



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)

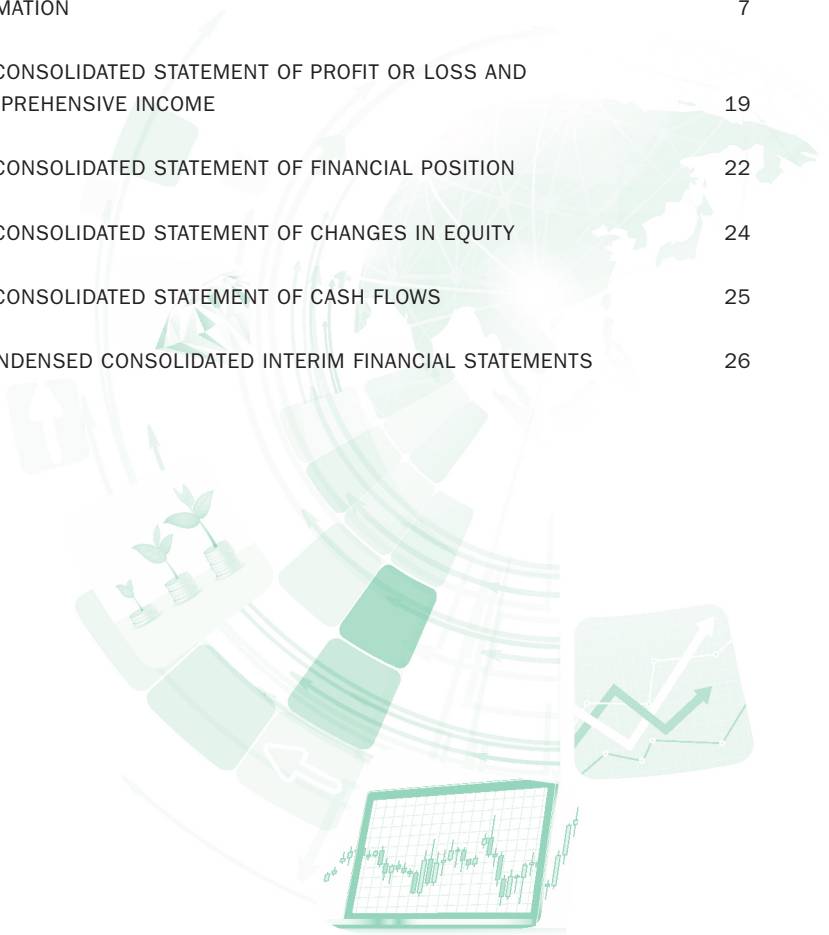


2020/21

**INTERIM
REPORT**

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Zhou Yaying (*Chairman*)
Mr. Wei Liang (*Chief Executive Officer*)
Ms. Hong Jingjuan
(Retired on 29 September 2020)
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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and during the six months ended 30 September 2020, 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 2020 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 56.

FINANCIAL REVIEW

For the six months ended 30 September 2020, the Group’s revenue from continuing operations was approximately HK\$36.74 million, representing a decrease of approximately HK\$26.51 million or 41.91% as compared to approximately HK\$63.25 million of corresponding period of 2019. The revenue included approximately HK\$28.28 million from design, original equipment manufacturer (“**OEM**”) and marketing of jewelry (the “**Design, OEM and Marketing of Jewelry**”) business (2019: HK\$58.26 million) and approximately HK\$8.46 million from money lending (the “**Money Lending**”) business (2019: HK\$4.99 million).

Gross profit from continuing operations was approximately HK\$10.92 million (2019: HK\$11.01 million), representing a decrease of approximately HK\$0.09 million or 0.82% as compared with 2019. The decrease in gross profit in the Design, OEM and Marketing of Jewelry business due to the severe outbreak of COVID-19 since January 2020 and offset with the increase in gross profit in Money Lending business due to the high demand in the COVID-19 situation.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Gross profit margin from continuing operations of the Group was increased from approximately 17.41% to 29.73%. The increase in gross profit margin of 2020 as compared with 2019 was due to the combination of revenue and gross profit in different businesses. The high profit margin of Money Lending business and the low profit margin of Design, OEM and Marketing of Jewelry business.

The loss from continuing operations of the Group were approximately HK\$3.05 million for the current period. The loss from continuing operations and the loss from discontinued operation were approximately HK\$4.70 million and HK\$1.65 million, respectively, for the six months ended 30 September 2019. The decrease of loss from continuing operations was mainly due to, including but not limited to (a) no fair value loss on financial assets at fair value through profit or loss in the current period whereas loss of approximately HK\$17.68 million in the last period; (b) no gain on disposal of the assets classified as held for sale during the period whereas gain of approximately HK\$11.88 million in the last period; (c) offset the share options were granted during the period, the equity-settled share-based payment expense was approximately HK\$2.20 million whereas no share option was granted in the last period; and (d) offset the impairment of goodwill of Design, OEM and Marketing of Jewelry business was approximately HK\$2.41 million during the period.

Selling, distribution and administrative expenses from continuing operations were approximately HK\$10.32 million, representing a slightly decrease of approximately HK\$0.1 million or 0.96% as compared to approximately HK\$10.42 million of corresponding period of 2019.

The finance costs from continuing operations amounted to approximately HK\$0.54 million, representing a slightly decrease of approximately HK\$0.02 million as compared to approximately HK\$0.56 million of corresponding period of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW

The Group was principally engaged in the businesses of Design, OEM and Marketing of Jewelry and Money Lending.

Design, OEM and Marketing of Jewelry business

During the period under review, the revenue generated from the Design, OEM and Marketing of Jewelry business was approximately HK\$28.28 million, representing a decrease of approximately HK\$29.98 million or 51.46% as compared to approximately HK\$58.26 million of corresponding period of 2019. Operating loss before tax and impairment loss on goodwill was approximately HK\$0.29 million (2019: operating profit before tax of approximately HK\$6.15 million). The gross profit margin was decreased from 10.34% to 8.69%.

The severe outbreak of COVID-19 since January 2020, various regions were under extensive lockdown and various levels of restrictions on public and business activities. The implementation of social distancing and quarantine measures in many countries worldwide have dampened consumer sentiment and brought the international tourism to a standstill, plunging the global economy into recession. The drastic drop in foot traffic has led to the sales slump of this business.

Due to the severe outbreak of COVID-19, Hong Kong Tourism Board statistics revealed that the number of tourist arrivals declined by approximately 99.8% for 6 months ended 30 September 2020. And according to the statistics from Hong Kong Census and Statistics Department, retail sales of the jewellery, watches and clocks, and valuable gifts category in Hong Kong has decreased approximately 25.7% and 56.4% for 6 months and 3 months ended 30 September 2020 respectively, when comparing with 2019.

The Group expects this business segment will continue to face more challenges in the foreseeable future and the Directors expect to see good growth potentials when the market recovers as the impact of COVID-19 fades away.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

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 2020, Great Luck had made loans to certain borrowers amounting to approximately HK\$172.47 million in total at the average interest rate of 10.95% per annum. For the six months ended 30 September 2020, interest income from money lending was approximately HK\$8.46 million (2019: HK\$4.99 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, especially in the current situation. In addition, the external gross profit of Money Lending business is almost 100% because the funding of loan is from internal resource 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

During the six months ended 30 September 2020, the Company did not have any material acquisition and disposal.

SHARE CAPITAL AND CAPITAL STRUCTURE

During the six months ended 30 September 2020, 59,056,660 share options were granted under the share option scheme of the Company, of which 5,905,666 share options were granted to the director of the Company and 53,150,994 share options were granted to employees.

Save as disclosed above, there was no other change in the share capital and capital structure of the Company during the six month ended 30 September 2020.

SIGNIFICANT INVESTMENTS

As at 30 September 2020, the market value of the equity securities (the "**Listed Equities**") listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was approximately HK\$22.49 million (31 March 2020: HK\$18.68 million). The Group had the following significant investments in the Listed Equities listed on the Stock Exchange which were classified as financial assets at fair value through other comprehensive income:

OTHER INFORMATION (Continued)

SIGNIFICANT INVESTMENTS (Continued)

Name (Stock code)	Principal business	Market	Net gain/(loss)	Market	% of	% of net
		value as at 31 March 2020 HK\$ million	on fair value change during the period HK\$ million	value as at 30 September 2020 HK\$ million	shareholding held as at 30 September 2020	assets of the Company as at 30 September 2020
China e-Wallet Payment Group Limited (802)	Provision of solutions services, internet and mobile application and related services	4.64	3.19	7.83	2.11	2.60
WLS Holdings Limited (8021)	Provision of scaffolding and fitting out services, management contracting services, other services for construction and buildings work, money lending business and securities investment business	10.05	2.16	12.21	2.50	4.05
Other listed equity securities (Note)		3.99	(1.54)	2.45		0.81
Total		18.68	3.81	22.49		7.46

Note: As at 30 September 2020 and 31 March 2020, other listed equity securities comprised 12 listed equity securities and none of them was more than 1% of the total asset of the Group.



OTHER INFORMATION (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group's net current assets were approximately HK\$178.88 million (31 March 2020: HK\$234.11 million), including cash and cash equivalents of approximately HK\$16.89 million (31 March 2020: HK\$7.43 million). Total interest-bearing borrowings amounted to approximately HK\$25.15 million as at 30 September 2019 (31 March 2020: 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 2020 was 2.95% (31 March 2020: 2.81%).

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 2020, 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 2020 and 31 March 2020.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2020 and 31 March 2020.

PLEDGE OF ASSETS

As at 30 September 2020 and 31 March 2020, 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 35 employees as at 30 September 2020 (31 March 2020: 47). Remunerations are commensurate with the nature of the job, experience and market conditions.

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 2020.

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 2020.

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	Nature of interests	Number of ordinary shares held	Number of underlying shares (unlisted and physically settled equity derivatives)	Approximate percentage of interest (Note)
Ms. Zhou Yaying	Beneficial owner	4,371,386	5,905,666	1.65%

Note: The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2020, that is 624,637,750 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2020, 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 2020 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 2020, 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	Nature of interests	Number of ordinary shares held	Approximate percentage of interest (Note)
Mr. Yang Maojun	Beneficial owner	62,910,000	10.07%
Ms. Guo Sha	Beneficial owner	47,000,000	7.52%
Ms. Dong Qian	Beneficial owner	40,000,000	6.40%

Note: The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2020, that is 624,637,750 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2020, 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 29 September 2020 on the basis of 624,637,750 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 62,463,775.

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 highest 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 2020 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 2020	Granted	Exercised	Outstanding as at 30 September 2020
Director								
Ms. Zhou Yaying	20/8/2020	20/8/2020 to 19/8/2022	HK\$0.375	HK\$0.370	-	5,905,666	-	5,905,666
Employees								
Employees	13/5/2020	13/5/2020 to 12/5/2022	HK\$0.132	HK\$0.133	-	53,150,994	-	53,150,994
Total					-	59,056,660	-	59,056,660

The weighted average fair values of the options granted during the six months ended 30 September 2020 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	Granted on 13 May 2020	Granted on 20 August 2020
Weighted average fair value of measurement date	HK\$0.032	HK\$0.087
Closing price of the shares at grant date	HK\$0.133	HK\$0.370
Exercise price	HK\$0.133	HK\$0.370
Expected volatility	45.41%	46.29%
Option life	2 years	2 years
Risk-free interest rate	0.322%	0.137%
Expected dividend yield	0%	0%

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

The expected volatility is based on the historic volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The fair value of the share options granted under the Scheme of approximately HK\$2,199,000 during the six months ended 30 September 2020 was recognised in equity-settled share-based payment expenses and the share option reserve of the Group as at 30 September 2020.

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 2020, 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 2020.

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 2020.

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 2020 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 chinaenvenenergy-ecom@hk.tricorglobal.com.

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

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

On behalf of the Board

Zhou Yaying

Chairman

Hong Kong

30 November 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		Unaudited	Unaudited
Notes		HK\$'000	HK\$'000
Continuing operations			
Revenue	4	36,736	63,253
Cost of sales		(25,815)	(52,241)
		<hr/>	<hr/>
Gross profit		10,921	11,012
Other income	5	672	7
Other gains and losses (Impairment loss)/reversal of impairment loss, net	6 7	(2,545) (465)	(5,736) 2,009
Selling and distribution expenses		(1,899)	(1,236)
Administrative expenses		(8,423)	(9,182)
Finance costs	8	(539)	(562)
		<hr/>	<hr/>
Loss before tax	9	(2,278)	(3,688)
Income tax expense	10	(771)	(1,016)
		<hr/>	<hr/>
Loss for the period from continuing operations		(3,049)	(4,704)
Discontinued operation			
Loss for the period from discontinued operation	11	–	(1,645)
		<hr/>	<hr/>
Loss for the period		(3,049)	(6,349)
		<hr/>	<hr/>

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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(28)	17
<i>Items that will not be reclassified to profit or loss</i>			
Fair value change in financial assets at fair value through other comprehensive income		3,801	–
Other comprehensive income for the period		3,773	17
Total comprehensive income/(expense) for the period		724	(6,332)

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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Loss for the period from continuing operations attributable to the owners of the Company		<u>(3,049)</u>	<u>(4,704)</u>
Loss for the period from discontinued operation attributable to the owners of the Company		<u>–</u>	<u>(1,645)</u>
Loss for the period from continuing and discontinued operations attributable to the owners of the Company		<u>(3,049)</u>	<u>(6,349)</u>
Loss per share	14		
From continuing and discontinued operations Basic/Diluted		<u>(0.005)</u>	<u>(HK\$0.011)</u>
From continuing operations Basic/Diluted		<u>(0.005)</u>	<u>(HK\$0.008)</u>
From discontinued operation Basic/Diluted		<u>–</u>	<u>(HK\$0.003)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Non-current assets			
Property, plant and equipment	15	194	364
Right-of-use assets	16	954	1,516
Goodwill	17	4,189	6,597
Loan receivables	18	113,887	46,623
Deferred tax assets		628	616
Financial assets at fair value through other comprehensive income	19	22,487	18,686
Deposits paid		91	503
		142,430	74,905
Current assets			
Inventories	20	31,514	3,235
Trade receivables	21	2,400	250
Loan and interest receivables	18	49,741	98,880
Other receivables, prepayments and deposits paid	22	107,886	157,870
Cash deposits held by securities brokers		3	1
Bank balances and cash		16,890	7,433
		208,434	267,669

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2020

	Notes	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Current liabilities			
Trade payables	23	1,068	1,506
Loan and interest payables		6,149	5,893
Other payables and accruals	24	19,351	23,761
Lease liabilities	25	963	1,167
Income tax payable		2,019	1,236
		<u>29,550</u>	<u>33,563</u>
Net current assets		<u>178,884</u>	<u>234,106</u>
Total assets less current liabilities		<u>321,314</u>	<u>309,011</u>
Non-current liabilities			
Lease liabilities	25	23	393
Unconvertible bonds		19,908	10,158
		<u>19,931</u>	<u>10,551</u>
Net assets		<u>301,383</u>	<u>298,460</u>
Capital and reserves			
Share capital	26	62,464	62,464
Share premium and reserves		238,919	235,996
Total equity		<u>301,383</u>	<u>298,460</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company								
	Share capital	Share premium	Contributed surplus	Investments revaluation reserve	Exchange reserve	Capital redemption reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 on 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
At 31 March 2020 and 1 April 2020	62,464	2,679,157	2,031	(12,155)	8,686	464	-	(2,442,187)	298,460
Loss for the period	-	-	-	-	-	-	-	(3,049)	(3,049)
Other comprehensive income									
Exchange difference on translation of foreign operations	-	-	-	-	(28)	-	-	-	(28)
Fair value change in financial assets at fair value through other comprehensive income	-	-	-	3,801	-	-	-	-	3,801
Total comprehensive income for the period	-	-	-	3,801	(28)	-	-	(3,049)	724
Grant of share options	-	-	-	-	-	-	2,199	-	2,199
At 30 September 2020 (Unaudited)	62,464	2,679,157	2,031	(8,354)	8,658	464	2,199	(2,445,236)	301,383

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	565	(169,116)
Cash flows from investing activities		
Bank interest income	2	7
Deposits received from partial disposal of interests in an associate	–	69,000
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	2	161,948
Cash flows from financing activities		
Proceeds from issue of unconvertible bonds	9,500	–
Repayment of lease liabilities	(574)	(486)
Interest expenses on lease liabilities	(33)	(56)
Proceeds from issue of shares upon exercise of share options	–	8,178
Share issue expenses	–	(12)
Net cash generated from financing activities	8,893	7,624
Net increase in cash and cash equivalents	9,460	456
Cash and cash equivalents at beginning of the period	7,434	12,528
Effects of exchange rate changes	(1)	1
Cash and cash equivalents at end of the period	16,893	12,985
Cash and cash equivalents at end of the period represented by:		
Cash deposits held by securities brokers	3	1
Bank balances and cash	16,890	12,984
	16,893	12,985

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 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 2020.

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 2020, 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 2020.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standards adopted by the Group

The following new standards and amendments are mandatory for the financial year beginning on 1 March 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) New and amended standards not yet adopted

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 March 2020 and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendment to HKFRS 3 Amendments to HKAS 1	Reference to the Conceptual Framework Classification of liabilities as current or non-current
Amendment to HKAS 16 Amendment to HKAS 37 Amendments to Annual Improvement Project	Proceeds before Intended Use Cost of fulfilling a Contract Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41)
HKFRS 17	Insurance Contracts

The Group will apply the above new standards and amendments when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

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

Design, Original Equipment Manufacturing (“ OEM ”) and Marketing of Jewelry:	design of jewelry, OEM and sales and marketing of jewelry
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Money Lending:	provision of loans as money lending
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Discontinued Operation

Financial Services (Note 11):	provision of financial advisory and intermediary services
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

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**”), 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 belowed.

(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 30 September		Six months ended 30 September		Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15						
Disaggregated by major products or service lines						
– Sales of Jewelry	28,273	58,266	–	–	28,273	58,266
– Provision of Financial Advisory and Intermediary Services	–	–	–	62	–	62
– Provision of Asset Management Services	–	–	–	226	–	226
	<u>28,273</u>	<u>58,266</u>	<u>–</u>	<u>288</u>	<u>28,273</u>	<u>58,554</u>
Revenue from other sources						
Interest income from Money Lending	8,463	4,987	–	–	8,463	4,987
	<u>36,736</u>	<u>63,253</u>	<u>–</u>	<u>288</u>	<u>36,736</u>	<u>63,541</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

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	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
- Over time	-	-	-	226	-	226
- At a point in time	28,273	58,266	-	62	28,273	58,328
	28,273	58,266	-	288	28,273	58,554

As at 30 September 2020, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied was approximately HK\$13,707,000 (31 March 2020: HK\$19,699,000).

(iii) Disaggregation of revenue according to geographic location

During the six months ended 30 September 2020 and 2019, 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 2020

4. SEGMENT INFORMATION (Continued)

(b) Analysis of segment revenue and result

For the six months ended 30 September 2020 (Unaudited)

	Continuing operations		
	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	28,273	8,463	36,736
Net Segment Result:			
Segment result	(292)	79	(213)
Impairment loss on goodwill	(2,408)	-	(2,408)
Net segment result	(2,700)	79	(2,621)
Other unallocated income			8,391
Other unallocated expenses			(5,310)
Equity-settled share-based payment			(2,199)
Finance costs			(539)
Loss before tax			(2,278)
Income tax expense			(771)
Loss for the period			(3,049)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

4. SEGMENT INFORMATION (Continued)

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

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 2020

4. SEGMENT INFORMATION (Continued)

(c) Analysis of segment assets and liabilities

As at 30 September 2020 (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	149,870	164,671	314,541
	<u>149,870</u>	<u>164,671</u>	<u>314,541</u>
Financial assets at fair value through other comprehensive income			22,487
Unallocated corporate assets			13,836
Consolidated total assets			<u>350,864</u>
Segment liabilities:			
– Hong Kong	15,659	164,700	180,359
– Elimination of loan payables (Note a)	–	(164,500)	(164,500)
	<u>15,659</u>	<u>200</u>	<u>15,859</u>
Unconvertible bonds			19,908
Loan and interest payables			6,149
Income tax payable			2,019
Unallocated corporate liabilities			5,546
Consolidated total liabilities			<u>49,481</u>

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 2020, the carrying amount of loan was HK\$164,500,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

4. SEGMENT INFORMATION (Continued)

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

As at 31 March 2020 (Audited)

	Continuing operations		Total HK\$'000
	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	
Assets and liabilities:			
Segment assets			
– Hong Kong	171,210	146,545	317,755
	<u>171,210</u>	<u>146,545</u>	317,755
Financial assets at fair value through other comprehensive income			18,686
Unallocated corporate assets			<u>6,133</u>
Consolidated total assets			<u>342,574</u>
Segment liabilities:			
– Hong Kong	22,154	148,000	170,954
– Elimination of loan payables	–	(148,600)	(148,600)
	<u>22,154</u>	<u>200</u>	22,354
Unconvertible bonds			10,158
Loan and interest payables			5,893
Unallocated corporate liabilities			4,473
Income tax payable			<u>1,236</u>
Consolidated total liabilities			<u>44,114</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

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, financial assets at fair value through other comprehensive income, certain other receivables, prepayments and deposits paid 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 and unconvertible bonds.

5. OTHER INCOME

	Continuing operations Six months ended 30 September		Discontinued operation Six months ended 30 September		Total Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Interest income	2	7	-	-	2	7
Government subsidies (Note)	670	-	-	-	670	-
	672	7	-	-	672	7

Note: Government subsidies recognised were primarily related to subsidies from the Hong Kong Government under the Anti-epidemic Fund. There were no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

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	
	2020	2019	2020	2019	2020	2019
	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:						
Change in fair value of financial assets at fair value through profit or loss	-	(17,679)	-	-	-	(17,679)
Impairment loss recognised on						
- goodwill	(2,408)	-	-	-	(2,408)	-
- inventory	(137)	-	-	-	(137)	-
	(2,545)	(5,736)	-	-	(2,545)	(5,736)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

7. (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS, NET

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
(Impairment loss)/reversal of impairment loss recognised on:						
– trade receivables	12	2,720	–	–	12	2,720
– loan and interest receivables	(477)	(711)	–	–	(477)	(711)
	(465)	2,009	–	–	(465)	2,009

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Interest expenses on:						
Loan payables	256	256	–	–	256	256
Imputed interest on unconvertible bonds	250	250	–	–	250	250
Lease liabilities	33	56	–	–	33	56
	539	562	–	–	539	562

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

9. LOSS BEFORE TAX

	Continuing operations		Discontinued operation		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2020	2019	2020	2019	2020	2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Restated)	
Auditor's remuneration	150	150	–	–	150	150
Staff costs (including directors' emoluments)	6,814	5,449	–	986	6,814	6,435
Cost of inventories recognised as an expense	25,815	52,241	–	–	25,815	52,241
Depreciation of property, plant and equipment	170	115	–	17	170	132
Depreciation on right-of-use assets	562	511	–	–	562	511
Operating lease rentals in respect of rental premises	58	213	–	438	58	651
Equity-settled share-based payment (included in staff costs)	2,199	–	–	–	2,199	–

10. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	Continuing operations		Discontinued operation		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2020	2019	2020	2019	2020	2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax	783	567	–	–	783	567
Deferred tax	(12)	449	–	–	(12)	449
Income tax expense for the period	771	1,016	–	–	771	1,016

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 2020 and 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

11. DISCONTINUED OPERATION (DISPOSAL OF INTEREST IN SUBSIDIARIES)

On 16 May 2019, 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 six months ended 30 September 2019 is analysed as follows:

	From 1 April 2019 to 31 May 2019 Unaudited HK\$'000
Loss of Financial Services business for the period	(1,645)
Gain on disposal of Financial Services business	59
	<hr/>
	(1,586)
	<hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

11. DISCONTINUED OPERATION (DISPOSAL OF INTEREST IN SUBSIDIARIES) (Continued)

The results of the Financial Services business for the six months ended 30 September 2019 were as follows:

	From 1 April 2019 to 31 May 2019 Unaudited HK\$'000
Revenue	
– Provision of financial advisory and intermediary services	249
– Provision of asset management services	39
	<hr/>
Total revenue	288
Cost of income	(13)
	<hr/>
Gross profit	275
Administrative expenses	(1,920)
	<hr/>
Loss before tax	(1,645)
Income tax expenses	–
	<hr/>
Loss for the period	<u>(1,645)</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

11. DISCONTINUED OPERATION (DISPOSAL OF INTEREST IN SUBSIDIARIES) (Continued)

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

	Unaudited HK\$'000
Net assets disposed of excluding goodwill and intangible assets	5,958
Attributable goodwill, net of impairment	–
Intangible assets, net of impairment	8,192
	<hr/>
	14,150
Gain on disposal	59
Transaction cost	141
	<hr/>
Total consideration	14,350
	<hr/>
Satisfied by:	
Cash	11,763
Other receivables	2,587
	<hr/>
	14,350
	<hr/>
	Unaudited HK\$'000
Net cash inflow arising on disposal:	
Cash consideration received	11,763
Transaction costs paid	(141)
Bank balances and cash disposed of	(8,880)
	<hr/>
	2,742
	<hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

11. DISCONTINUED OPERATION (DISPOSAL OF INTEREST IN SUBSIDIARIES) (Continued)

Cash flows from the Disposal Group:

	From 1 April 2019 to 31 May 2019 Unaudited HK\$'000
Net cash inflows from operating activities	267
Net cash inflows from investing activities	2,742
Net cash outflows from financing activities	(348)
	<hr/>
Net cash inflows for the period	2,661
	<hr/>

12. DISPOSAL OF INTEREST IN AN ASSOCIATE

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. 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	<hr/> (94,116)
Gain recognised in profit or loss (Note 6)	<hr/> 11,884

The remaining approximately 25.88% interest in an associate was disposed on 10 October 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

13. INTERIM DIVIDEND

The Board did not propose to declare an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

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 624,637,750 ordinary shares of the Company (six months ended 30 September 2019: 573,065,572) 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 2020 and 2019.

15. PROPERTY, PLANT AND EQUIPMENT

During the period, no any addition of property, plant and equipment (six months ended 30 September 2019: Nil) to the Group, the Group has not written off any property, plant and equipment during the period (six months ended 30 September 2019: Nil).

16. RIGHT-OF-USE ASSETS

	Leased properties	
	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Carrying amount	954	1,516
Depreciation charge for the period/year	562	1,402

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

16. RIGHT-OF-USE ASSETS (Continued)

	Six months ended 30 September	
	2020	2019
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	58	213
Total cash outflow for leases	608	1,265

The Group regularly entered into short-term leases for office.

The Group's right-of-use assets are situated on land:

	30 September	31 March
	2020	2020
	Unaudited	Audited
	HK\$'000	HK\$'000
In Hong Kong	954	1,516

No leased properties were pledged to banks as securities for banking facilities granted to the Group as at 30 September 2020 and 31 March 2020.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

17. GOODWILL

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Design, OEM and Marketing of Jewelry business	3,189	5,597
Money Lending business	1,000	1,000
	<hr/>	<hr/>
At the end of the reporting period	4,189	6,597
	<hr/>	<hr/>

Note:

Impairment loss on goodwill made on Design, OEM and Marketing of Jewelry business was recognised approximately HK\$2,408,000 for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

18. LOAN AND INTEREST RECEIVABLES

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Loan receivables	172,474	156,574
Interest receivables	3,510	3,465
Less: allowance for credit losses	(12,356)	(14,536)
	<hr/>	<hr/>
	163,628	145,503
Less: non-current portion	(113,887)	(46,623)
	<hr/>	<hr/>
	49,741	98,880
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

18. LOAN AND INTEREST RECEIVABLES (Continued)

Included in the gross balances of loan receivables, (i) approximately HK\$106,574,000 (31 March 2020: HK\$106,574,000) which were secured by unlisted equity shares of PRC companies; (ii) the balance of approximately HK\$50,000,000 (31 March 2020: approximately HK\$50,000,000) was secured by corporate guarantee by PRC companies; and (iii) the remaining balance of approximately HK\$15,900,000 (31 March 2020: Nil) were unsecured.

At 30 September 2020, the loan receivables arising from Money Lending business with fixed interest rate ranging from 10% to 14% per annum on principal amount, are repayable quarterly (31 March 2020: 10% to 18%). The effective interest rates of the loan receivables range from 10% to 14% (10.4% to 18%) per annum.

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

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Repayable:		
On demand and within 3 months	3,510	744
Over 3 months but less than 1 year	46,231	98,136
Over 1 year but less than 2 years	113,887	46,623
	163,628	145,503

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.

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

18. LOAN AND INTEREST RECEIVABLES (Continued)

During the six months ended 30 September 2020, loss allowances was made on loan and interest receivables amounting approximately HK\$477,000 (2019: approximately HK\$711,000) due to advance of new loans and interest receivables and written off of impairment of loan and interest receivables amounting approximately HK\$2,657,000 (2019: Nil).

The loan and interest receivables outstanding as at 30 September 2020 and 31 March 2020 are denominated in Hong Kong dollars (“HK\$”).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Listed equity securities	22,487	18,686

As at 30 September 2020 and 31 March 2020, the fair value of listed equity securities are determined based on the quoted market closing prices available on the Stock Exchange.

This investment is not held for trading, instead, its is held for long-term strategic purpose.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

20. INVENTORIES

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

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Finished goods	31,514	3,235

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

	Six months ended	
	30 September 2020 Unaudited HK\$'000	30 September 2019 Unaudited HK\$'000
Carrying amount of inventories sold	25,815	52,241

21. TRADE RECEIVABLES

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Trade receivables	2,528	390
Less: allowance for credit losses	(128)	(140)
	2,400	250

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

21. TRADE RECEIVABLES (Continued)

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.

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 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Within 3 months	2,400	85
4 to 6 months	–	–
Over 6 months	–	165
	<hr/> 2,400	<hr/> 250

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

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 2020

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Other receivables	18	2,605
Prepayments	10	10
Deposits paid (Note)	107,949	155,758
	107,977	158,373
Deduct: non-current portion	(91)	(503)
	107,886	157,870

Note: The amounts mainly represent the trade deposit paid for design, OEM and Marketing of Jewelry business amounting approximately HK\$107,416,000 (31 March 2020: HK\$155,225,000).

23. TRADE PAYABLES

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Trade payables (Note)	1,068	1,506

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

23. TRADE PAYABLES (Continued)

Note: Other trade payables related to Design, OEM and Marketing of Jewelry business with credit period on purchase of goods ranges from 30 to 180 days (31 March 2020: ranges from 30 to 180 days) included in the balances, approximately HK\$1,068,000 was aged over 6 months based on invoice date (31 March 2020: approximately HK\$1,298,000 aged within 3 months and approximately HK\$208,000 aged over 1 year based on invoice date).

At 30 September 2020 and 31 March 2020, the trade payables were denominated in HK\$ and the carrying amounts of trade payables approximate to their fair values.

24. OTHER PAYABLES AND ACCRUALS

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Other accrued charges and payables	5,644	4,062
Contract liabilities (Note)	13,707	19,699
	19,351	23,761

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

24. OTHER PAYABLES AND ACCRUALS (Continued)

Note: Movements in contract liabilities:

	HK\$'000
Balance at 1 April 2020 (audited)	19,699
Increase as a result of deposit received from customers for the purchase of jewelry products	5,595
Decrease as a result of recognising revenue during the period	<u>(11,587)</u>
Balance at 30 September 2020 (unaudited)	<u>13,707</u>

25. LEASE LIABILITIES

	30 September 2020 Unaudited HK\$'000	31 March 2020 Audited HK\$'000
Lease liabilities payable:		
Within one year	963	1,167
Within a period of more than one year but not more than two years	23	<u>393</u>
	986	1,560
Less: Amount due for settlement within 12 months shown under current liabilities	(963)	<u>(1,167)</u>
Amount due for settlement after 12 months shown under non-current liabilities	23	<u>393</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

26. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1 April 2019, 31 March 2020, 1 April 2020, and 30 September 2020	10,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2019	567,853	56,785
Exercise of share options (Note a)	56,785	5,679
Ordinary shares of HK\$0.1 each at 31 March 2020, 1 April 2020 and 30 September 2020 (Unaudited)	624,638	62,464

Note: 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 ended 30 September 2019 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 2020

27. 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 2020 (six months ended 30 September 2019: Nil) and there were no material forfeitures available to reduce the Group’s future contributions at 30 September 2020 and 31 March 2020.

28. CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2020 (31 March 2020: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2020

29. 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	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Short-term employee benefits	978	725
Equity-settled share-based payment	515	–
	<hr/>	<hr/>
Total compensation paid to key management personnel	1,493	725

30. EVENT AFTER REPORTING PERIOD

After the end of the reporting period, the outbreak of novel coronavirus (“COVID-19”) continues to spread across the world. The COVID-19 has impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress. Given the dynamic nature of these circumstances, the related impact on the Group’s consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group’s 2020/2021 annual financial statements.

Save as disclosed above, the Group did not have any significant events occurred after the reporting period.