung & Co. LLP Solicitors
22/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

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
Industrial and Commercial Bank of
China Limited
CMB Wing Lung Bank Limited

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54, 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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and during the six months ended 30 September 2019, the Group was principally engaged in the businesses of design, OEM and marketing of jewelry and money lending.

RESULTS

The Group’s results for the six months ended 30 September 2019 and the state of affairs of the Group as at that date are set out in the condensed consolidated interim financial statements on pages 17 to 64.

FINANCIAL REVIEW

For the six months ended 30 September 2019, the Group’s revenue from continuing operations was approximately HK\$63.25 million, representing an increase of approximately HK\$5.69 million or 9.89% as compared to approximately HK\$57.56 million of corresponding period of 2018. The revenue included approximately HK\$58.26 million from design, original equipment manufacturer (“**OEM**”) and marketing of jewelry business (the “**Design, OEM and Marketing of Jewelry**”) (2018: HK\$52.29 million) and approximately HK\$4.99 million from money lending business (the “**Money Lending**”) (2018: HK\$4.88 million).

Gross profit from continuing operations was approximately HK\$11.01 million (2018: HK\$12.42 million). Gross profit margin was approximately 17.41% (2018: 21.57%). The decrease in gross profit and gross profit margin were due to decline of visitor arrivals to Hong Kong and buyers to the exhibitions in Hong Kong, the weaker consumer sentiment and continuous social incidents in Hong Kong.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Loss after tax from continuing operations was approximately HK\$4.70 million (2018: HK\$19.79 million). The decrease of loss after tax was mainly due to, including but not limited to (a) gain on disposal of interest in an associate of approximately HK\$11.88 million during the six months ended 30 September 2019 and (b) no expenses relating to the share options was granted during the six months ended 30 September 2019 whereas approximately of HK\$7.18 million was made in the last period.

Selling, distribution and administrative expenses from continuing operations were approximately HK\$10.42 million (2018: HK\$16.97 million), representing a decrease of approximately HK\$6.55 million or 38.60% as compared with the same period last year, it was due to no expenses relating to the share options was granted during the six months ended 30 September 2019 whereas approximately of HK\$7.18 million was made in the last period.

The finance costs from continuing operations amounted to approximately HK\$0.56 million, representing a slightly increase of approximately HK\$0.23 million as compared to approximately HK\$0.33 million of corresponding period of 2018.

BUSINESS REVIEW

The Group was principally engaged in the businesses of Design, OEM and Marketing of Jewelry and Money Lending. And the Group disposed the business of provision of financial advisory, intermediary and asset management services (the “**Financial Services**”) during the six months ended 30 September 2019.

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 2019 were approximately HK\$58.26 million and HK\$6.16 million, respectively (2018: HK\$52.29 million and HK\$6.89 million, respectively). H&S is engaging in design and sale of original designed manufacture (ODM) jewelry to wholesales.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Design, OEM and Marketing of Jewelry business (Continued)

The gross profit margin was decreased from 13.66% to 10.34% because decline of visitor arrivals to Hong Kong and buyers to the exhibitions in Hong Kong, the weaker consumer sentiment and continuous social incidents in Hong Kong. The Group will proactively expand this business through increase the sales and marketing team, cost control and seek to develop the new sales channel. H&S will also participate in jewelry exhibitions in Hong Kong and overseas to promote the design of our products.

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 2019, Great Luck had made loans to certain borrowers amounting to approximately HK\$156.57 million in total at the average interest rate of 10.64% per annum. For the six months ended 30 September 2019, interest income from money lending was approximately HK\$4.99 million (2018: HK\$4.88 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.





OTHER INFORMATION

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

On 16 May 2019, the Company, as vendor, and Extra Nice Limited, Mr. Chan Kam Kong, Mr. Tong Siu Ting ("**Mr. Tong**") and BC Asia Group Limited (collectively as the "**Purchasers**") entered into four separate sales and purchase agreements, pursuant to which the Company has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the entire interest of Maiden Faith Capital Group Limited, (wholly owned subsidiary of the Company) and its subsidiaries, which are engaged in Financial Services business, at a total consideration of HK\$14,350,000. Mr. Tong was a director of disposed subsidiary. Therefore, Mr. Tong was a connected person of the Company at the subsidiary level. As such, the sales and purchase agreement with Mr. Tong constituted a connected transaction of the Company and exempted under Chapter 14A of the Listing Rules.

The result of Financial Services business had been separately disclosed in discontinued operation in the condensed consolidated statement of profit or loss and other comprehensive income and note 11 to the condensed consolidated interim financial statements. Upon completion of the Disposal on 31 May 2019, the Company ceased to hold any equity interest in Maiden Faith Capital Group Limited and its subsidiaries and its result was no longer consolidated into the consolidated financial statements of the Group.

The Group operated the Financial Services business in Hong Kong several years which has been in continued loss of around HK\$7,000,000 each year and the revenue generated therefrom was not substantial. Considering the competition in the Financial Service business has been increased fiercely recently and that the financial resources requirement for operating the Financial Services is high in order to satisfy the financial resources rules according to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Board considered that it is in the interest of the Company to streamline the principal activities of the Group and to focus its resources in pursuing development opportunities on the businesses of Design, OEM and Marketing of Jewelry and Money Lending.

OTHER INFORMATION (Continued)

MATERIAL ACQUISITION AND DISPOSAL (Continued)

On 30 September 2019, the Group has completed the disposal of approximately 23.53% of the entire issued share capital of Pure Power Holdings Limited (“**Pure Power**”) owned by the Company.

During the six months ended 30 September 2019, the Company did not have any material acquisition.

SHARE CAPITAL AND CAPITAL STRUCTURE

During the six months ended 30 September 2019, a total of 22,714,100 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 567,852,500 as at 1 April 2019 to 590,566,600 as at 30 September 2019.

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 2019.

SIGNIFICANT INVESTMENTS

As at 30 September 2019, the fair value of the equity investment fund (the “**Fund**”) was approximately HK\$22.66 million (31 March 2019: HK\$40.34 million).

On 29 October 2019, the Group received a notification letter from the administrator of the Fund. The directors of the Fund upon recommendation of the investment manager of the Fund and in accordance with the provision of the memorandum, have resolved to compulsorily redeemed all of the participating shares of the Fund as of 1 November 2019 (the “**Compulsory Redemption**”). The settlement of the Compulsory Redemption of the Fund was settled by way of transfer of the portfolio of the Fund to the Group. At the date of this report, the Compulsory Redemption has been completed. After the completion of the Compulsory Redemption, the portfolio is also accounted for financial assets at fair value through profit or loss.

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.



OTHER INFORMATION (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group's net current assets were approximately HK\$228.13 million (31 March 2019: HK\$188.20 million), including cash and cash equivalents of approximately HK\$12.99 million (31 March 2019: HK\$12.53 million). Total interest-bearing borrowings amounted to approximately HK\$15.15 million as at 30 September 2019 (31 March 2019: approximately HK\$15.15 million). The Group's gearing ratio, which was net debt divided by total equity plus net debt, as at 30 September 2019 was 0.96% (31 March 2019: 0.95%).

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and Mainland China. Most transactions, assets and liabilities are denominated in Hong Kong Dollars, United States dollars (“**USD**”) and Renminbi. As Hong Kong dollars are pegged to USD, the management does not expect that the Group has significant foreign exchange exposure to USD. During the six months ended 30 September 2019, 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 2019 and 31 March 2019.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2019 and 31 March 2019.

PLEDGE OF ASSETS

As at 30 September 2019 and 31 March 2019, the Group did not have any pledge on its assets.

OTHER INFORMATION (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 45 employees as at 30 September 2019 (31 March 2019: 57). Remunerations are commensurate with the nature of the job, experience and market conditions.

CONNECTED TRANSACTION

During the six months ended 30 September 2019, the Company did not have any connected transaction under Chapter 14A of the Listing Rules except for the disclosed in above “Material acquisition and disposal”.

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 2019.

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 2019.

OTHER INFORMATION (Continued)

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	0.74%

Note:

The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2019, that is 590,566,600 ordinary shares of the Company.

Other than as disclosed above, as at 30 September 2019, 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 2019 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.

OTHER INFORMATION (Continued)

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

As at 30 September 2019, 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	10.65%
Ms. Guo Sha	Beneficial owner	47,000,000	7.96%
Ms. Dong Qian	Beneficial owner	40,000,000	6.77%

Note:

The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2019, that is 590,566,600 ordinary shares of the Company.

Other than as disclosed above, as at 30 September 2019, 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.



OTHER INFORMATION (Continued)

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 30 August 2019 on the basis of 590,566,600 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 59,056,660.

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.

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.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

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.

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.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

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 2019 were shown as follows:

Grantee	Date of grant	Exercisable period	Closing price immediately before date of grant	Exercise price per share	Outstanding as at 1 April 2019	Exercised	Outstanding as at 30 September 2019
Employees	5/3/2019	5/3/2019 to 4/3/2020	HK\$0.305	HK\$0.36	56,785,250	(22,714,100)	34,071,150
Total					56,785,250	(22,714,100)	34,071,150

During the six months ended 30 September 2019, 22,714,100 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\$1.21 and 34,071,150 share options remained outstanding as at period end.

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 2019, except for the code provision A.4.1:

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.

OTHER INFORMATION (Continued)

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 2019.

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 2019.

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 2019 and discussed financial and internal control, and financial reporting matters of the Company.



OTHER INFORMATION (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders may also send such a notice by email to chinaenenergy-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

29 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 Unaudited HK\$'000	2018 Unaudited HK\$'000 (Restated)
Continuing operations			
Revenue	4	63,253	57,555
Cost of sales		(52,241)	(45,139)
Gross profit		11,012	12,416
Other income	5	7	-
Other gains and losses	6	(5,736)	(12,647)
Reversal of impairment loss, net	7	2,009	-
Selling and distribution expenses		(1,236)	(372)
Administrative expenses		(9,182)	(16,593)
Finance costs	8	(562)	(325)
Share of loss of an associate		-	(1,063)
Loss before tax	9	(3,688)	(18,584)
Income tax expense	10	(1,016)	(1,201)
Loss for the period from continuing operations		(4,704)	(19,785)
Discontinued operation			
Loss for the period from discontinued operation	11	(1,645)	(3,435)
Loss for the period		(6,349)	(23,220)

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

For the six months ended 30 September 2019

	Six months ended 30 September	
Notes	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000 (Restated)
Other comprehensive income/(expense) <i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on:		
Translation of foreign operations	17	(31)
	<hr/>	<hr/>
Other comprehensive income/(expense) for the period	17	(31)
	<hr/>	<hr/>
Total comprehensive expense for the period	(6,332)	(23,251)
	<hr/>	<hr/>

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

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 Unaudited HK\$'000	2018 Unaudited HK\$'000 (Restated)
Loss for the period from continuing operations attributable to the owners of the Company		(4,704)	(19,785)
Loss for the period from discontinued operation attributable to the owners of the Company		(1,645)	(3,435)
Loss for the period from continuing and discontinued operations attributable to the owners of the Company		(6,349)	(23,220)
Loss per share	14		
From continuing and discontinued operations Basic/Diluted		(HK\$0.011)	(HK\$0.043)
From continuing operations Basic/Diluted		(HK\$0.008)	(HK\$0.037)
From discontinued operation Basic/Diluted		(HK\$0.003)	(HK\$0.006)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	15	218	570
Right-of-use assets	3	1,871	–
Goodwill	16	21,999	21,999
Intangible assets		–	8,192
Loan receivables	17	49,581	60,920
Deferred tax assets		536	985
Financial assets at fair value through profit or loss	18	22,660	40,339
Financial assets at fair value through other comprehensive income		–	–
Statutory deposits		–	205
Deposits paid		412	1,031
		97,277	134,241
Current assets			
Inventories	19	3,738	4,128
Trade receivables	20	4,988	92,850
Loan and interest receivables	17	110,507	3,481
Other receivables, prepayments and deposits paid	21	113,539	1,167
Income tax recoverable		–	258
Cash deposits held by securities brokers		1	1
Client trust bank balance		–	18,178
Bank balances and cash		12,984	12,527
		245,757	132,590
Assets classified as held for sale	22	80,000	174,116
		325,757	306,706

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2019

	Notes	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Current liabilities			
Trade payables	23	1,277	92,065
Loan and interest payables		5,637	5,381
Other payables and accruals	24	87,616	19,544
Lease liabilities	3	1,015	–
Income tax payable		2,084	1,517
		<u>97,629</u>	<u>118,507</u>
Net current assets		<u>228,128</u>	<u>188,199</u>
Total assets less current liabilities		<u>325,405</u>	<u>322,440</u>
Non-current liabilities			
Lease liabilities	3	881	–
Unconvertible bonds		10,408	10,158
		<u>11,289</u>	<u>10,158</u>
Net assets		<u>314,116</u>	<u>312,282</u>
Capital and reserves			
Share capital	25	59,057	56,785
Share premium and reserves		255,059	255,497
Total equity		<u>314,116</u>	<u>312,282</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	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 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
At 31 March 2019 and 1 April 2019	56,785	2,660,960	2,031	(8,493)	8,665	464	3,463	(2,411,593)	312,282
Loss for the period	-	-	-	-	-	-	-	(6,349)	(6,349)
Other comprehensive income									
Exchange difference arising from translation of foreign operations	-	-	-	-	17	-	-	-	17
Total comprehensive expenses for the period	-	-	-	-	17	-	-	(6,349)	(6,332)
Issue of shares upon exercise of share options	2,272	7,291	-	-	-	-	(1,385)	-	8,178
Share issue expenses	-	(12)	-	-	-	-	-	-	(12)
At 30 September 2019 (Unaudited)	59,057	2,668,239	2,031	(8,493)	8,682	464	2,078	(2,417,942)	314,116

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Net cash (used in)/generated from operating activities	(169,116)	9,706
Cash flows from investing activities		
Bank interest income	7	–
Deposits received from partial disposal of interests in an associate	69,000	8,000
Proceeds from disposal of interest in an associate	91,200	–
Proceeds from disposal of interest in subsidiaries	1,741	–
Net cash generated from investing activities	161,948	8,000
Cash flows from financing activities		
Proceeds from loan payables	–	400
Repayment of loan payables	–	(650)
Repayment of lease liabilities	(486)	–
Interest expenses on lease liabilities	(56)	–
Proceeds from issue of shares upon exercise of share options	8,178	15,299
Share issue expenses	(12)	(15)
Net cash generated from financing activities	7,624	15,034
Net increase in cash and cash equivalents	456	32,740
Cash and cash equivalents at beginning of the period	12,528	5,538
Effects of exchange rate changes	1	(2)
Cash and cash equivalents at end of the period	12,985	38,276
Cash and cash equivalents at end of the period represented by:		
Cash deposits held by securities brokers	1	1
Bank balances and cash	12,984	38,275
	12,985	38,276



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 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 2019.

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 2019, 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 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

3. Application of Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

Other than as explained below regarding the impact of HKFRS 16 Leases and HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial statements. The nature and impact of the new and revised HKFRSs are described below:

(a) **HKFRS 16 Leases**

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) *HKFRS 16 Leases (Continued)*

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) HKFRS 16 Leases (Continued)

As a lease – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) HKFRS 16 Leases (Continued)

As a lease – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Unaudited HK\$'000
Assets	
Increase in right-of-use assets	2,382
Liabilities	
Increase in lease liabilities	2,382

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) HKFRS 16 Leases (Continued)

As a lease – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	Unaudited HK\$'000
Operating lease commitments as at 31 March 2019	4,989
Weighted average incremental borrowing rate as at 1 April 2019	<u>5.5%</u>
Discounted operating lease commitments as at 1 April 2019	4,898
Less: Commitments relating to short-term leases and those lease with a remaining lease term ending on or before 31 March 2020	<u>(2,516)</u>
Lease liabilities as at 1 April 2019	<u>2,382</u>



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) HKFRS 16 Leases (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) HKFRS 16 Leases (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(a) HKFRS 16 Leases (Continued)

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss and other comprehensive income

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of- use assets	Lease liabilities
	Unaudited HK\$'000	Unaudited HK\$'000
As at 1 April 2019	2,382	2,382
Depreciation charge	(511)	–
Interest expense	–	56
Payments	–	(542)
	<hr/>	<hr/>
As at 30 September 2019	1,871	1,896
	<hr/>	<hr/>
Analysed for reporting purpose as:		
Non-current	1,871	881
Current	–	1,015
	<hr/>	<hr/>
	1,871	1,896
	<hr/>	<hr/>

The Group recognised rental expenses from short-term leases of approximately HK\$651,000, for the six months ended 30 September 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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

(b) *HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatment*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “**uncertain tax positions**”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group’s condensed consolidated interim financial statements.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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.

Continuing Operations

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

Design, Original Equipment design of jewelry, OEM and sales and
Manufacturing (“OEM”) and marketing of jewelry
Marketing of Jewelry:

Money Lending: provision of loans as money lending

Discontinued Operation

Financial Services: provision of financial advisory and intermediary services

Note: This segment has been merged to other segments since 1 April 2019 and no longer to disclose this segment after 1 April 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

4. Segment Information (Continued)

(a) Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances and trade discounts (“**Design, OEM and Marketing of Jewelry**”), income from online products sales, provision of marketing, web design and maintenance services (“**Internet Services**”), interest income from provision of loans as money lending (“**Money Lending**”) and services income from provision of financial advisory, intermediary and asset management services (“**Financial Services**”) is analysed as below.

(i) *Disaggregation of revenue from contracts with customers by major products or service lines is as follows:*

	Continuing operations		Discontinued operation		Total	
	Six months ended		Six months ended		Six months ended	
	2019	2018	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by major products or service lines						
– Sales of Jewelry	58,266	52,283	–	–	58,266	52,283
– Provision of Consulting and Maintenance Services for Internet Sales	–	390	–	–	–	390
– Provision of Financial Advisory and Intermediary Services	–	–	62	90	62	90
– Provision of Asset Management Services	–	–	226	–	226	–
	58,266	52,673	288	90	58,554	52,763
Revenue from other sources						
Interest income from Money Lending	4,987	4,882	–	–	4,987	4,882
	63,253	57,555	288	90	63,541	57,645

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

4. Segment Information (Continued)

(a) Revenue (Continued)

- (ii) *Disaggregation by timing of revenue recognition within the scope of HKFRS 15*

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
- Over time	-	390	226	-	226	390
- At a point in time	58,266	52,283	62	90	58,328	52,373
	58,266	52,673	288	90	58,554	52,763

As at 30 September 2019, no aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (31 March 2019: HK\$355,000). For the transaction price allocated to the remaining performance obligations as at 31 March 2019, approximately HK\$226,000 was recognised during six months ended 30 September 2019 while approximately HK\$129,000 was decreased due to disposal of interest in subsidiaries (note 24).

- (iii) *Disaggregation of revenue according to geographic location*

During the six months ended 30 September 2019 and 30 September 2018, revenue from external customers are wholly generated from Hong Kong. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

4. Segment Information (Continued)

(b) Analysis of segment revenue and result

For the six months ended 30 September 2019 (Unaudited)

	Continuing operations		Discontinued operation		Total HK\$'000
	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Financial Services HK\$'000	
Segment revenue:					
Revenue from external customers	58,266	4,987	63,253	288	63,541
Net Segment Result:					
Segment result	6,151	(773)	5,378	(1,645)	3,733
Gain on disposal of interest in subsidiaries					59
Gain on disposal of interest in an associate					11,884
Change in fair value of financial assets at fair value through profit or loss					(17,679)
Other unallocated income					4,906
Other unallocated expenses					(7,674)
Finance costs					(562)
Loss before tax					(5,333)
Income tax expense					(1,016)
Loss for the period					(6,349)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

4. Segment Information (Continued)

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

For the six months ended 30 September 2018 (Unaudited)

	Continuing operations			Discontinued operation		Total HK\$'000
	Internet Services HK\$'000	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Financial Services HK\$'000	
Segment revenue:						
Revenue from external customers	390	52,283	4,882	57,555	90	57,645
Net Segment Result:						
Segment result	(209)	6,890	912	7,593	(3,435)	4,158
Share of loss of an associate						(1,063)
Change in fair value of financial assets at fair value through profit or loss						(11,999)
Other unallocated income						3,618
Other unallocated expenses						(16,408)
Finance costs						(325)
Loss before tax						(22,019)
Income tax expense						(1,201)
Loss for the period						(23,220)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

4. Segment Information (Continued)

(c) Analysis of segment assets and liabilities

As at 30 September 2019 (Unaudited)

	Continuing operations		
	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Total HK\$'000
Assets and liabilities			
Segment assets			
– Hong Kong	140,823	161,635	302,458
	140,823	161,635	302,458
Financial assets at fair value through profit or loss			22,660
Assets classified as held for sale			80,000
Unallocated corporate assets			17,916
Consolidated total assets			423,034
Segment liabilities:			
– Hong Kong	18,245	148,600	166,845
– Elimination of loan payables (Note a)	–	(148,600)	(148,600)
	18,245	–	18,245
Unconvertible bonds			10,408
Loan and interest payables			5,637
Unallocated corporate liabilities			74,628
Consolidated total liabilities			108,918

Note:

- (a) The loan was made from the Company to the subsidiary under Money Lending segment which was under negotiated terms. As at 30 September 2019, the carrying amount of loan was HK\$148,600,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

4. Segment Information (Continued)

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

As at 31 March 2019 (Audited)

	Continuing operations			Discontinued operation		Total HK\$'000
	Internet Services HK\$'000	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Sub-total HK\$'000	Financial Services HK\$'000	
Assets and liabilities:						
Segment assets						
– Hong Kong	9	121,012	65,402	186,423	36,042	222,465
– The People's Republic of China ("PRC")	53	–	–	53	–	53
	<u>62</u>	<u>121,012</u>	<u>65,402</u>	<u>186,476</u>	<u>36,042</u>	<u>222,518</u>
Financial assets at fair value through profit or loss						40,339
Assets classified as held for sale						174,116
Unallocated corporate assets						<u>3,974</u>
Consolidated total assets						<u>440,947</u>
Segment liabilities:						
– Hong Kong	36	73,422	53,780	127,238	20,210	147,448
– Elimination of loan payables	–	–	(53,600)	(53,600)	–	(53,600)
– PRC	210	–	–	210	–	210
	<u>246</u>	<u>73,422</u>	<u>180</u>	<u>73,848</u>	<u>20,210</u>	<u>94,058</u>
Unconvertible bonds						10,158
Loan and interest payables						5,381
Unallocated corporate liabilities						<u>19,068</u>
Consolidated total liabilities						<u>128,665</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

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, right-of-use assets, certain bank balances and cash, assets classified as held for sale, financial assets at fair value through profit or loss, 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, lease liabilities, income tax payable, unconvertible bonds and deferred tax liabilities.

5. Other Income

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Interest income	7	-	-	-	7	-
	7	-	-	-	7	-

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

6. Other Gains and Losses

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019	2018	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other gains:						
Gain on disposal of interest in subsidiaries	59	-	-	-	59	-
Gain on disposal of interest in an associate	11,884	-	-	-	11,884	-
Other losses:						
Loss on written off of property, plant and equipment	-	(303)	-	-	-	(303)
Net exchange losses	-	(345)	-	-	-	(345)
Change in fair value of financial assets at fair value through profit or loss	(17,679)	(11,999)	-	-	(17,679)	(11,999)
	(5,736)	(12,647)	-	-	(5,736)	(12,647)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

7. Reversal of Impairment loss, net

	Continuing operations Six months ended 30 September		Discontinued operation Six months ended 30 September		Total Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
(Reversal of impairment)/impairment loss recognised on:						
– trade receivables	(2,720)	–	–	–	(2,720)	–
– loan and interest receivables	711	–	–	–	711	–
	(2,009)	–	–	–	(2,009)	–

8. Finance Costs

	Continuing operations Six months ended 30 September		Discontinued operation Six months ended 30 September		Total Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Interest expenses on:						
Other borrowings	256	75	–	–	256	75
Imputed interest on unconvertible bonds	250	250	–	–	250	250
Lease liabilities	56	–	–	–	56	–
	562	325	–	–	562	325

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

9. Loss Before Tax

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000 (Restated)
Auditor's remuneration	150	150	-	-	150	150
Staff costs (including directors' emoluments)	5,449	10,570	986	2,437	6,435	13,007
Cost of inventories recognised as an expense	52,241	45,139	-	-	52,241	45,139
Other service costs	-	-	-	3	-	3
Depreciation of property, plant and equipment	115	1,655	17	136	132	1,791
Depreciation on right-of-use assets	511	-	-	-	511	-
Loss on written off of property, plant and equipment	-	303	-	-	-	303
Operating lease rentals in respect of rental premises	213	494	438	507	651	1,001
Equity-settled share-based payment (included in staff costs)	-	7,184	-	-	-	7,184
Share of loss of an associate	-	1,063	-	-	-	1,063

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

10. Income Tax Expense

Income tax recognised in profit or loss

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2019	2018	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax	567	1,201	-	-	567	1,201
Deferred tax	449	-	-	-	449	-
Income tax expense for the period	1,016	1,201	-	-	1,016	1,201

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 on the estimated assessable profits for the six months ended 30 September 2019 and 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 2019 and 2018 is 25%.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

11. Discontinued Operation (Disposal of Interest in Subsidiaries)

During the current interim period, the Company entered into four separate sales and purchase agreements to dispose of its entire interest of Maiden Faith Capital Group Limited and its subsidiaries (the “Disposal Group”) at a total consideration of HK\$14,350,000, which are engaged in Financial Services business. The purpose of the disposal is to streamline the principal activities of the Group and to focus its resources in pursuing development opportunities on the businesses of Design, OEM and Marketing of Jewelry and Money Lending in order to strengthen the Group’s income stream and maximise return to the shareholders of the Company. The disposal was completed on 31 May 2019, on which date the Group lost control of the Disposal Group. The Group’s Financial Services business are treated as discontinued operation.

The loss from the discontinued operation for the current and preceding interim periods is analysed as follows:

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Loss of Financial Services business for the period	(1,645)	(3,435)
Gain on disposal of Financial Services business	59	–
	(1,586)	(3,435)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

11. Discontinued Operation (Disposal of Interest in Subsidiaries) (Continued)

The results of the Financial Services business for the current and preceding interim periods were as follows:

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Revenue		
– Provision of financial advisory and intermediary services	62	90
– Provision of asset management services	226	–
Total revenue	288	90
Cost of income	(13)	(3)
Gross profit	275	87
Administrative expenses	(1,920)	(3,522)
Loss before tax	(1,645)	(3,435)
Income tax expenses	–	–
Loss for the period	(1,645)	(3,435)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

11. Discontinued Operation (Disposal of Interest in Subsidiaries) (Continued)

The net assets of Disposal Group at the date of disposal were as follows:

	HK\$'000
Net assets disposed of excluding goodwill and intangible assets	5,958
Attributable goodwill, net of impairment	–
Intangible assets, net of impairment	<u>8,192</u>
	14,150
Gain on disposal	59
Transaction costs	<u>141</u>
Total consideration	<u><u>14,350</u></u>
Satisfied by:	
Cash (net of transaction costs)	<u><u>14,209</u></u>
Net cash inflow arising on disposal:	
Total cash consideration received/to be received	14,209
Bank balances and cash disposed of	<u>(8,880)</u>
	<u><u>5,329</u></u>

Cash flows from the Disposal Group:

	Six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Net cash flows from operating activities	(81)	(3,645)
Net cash flows from investing activities	–	–
Net cash flows from financing activities	–	<u>9,403</u>
Net cash flows	(81)	<u><u>5,758</u></u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

12. Disposal of Interest in an Associate

In the current interim period, on 2 September 2019, the Group completed the disposal of approximately 23.53% of interest in an associate to a third party for cash consideration of HK\$106,000,000. Before the disposal, the Group owned 49.41% interest in an associate and the investment was previously accounted for as an interest in an associate using the equity method of accounting. The Group has retained the remaining approximately 25.88% interest and classified the retained investment as assets classified as held for sale based on the carrying amount at the date of the Group entered into the sales and purchase agreement with a third party. This transaction has resulted in the Group recognising a gain of approximately HK\$11,884,000 in profit or loss, calculated as follows:

	Unaudited HK\$'000
Cash proceeds	106,000
Less: carrying amount of approximately 23.53% interest on the date of loss of significant influence of an associate (see note 22)	<u>(94,116)</u>
Gain recognised in profit or loss	<u>11,884</u>

13. Interim Dividend

The Board did not propose to declare an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

14. 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 573,065,572 ordinary shares of the Company (six months ended 30 September 2018: 533,932,456) in issue during the period.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share for the six months ended 30 September 2019.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2018 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.

15. Property, Plant and Equipment

During the period, no any addition of property, plant and equipment (six months ended 30 September 2018: Nil) to the Group, the Group has not written off any property, plant and equipment during the period (six months ended 30 September 2018: with an aggregate carrying amount of approximately HK\$303,000 and depreciation of property, plant and equipment of approximately HK\$1,791,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

16. Goodwill

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Design, OEM and Marketing of Jewelry business	20,999	20,999
Money Lending business	1,000	1,000
	<hr/>	<hr/>
At the end of the reporting period	21,999	21,999
	<hr/>	<hr/>

Note:

No impairment loss was recognised for the six months ended 30 September 2019 and 2018.

17. Loan and Interest Receivables

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Loan receivables	156,574	63,074
Interest receivables	4,879	1,981
Less: allowance for credit losses	(1,365)	(654)
	<hr/>	<hr/>
	160,088	64,401
Less: non-current portion	(49,581)	(60,920)
	<hr/>	<hr/>
	110,507	3,481
	<hr/>	<hr/>

Included in the gross balances of loan receivables, approximately HK\$106,574,000 was secured by unlisted equity shares of PRC companies provided by the customers and approximately HK\$50,000,000 was secured by corporate guarantee by PRC companies provided by the customers (31 March 2019: approximately HK\$61,574,000 was secured by unlisted equity shares of PRC companies provided by the customers).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

17. Loan and Interest Receivables (Continued)

At 30 September 2019, the loan receivables arising from Money Lending business bear fixed interest rate ranging from 10% to 12% per annum (31 March 2019: 10% to 18% per annum).

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 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Repayable:		
Within 3 months	4,879	1,981
Over 3 months but less than 1 year	105,628	1,500
Over 1 year but less than 2 years	49,581	60,920
	160,088	64,401

The past due ageing of the loan and interest receivables are as follow:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Neither past due nor impaired	158,575	64,401
Within 3 months	1,513	–
	160,088	64,401

- (i) Based on the evaluation of collectability, the value of pledged assets and aged analysis of accounts, the management assessed that the amount is expected to be recovered.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

17. Loan and Interest Receivables (Continued)

The fair value of the Group's loan and interest receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates to the carrying amount of the loan and interest receivables.

During the six months ended 30 September 2019, loss allowances was made on loan and interest receivables amounting approximately HK\$711,000 due to advance of new loans and interest receivables.

The loan receivables outstanding as at 30 September 2019 and 31 March 2019 are denominated in Hong Kong dollars ("HK\$").

18. Financial Assets at Fair Value through Profit or Loss

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Equity investment fund, at fair value	22,660	40,339



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

18. Financial Assets at Fair Value through Profit or Loss (Continued)

The fair value of the Group's equity investment fund 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.

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 2018: Nil). The Group's policy is to recognise 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

18. Financial Assets at Fair Value through Profit or Loss (Continued)

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

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
At the beginning of the period/year	40,339	59,044
Change in fair value of equity investment fund	(17,679)	(15,126)
Redemption on equity investment fund	—	(3,579)
	<hr/>	<hr/>
At the end of the period/year	22,660	40,339

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

After the end of the reporting period, the equity investment fund has been fully compulsorily redeemed. Details of the Compulsory Redemption are set out in the Company's announcements on 29 October 2019 and 19 November 2019.

19. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Finished goods	3,738	4,128

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

19. Inventories (Continued)

- (b) The analysis of the amount of inventories recognised as an expense is as follows:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Carrying amount of inventories sold	52,241	110,965

20. Trade Receivables

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Trade receivables		
– Design, OEM and Marketing of Jewelry business	5,142	95,715
– Financial Services business	–	9
Less: allowance for credit losses	(154)	(2,874)
	4,988	92,850

The Group has a policy of allowing credit period ranging from 1 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

20. 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 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Within 3 months	3,557	32,292
4 to 6 months	101	40,347
Over 6 months	1,330	20,211
	4,988	92,850

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

The Group's historical credit loss experience show significantly different loss patterns for different customer portfolio (including higher risk and normal risk), the provision for loss allowance based on past due status is further distinguished between the Group's customer portfolio different risk type. A reversal of impairment of approximately HK\$2,720,000 was recognised during the six months ended 30 September 2019.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

21. Other Receivables, Prepayments and Deposits Paid

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Other receivables	3,588	28
Prepayments	1	211
Deposits paid (Note (a))	110,362	1,959
	113,951	2,198
Deduct: non-current portion	(412)	(1,031)
	113,539	1,167

Note

- (a) The amounts mainly represent the trade deposit paid for design, OEM and Marketing of Jewelry business amounting approximately HK\$109,897,000 (31 March 2019: Nil) and rental deposits amounting approximately HK\$412,000 (31 March 2019: HK\$1,390,000)

22. Assets classified as held for sale

On 21 June 2018, the Company, as vendor, and Hongkong Dragon Well Co., Limited (the "Purchaser A") entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser A has conditionally agreed to purchase 2,000 ordinary shares (the "Disposal A"), 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 A was approved by the shareholder of the Company in the special general meeting on 3 October 2018. The Disposal A has been completed on 31 August 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

22. Assets classified as held for sale (Continued)

On 28 February 2019, the Company, as vendor, and Mr. Zhang Chunxiao (the “Purchaser B”), an independent third party, entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser B has conditionally agreed to purchase 2,200 ordinary shares (the “Disposal B”), representing approximately 25.88% of the issued share capital of Pure Power, which owned by the Company at a consideration of HK\$80,000,000. As at 30 September 2019, the disposal was not yet completed and the net carrying amount is HK\$80,000,000. Deposit of HK\$69,000,000 has been received and recorded as deposits received under other payables and accruals. The Disposal B has been completed on 10 October 2019.

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 2019	31 March 2019	
Pure Power Holdings Limited (“Pure Power”)	British Virgin Islands	United States of America	25.88%	49.41%	Investment holding and exploration and exploitation of natural resources

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

23. Trade Payables

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Amounts payable arising from securities broking:		
Clearing house (note a)	–	1,495
Cash clients (note b)	–	18,178
Other trade payables (note c)	1,277	72,392
	1,277	92,065

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 90 to 180 days (31 March 2019: ranges from 90 to 180 days) included in the balances, approximately HK\$1,277,000 was aged over 6 months based on invoice date (31 March 2019: approximately HK\$29,533,000 aged within 3 months and approximately HK\$42,859,000 aged between 4-6 months based on invoice date).

At 30 September 2019 and 31 March 2019, 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 2019

24. Other Payables and Accruals

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Other accrued charges and payables	18,616	4,389
Contract liabilities (Note (a))	–	355
Deposits received (Note (b))	69,000	14,800
	87,616	19,544

Note

(a) Movements in contract liabilities:

	HK\$'000
Balance at 1 April 2019 (audited)	355
Decrease in contract liabilities as a result of recognising asset management income	(226)
Decrease in contract liabilities as a result of disposal of interest in subsidiaries	(129)
Balance at 30 September 2019 (unaudited)	–

(b) The amount wholly represents the deposit received for disposal of 25.88% of remaining interest in an associate, which is approximately 86.25% of the consideration.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

25. Share Capital

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1 April 2018, 31 March 2019, 1 April 2019, and 30 September 2019	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2018	524,139	52,414
Exercise of share options (Note a)	<u>43,714</u>	<u>4,371</u>
Ordinary shares of HK\$0.1 each at 31 March 2019 and 1 April 2019	567,853	56,785
Exercise of share options (Note b)	<u>22,714</u>	<u>2,272</u>
Ordinary shares of HK\$0.1 each at 30 September 2019 (Unaudited)	<u>590,567</u>	<u>59,057</u>

Notes:

- (a) 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.
- (b) During the period ended 30 September 2019, 22,714,100 options were exercised at the exercise price of HK\$0.36 per share, resulting in the issue of 22,714,100 new shares of HK\$0.1 each. Proceeds generated from exercising the share options amounted of HK\$8,178,000. HK\$2,272,000 was credited to share capital, HK\$7,291,000 was credited to share premium account, HK\$1,385,000 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 2019

26. 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 2019 (six months ended 30 September 2018: Nil) and there were no material forfeitures available to reduce the Group’s future contributions at 30 September 2019 and 31 March 2019.

27. Capital commitments

The Group had no material capital commitments authorised but not provided for as at 30 September 2019 (31 March 2019: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2019

28. 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	
	2019	2018
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Short-term employee benefits	725	933
Equity-settled share-based payment	–	776
	<hr/>	<hr/>
Total compensation paid to key management personnel	725	1,709
	<hr/>	<hr/>

29. Event after Reporting Period

Save as disclosed in notes 12, 18 and 22 to the condensed consolidated interim financial statements, the Group did not have any significant events occurred after the reporting period.