



China Environmental Energy Investment Limited

中國環保能源投資有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 986)

Interim Report
2022/23

*For identification purposes only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tse Kwong Chan
Mr. Yiu To Wa
Mr. Lau Leong Yuen
Mr. Hong Hui Lung

COMPANY SECRETARY

Mr. Chan Kin Ming

AUDIT COMMITTEE

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

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

McMillan Woods (Hong Kong) CPA Limited
24/F., Siu On Centre
188 Lockhart Road, Wanchai
Hong Kong

LEGAL ADVISOR

H.Y. Leung & Co. LLP Solicitors
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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
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
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WEBSITE

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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 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and during the six months ended 30 September 2022, 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 2022 and the state of affairs of the Group as at that date are set out in the condensed consolidated interim financial statements on pages 22 to 52.

FINANCIAL REVIEW

For the six months ended 30 September 2022, the Group’s revenue was approximately HK\$37.30 million, representing a decrease of approximately HK\$5.59 million or 13.03% as compared to approximately HK\$42.89 million of corresponding period of 2021. The revenue included approximately HK\$23.91 million from design, original equipment manufacturer (“**OEM**”) and marketing of jewelry (the “**Design, OEM and Marketing of Jewelry**”) business (2021: approximately HK\$31.79 million) and approximately HK\$13.39 million from money lending (the “**Money Lending**”) business (2021: approximately HK\$11.10 million).

Gross profit was approximately HK\$14.12 million (2021: approximately HK\$12.76 million), representing an increase of approximately HK\$1.36 million or 10.66% as compared with 2021. Gross profit margin of the Group was increased from approximately 29.76% to 37.86%. The increase in gross profit was due to the high demand of the Money Lending business in the Coronavirus Disease 2019 (“**COVID-19**”) pandemic.

The profit before tax for the period of the Group was approximately HK\$2.69 million (2021: approximately HK\$1.58 million), representing increase of approximately HK\$1.11 million due to effective cost saving. The profit for the period of the Group was approximately HK\$1.35 million (2021: approximately HK\$1.35 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Selling, distribution and administrative expenses were approximately HK\$7.37 million (2021: approximately HK\$9.10 million), representing a decrease of approximately HK\$1.73 million or approximately 19.01% as compared with last corresponding period due to decrease staff cost and effective cost control.

The finance costs amounted to approximately HK\$0.53 million, representing a slightly decrease of approximately HK\$0.20 million as compared to approximately HK\$0.73 million of the last corresponding period.

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\$23.91 million (2021: approximately HK\$31.79 million). Operating loss before tax was approximately HK\$2.79 million (2021: approximately HK\$3.42 million).

Since severe outbreak of COVID-19 from 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.

Moving towards the end of 2022, the COVID-19 pandemic continues its disruptive impact in us and across the world with the focus increasingly turning towards what measures governments are taking to tackle the challenges brought about by the pandemic. In February 2022 saw an escalation in geopolitical tensions further disrupt global supply chains, the sudden slump in pound-sterling in late September 2022 added to further market uncertainty with global inflation already high and global interest rates rising in response.

There has been little change in COVID-19 pandemic measures in Hong Kong SAR during the period ended 30 September 2022, with movement across borders with both Mainland China and overseas countries still subject to quarantine.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The COVID-19 pandemic has had an impact on the operations in Mainland China since the early of 2022, causing our underperformance in that market in terms of both sales and profit. The pandemic outbreaks in various parts of Mainland China have prompted lockdowns in affected cities and towns, lowering foot traffic in our customers' sales channel.

Looking ahead, the revenue is expected to continue to remain under immense pressure amid an arduous operating environment and in the face of prevalent external uncertainties. The Group will continue to enhance its risk management to manage external risks and leverage opportunities. The Directors believe it will rebound once the pandemic eases and government's change in strategy.

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 2022, Great Luck had 61 (31 March 2022: 60) individual borrowers amounting to approximately HK\$257.17 million (31 March 2022: HK\$252.67 million) in total at the average interest rate of 9.70% (31 March 2022: 7.96%) per annum. The tenure of loans were 1 to 3 years. During the period under review, interest income from money lending was approximately HK\$13.39 million (2021: approximately HK\$11.10 million). The Group placed advertisement in magazine and engaged loan agents to solicit new customers.

As at 30 September 2022, the maturity profiles of loan receivables are HK\$45.20 million in 2022, HK\$145.87 million in 2023 and HK\$66.10 million in 2024.

All of the borrowers are individuals the and approximately HK\$50 million were secured by corporate guarantee from certain companies and the remaining balances were unsecured.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The largest borrower of the Group was HK\$9,000,000, approximately 3.5% of the total loan receivables of the Group and the five largest borrowers were HK\$43,000,000, approximately 16.72% of the total loan receivables of the Group.

The Group has clear credit policies, guidelines, controls and procedures in place which cover every aspect of the lending process including (i) information verification, (ii) credit assessment, (iii) execution of loan documentations, (iv) continuous loan monitoring and (v) collection, recovery and enforcement.

Before granting loans to potential customers, the Group performs credit assessment process to assess the potential customers' credit quality individually and defines the credit limits granted to the borrowers. The credit assessment process encompasses (i) assessment on the credit history and financial background of the potential customers, as well as the value and characteristics of the collaterals to be pledged, if any, and obtain the asset proof (such as, securities statement, bank statement and property certificate); (ii) to perform litigation search for the potential customers; and (iii) to perform assessment on the recoverability, such as asset proof and background search, to ensure the potential customer was not under bankruptcy or debt restructuring.

Under the Group's credit policy, unless otherwise approved by the Board such as (i) no loan shall be granted by the Group that exceeds the maximum loan amount preset by the Group (i.e. HK\$10,000,000), (ii) the tenor of loan shall not exceed the preset by the Group (i.e. 3 years), and (iii) the credit limit should be assessed the collateral value (if any), asset proof, etc., to determine the credit limit. The credit limit of loans successfully granted to the borrowers will be subject to quarterly credit review by the management as part of the ongoing loan monitoring process.

The Group will only provide money lending services and grant loan facilities to a relevant client after the potential customers has passed the Group's due diligence process. Due diligence performed by the Group generally involves "know your client" procedures including (i) obtain information as to source and amount of income, proof of other net assets, ID copy, address proof; (ii) enquiry the potential customer any relationship with our directors or staff; (iii) ensure the potential customer is an independent third party and not connected with the Group and its connected person; (iv) if the potential customer is a connected person, we may consider the approval or not and make disclosure under the Listing Rules if required; and (v) to perform notifiable transaction test to ensure the loan is compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Group strived to adhere to a set of policy and procedural manual (such as, internal policy of the Group, Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Licensed Money Lenders which is issued by Hong Kong Companies Registry and the Money Lenders Ordinance) in respect of loan approval, loan renewal, loan recovery, loan compliance, monitoring and anti-money laundering. For ongoing monitoring of the loan performance and their risk levels, the Group will closely monitor the status of interest and loan principal collections and repayment abilities of the borrowers to assess the recoverability of the loans granted by the Group.

The Group performs impairment assessment on loan receivables under the expected credit loss (“**ECL**”) model. The measurement of ECL is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of probability of default and loss given default is based on historical data and forward-looking information performed by independent professional valuers engaged by the Group at each reporting date for the purpose of determining ECL. In accordance with the Group’s loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. For the period ended 30 September 2022, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group’s loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collaterals pledged to the Group, and forward-looking information including the future macro-economic conditions affecting the borrowers (the negative impact of the COVID-19 pandemic on the state of the Hong Kong economy had also been considered).

As at 30 September 2022, the allowance for ECLs of loan and interest receivables are HK\$12.41 million (31 March 2022: HK\$9.36 million). The provision of default rate is 4.57% (2021: 3.65%). The allowance for ECLs of loan and interest receivables were made approximately HK\$3.04 million during the period ended 30 September 2022 (2021: reversal of approximately HK\$0.16 million). The increase of provision of default rate due to including but not limited to the global economic changes and political changes. In the fact, the Group did not record any bad debt and written off of loan receivable during the period ended 30 September 2022 and year ended 31 March 2022. And the allowance for ECLs of loan receivables were made with Hong Kong Financial Reporting Standards.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

According to the statistics from Companies Registry, number of licensed money lenders has gradually increased from 1,994 to 2,490 for year 2017 to year 2021. Licensed money lenders, which are outside the banking system, provide an alternative source of financing for individuals and companies.

In view of the increasing demand in money lending in Hong Kong, the Group has placed advertisement in magazine to make public awareness and promote our business and 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

During the six months ended 30 September 2022, the Company did not have any material acquisition and disposal.

SHARE CAPITAL AND CAPITAL STRUCTURE

During the six months ended 30 September 2022, a total of 45,430,000 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 1,249,275,500 as at 1 April 2022 to 1,294,705,500 as at 30 September 2022.

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 2022.

OTHER INFORMATION (Continued)

USE OF PROCEEDS FROM RIGHTS ISSUE

The intended use of the net proceeds, actual use of the net proceeds and the remaining balance of unutilised proceeds as at 30 September 2022 are summarised as follows:

Use of proceeds	Original intended use of net proceeds stated in circular dated 16 July 2022	Actual use of net proceeds as at 30 September 2022	Remaining balance of unutilised proceeds as at 30 September 2022
	HK\$'million	HK\$'million	HK\$'million
Repayment of the loan and interest payable	5.76	5.76	–
Repayment of the overdue debts	9.46	7.37	2.09
Development of Design, OEM and Marketing of jewelry business	30.00	30.00	–
General working capital	14.89	14.66	0.23
Total	60.11	57.79	2.32

The remaining balance of unutilised proceeds of approximately HK\$2.32 million as at 30 September 2022 is expected to be utilised unchanged with the original plan.

OTHER INFORMATION (Continued)

SIGNIFICANT INVESTMENTS

As at 30 September 2022, 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\$41.01 million (31 March 2022: approximately HK\$27.14 million), which were classified as financial assets at fair value through other comprehensive income.

Name (Stock code)	Principal business	Market value	Net gain/(loss)	Market value	% of	% of net assets
		as at 31 March 2022	on fair value change during the period 2022	as at 30 September 2022	shareholding held as at 30 September 2022	of the Company as at 30 September 2022
		HK\$ million	HK\$ million	HK\$ million		
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	17.59	15.08	32.67	2.50	7.40
Other listed equity securities (Note)		9.55	(1.21)	8.34	N/A	1.89
Total		27.14	13.87	41.01	N/A	9.29

Note: As at 30 September 2022 and 31 March 2022, other listed equity securities comprised 11 listed equity securities and none of them was more than 1% of the total asset of the Group.

During the period under review, the Group’s Listed Equities recorded a fair value gain of approximately HK\$13.87 million.

The future value of Listed Equities may be affected by the degree of volatility in Hong Kong stock market and susceptible to other external factors that may affect their values. 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 2022, the Group's net current assets were approximately HK\$265.79 million (31 March 2022: approximately HK\$180.74 million), including cash and cash equivalents of approximately HK\$4.10 million (31 March 2022: approximately HK\$10.19 million). Total principal of interest-bearing borrowings amounted to approximately HK\$20.55 million as at 30 September 2022 (31 March 2022: approximately HK\$29.05 million). The Group's gearing ratio, which was net debt divided by total equity plus net debt, as at 30 September 2022 was 3.34% (31 March 2022: 3.99%).

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 2022, 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 2022 and 31 March 2022.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2022 and 31 March 2022.

PLEDGE OF ASSETS

As at 30 September 2022 and 31 March 2022, 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 50 employees as at 30 September 2022 (31 March 2022: 50). 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 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 2022.

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 2022.

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	Approximate percentage of interest (Note)
Ms. Zhou Yaying	Beneficial owner	4,371,386	0.34%

Note: The percentage of interest in the Company is calculated by reference to the number of ordinary shares in issue as at 30 September 2022, that is 1,294,705,500 ordinary shares of the Company.

Save as disclosed above, as at 30 September 2022, 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 2022 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 2022, so far as known to the Directors, there was no person who had an interest or short position in the shares of the Company and underlying shares which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

On 29 September 2021, 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 Share Option Scheme will remain valid for a period of 10 years commencing from the date of its adoption.

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 29 September 2021 unless the Company obtains a refresh approval from its shareholders. The maximum number of new shares which may be issued upon exercise of all share options is 124,927,550.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

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.

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.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

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 of the Company during the six months ended 30 September 2022 were shown as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share	Outstanding as at 1 April 2022	Exercised	Lapsed	Outstanding as at 30 September 2022
Director							
Ms. Zhou Yaying	20/8/2020	20/8/2020 to 19/8/2022	HK\$0.337 (note)	6,490,912	-	(6,490,912)	-
Employees							
Employees	13/5/2020	13/5/2020 to 12/5/2022	HK\$0.121 (note)	58,418,210	(45,430,000)	(12,988,210)	-
Total				64,909,122	(45,430,000)	(19,479,122)	-

Note: The exercise price per share option and the number of share options were adjusted upon the completion of rights issue on 20 September 2022.

The estimated fair values of the options at the dates of grant on 13 May 2020 and 20 August 2020 are approximately HK\$1,684,000 and approximately HK\$515,000, respectively. These fair values were calculated using the Binomial Model. The inputs into the 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 immediately before date of grant	HK\$0.132	HK\$0.375
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.

As at 30 September 2022, no share option had been granted.

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 2022.

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 2022.

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 2022.

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.

OTHER INFORMATION (Continued)

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the “**Audit Committee**”) comprises four independent non-executive Directors, Mr. Lau Leong Yuen, Mr. Tse Kwong Chan, Mr. Yiu To Wa and Mr. Hong Hui Lung. 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 2022 and discussed financial and internal control, and financial reporting matters of the Company.

CORPORATE COMMUNICATIONS

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

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, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.

OTHER INFORMATION (Continued)

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 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022	2021
		Unaudited	Unaudited
		HK\$'000	HK\$'000
	Notes		
Revenue	4	37,303	42,883
Cost of sales		(23,179)	(30,121)
		14,124	12,762
Gross profit			
Other income	5	197	–
Other gains and losses	6	–	(1,188)
Provision for expected credit losses ("ECLs") on trade receivables and loan and interest receivables, net	7	(3,733)	(163)
Selling and distribution expenses		(3,399)	(3,877)
Administrative expenses		(3,971)	(5,220)
Finance costs	8	(526)	(733)
		2,692	1,581
Profit before tax	9		
Income tax expense	10	(1,346)	(232)
		1,346	1,349
Profit for the period			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Non-current assets			
Property, plant and equipment	13	–	–
Right-of-use assets	14	1,910	2,462
Goodwill	15	2,841	2,841
Loan receivables	16	101,803	178,927
Deferred tax assets		104	107
Financial assets at fair value through other comprehensive income	17	41,010	27,144
		147,668	211,481
Current assets			
Inventories	18	87,831	73,542
Trade receivables	19	21,346	6,552
Loan and interest receivables	16	157,469	68,375
Other receivables, prepayments and deposits paid	20	22,862	50,847
Tax recoverable		–	108
Cash deposits held by securities brokers		1	1
Bank balances and cash		4,099	10,185
		293,608	209,610

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2022

	Notes	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Current liabilities			
Trade payables	21	8,418	2,224
Loan and interest payables		687	9,177
Other payables and accruals	22	16,462	16,481
Lease liabilities	23	551	993
Tax payable		1,701	–
		27,819	28,875
Net current assets		265,789	180,735
Total assets less current liabilities		413,457	392,216
Non-current liabilities			
Lease liabilities	23	1,403	1,494
Unconvertible bonds		17,046	16,569
		18,449	18,063
Net assets		395,008	374,153
Capital and reserves			
Share capital	24	129,471	124,928
Reserves		265,537	249,225
Total equity		395,008	374,153

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company								
	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	Total HK\$'000
At 1 April 2021	62,464	2,679,157	2,031	(7,766)	8,628	464	2,199	(2,437,740)	309,437
Profit for the period	-	-	-	-	-	-	-	1,349	1,349
Other comprehensive income									
- Exchange difference on translation of foreign operations	-	-	-	-	(18)	-	-	-	(18)
- Fair value change in financial assets at fair value through other comprehensive income	-	-	-	5,478	-	-	-	-	5,478
Total comprehensive income for the period	-	-	-	5,478	(18)	-	-	1,349	6,809
Issue of rights shares	62,464	(2,378)	-	-	-	-	-	-	60,086
At 30 September 2021 (Unaudited)	124,928	2,676,779	2,031	(2,288)	8,610	464	2,199	(2,436,391)	376,332
At 1 April 2022	124,928	2,676,779	2,031	(3,697)	8,585	464	2,199	(2,437,136)	374,153
Profit for the period	-	-	-	-	-	-	-	1,346	1,346
Other comprehensive income									
- Exchange difference on translation of foreign operations	-	-	-	-	149	-	-	-	149
- Fair value change in financial assets at fair value through other comprehensive income	-	-	-	13,866	-	-	-	-	13,866
Total comprehensive income for the period	-	-	-	13,866	149	-	-	1,346	15,361
Issue of shares upon exercise of share options	4,543	2,268	-	-	-	-	(1,314)	-	5,497
Share issue expenses	-	(3)	-	-	-	-	-	-	(3)
Lapse of share options	-	-	-	-	-	-	(885)	885	-
At 30 September 2022 (Unaudited)	129,471	2,679,044	2,031	10,169	8,734	464	-	(2,434,905)	395,008

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Net cash used in operating activities	(2,552)	(4,983)
Cash flows from investing activities		
Net cash generated from investing activities	–	–
Cash flows from financing activities		
Proceeds from issue of shares upon exercise of share options	5,497	–
Share issue expenses	(3)	–
Repayment of lease liabilities	(488)	(555)
Interest expenses on lease liabilities	(35)	(18)
Repayment of borrowing	(8,500)	(4,600)
Interest paid	(4)	(1,397)
Proceeds from issue of rights shares	–	62,464
Directly attributable cost for issue of rights shares	–	(2,378)
Net cash (used in)/generated from financing activities	(3,533)	53,516
Net (decrease)/increase in cash and cash equivalents	(6,085)	48,533
Cash and cash equivalents at beginning of the period	10,186	1,536
Effects of exchange rate changes	(1)	–
Cash and cash equivalents at end of the period	4,100	50,069
Cash and cash equivalents at end of the period represented by:		
Cash deposits held by securities brokers	1	2
Bank balances and cash	4,099	50,067
	4,100	50,069

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 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 2022.

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 2022, 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 since the issuance of the annual financial statements for the year ended 31 March 2022.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

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 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 2022

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

(b) New and amended standards not yet adopted

Certain new accounting standard, amendments to standards and interpretations have been published that are not mandatory for the financial year beginning 1 April 2022 and have not been early adopted by the Group. 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.

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.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

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**"), and interest income from provision of loans as money lending ("**Money Lending**") is analysed as belowed.

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

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of Jewelry	23,916	31,786
Revenue from other sources		
Interest income from Money Lending	13,387	11,097
	37,303	42,883

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

4. SEGMENT INFORMATION (Continued)

(a) Revenue (Continued)

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

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
At a point in time	23,916	31,786

As at 30 September 2022, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied was approximately HK\$164,000 (30 September 2021: approximately HK\$9,434,000).

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

During the six months ended 30 September 2022 and 2021, 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 2022

4. SEGMENT INFORMATION (Continued)

(b) Analysis of segment revenue and result

For the six months ended 30 September 2022 (Unaudited)

	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	<u>23,916</u>	<u>13,397</u>	<u>37,303</u>
Net Segment Result:			
Segment result	<u>(2,778)</u>	<u>10,341</u>	<u>7,563</u>
Impairment loss on goodwill	<u>-</u>	<u>-</u>	<u>-</u>
Net segment result	<u>(2,778)</u>	<u>10,341</u>	<u>7,563</u>
Other unallocated income			197
Other unallocated expenses			(4,542)
Finance costs			(526)
Profit before tax			<u>2,692</u>
Income tax expense			<u>(1,346)</u>
Profit for the period			<u>1,346</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

4. SEGMENT INFORMATION (Continued)

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

For the six months ended 30 September 2021 (Unaudited)

	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from external customers	31,786	11,097	42,883
Net Segment Result:			
Segment result	(2,075)	4,223	2,148
Impairment loss on goodwill	(1,348)	–	(1,348)
Net segment result	(3,423)	4,223	800
Other unallocated income			6,935
Other unallocated expenses			(5,421)
Finance costs			(733)
Profit before tax			1,581
Income tax expense			(232)
Profit for the period			1,349

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

4. SEGMENT INFORMATION (Continued)

(c) Analysis of segment assets and liabilities

As at 30 September 2022 (Unaudited)

	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Total HK\$'000
Assets and liabilities			
Segment assets			
– Hong Kong	47,368	260,272	307,640
– The People's Republic of China ("PRC")	87,493	–	87,493
	134,861	260,272	395,133
Financial assets at fair value through other comprehensive income			41,010
Deferred tax assets			104
Unallocated corporate assets			5,029
Consolidated total assets			441,276
Segment liabilities:			
– Hong Kong	13,337	249,200	262,537
– Elimination of loan payables (Note)	–	(249,200)	(249,200)
	13,337	–	13,337
Unconvertible bonds			17,046
Loan and interest payables			687
Unallocated corporate liabilities			13,497
Tax payable			1,701
Consolidated total liabilities			46,268

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

4. SEGMENT INFORMATION (Continued)

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

As at 31 March 2022 (Audited)

	Design, OEM and Marketing of Jewelry HK\$'000	Money Lending HK\$'000	Total HK\$'000
Assets and liabilities:			
Segment assets			
– Hong Kong	104,029	248,344	352,373
– PRC	29,197	–	29,197
	<u>133,226</u>	<u>248,344</u>	<u>381,570</u>
Financial assets at fair value through other comprehensive income			
			27,144
Deferred tax assets			
			107
Unallocated corporate assets			
			<u>12,270</u>
Consolidated total assets			
			<u>421,091</u>
Segment liabilities:			
– Hong Kong	9,535	244,700	254,235
– Elimination of loan payables (Note)	–	(244,700)	(244,700)
	<u>9,535</u>	<u>–</u>	<u>9,535</u>
Unconvertible bonds			
			16,569
Loan and interest payables			
			9,177
Unallocated corporate liabilities			
			<u>11,657</u>
Consolidated total liabilities			
			<u>46,938</u>

Note: The loan was made from the Company to the subsidiary under Money Lending segment which was under negotiated terms. As at 30 September 2022, the carrying amount of loan was approximately HK\$249,200,000 (31 March 2022: approximately HK\$244,700,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

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, 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, unconvertible bonds and tax payable.

5. OTHER INCOME

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Government subsidies (Note)	197	–

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 2022

6. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Other gains:		
Reversal of impairment loss recognised on inventories	–	160
Other losses:		
Impairment loss recognised on goodwill	–	(1,348)
	<hr/>	<hr/>
	–	(1,188)
	<hr/>	<hr/>

7. PROVISION FOR ECLs ON TRADE RECEIVABLES AND LOAN AND INTEREST RECEIVABLES, NET

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
(Provision for)/reversal of ECLs on:		
– trade receivables	(689)	(228)
– loan and interest receivables	(3,044)	65
	<hr/>	<hr/>
	(3,733)	(163)
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

8. FINANCE COSTS

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Interest expenses on:		
Loan payables	14	253
Imputed interest on unconvertible bonds	477	462
Lease liabilities	35	18
	<u>526</u>	<u>733</u>

9. PROFIT BEFORE TAX

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Auditor's remuneration	75	75
Staff costs (including directors' emoluments)	3,488	4,039
Cost of inventories recognised as an expense	23,179	30,121
Depreciation of property, plant and equipment	–	66
Depreciation on right-of-use assets	508	544
Short-term lease payment	–	63
	<u>27,250</u>	<u>35,208</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

10. INCOME TAX EXPENSE

Income tax recognised in profit or loss

	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Hong Kong Profits Tax	1,343	264
Deferred tax	3	(32)
Income tax expense for the period	1,346	232

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 2022 and 2021.

11. INTERIM DIVIDEND

The Board did not propose to declare an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

14. RIGHT-OF-USE ASSETS

	Leased properties	
	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Carrying amount	1,910	2,462
	Six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Expense relating to short-term leases (included in administrative expenses)	–	63
Depreciation expenses on right-of-use assets	508	544
Interest expense on lease liabilities (included in finance costs)	35	18
Total cash outflow for leases	488	573

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

For both periods, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 3 years (2021: 2 years to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

15. GOODWILL

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Design, OEM and Marketing of Jewelry business	1,841	1,841
Money Lending business	1,000	1,000
	<hr/>	<hr/>
At the end of the reporting period	2,841	2,841
	<hr/>	<hr/>

Note:

No impairment loss was recognised for the six months ended 30 September 2022. Impairment loss on goodwill made on Design, OEM and Marketing of Jewelry business was recognised approximately HK\$1,348,000 for the six months ended 30 September 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

16. LOAN AND INTEREST RECEIVABLES

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Loan receivables	257,172	251,667
Interest receivables	14,506	4,997
Less: allowance for ECLs	(12,406)	(9,362)
	259,272	247,302
Less: non-current portion	(101,803)	(178,927)
	157,469	68,375

The Group's loan receivables which arise from the money lending business in Hong Kong. Loan receivables include both secured and unsecured loans to individuals customers. Secured loan receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

At 30 September 2022, the loan receivables arising from Money Lending business with fixed interest rate ranging from 6% to 12% per annum on principal amount, are repayable quarterly (31 March 2022: 8% to 12%). The effective interest rates of the loan receivables range from 8% to 12% (31 March 2022: 8% to 12%) per annum.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

16. LOAN AND INTEREST RECEIVABLES (Continued)

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

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Repayable:		
On demand and within 3 months	58,947	4,838
Over 3 months but less than 1 year	98,522	63,537
Over 1 year but less than 2 years	101,803	178,927
	259,272	247,302

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.

During the six months ended 30 September 2022, provision of ECLs was made on loan and interest receivables amounting approximately HK\$3,044,000 (2021: reversal of provision for ECLs was made of approximately HK\$65,000).

The loan and interest receivables outstanding as at 30 September 2022 and 31 March 2022 are denominated in HK\$.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Listed equity securities	41,010	27,144

As at 30 September 2022 and 31 March 2022, 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.

18. INVENTORIES

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Goods held for sales	87,831	73,542

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

19. TRADE RECEIVABLES

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Trade receivables	23,429	7,946
Less: allowance for ECLs	(2,083)	(1,394)
	21,346	6,552

The Group has a policy of allowing credit period 90 days 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 allowance for ECLs, at the end of reporting period, based on the invoice date, is as follows:

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Within 3 months	16,352	1,694
4 to 6 months	4,994	4,742
Over 6 months	–	116
	21,346	6,552

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

19. TRADE RECEIVABLES (Continued)

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.

20. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Other receivables	19	19
Prepayments	11	12
Deposits paid (Note)	22,832	50,816
	22,862	50,847

Note: The amounts mainly represent the trade deposit paid for design, OEM and Marketing of Jewelry business amounting approximately HK\$22,325,000 (31 March 2022: approximately HK\$50,339,000).

21. TRADE PAYABLES

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Trade payables (Note)	8,418	2,224

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

21. TRADE PAYABLES (Continued)

Note: 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 2022: ranges from 30 to 180 days) included in the balances, approximately HK\$6,254,000 aged within 90 days, approximately HK\$1,853,000 aged between 91 to 180 days and approximately HK\$311,000 was aged over 180 days based on invoice date (31 March 2021: approximately HK\$550,000 aged within 90 days, approximately HK\$1,590,000 aged between 91 to 180 days and approximately HK\$84,000 aged over 180 days based on invoice date).

At 30 September 2022 and 31 March 2022, the trade payables were denominated in HK\$ and the carrying amounts of trade payables approximate to their fair values.

22. OTHER PAYABLES AND ACCRUALS

Other accrued charges and payables
Contract liabilities (Note)

30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
16,298	12,813
164	3,668
16,462	16,481

Note: Movements in contract liabilities:

	HK\$'000
Balance at 1 April 2022 (audited)	3,668
Decrease as a result of recognising revenue during the period	(3,504)
Balance at 30 September 2022 (unaudited)	164

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

22. OTHER PAYABLES AND ACCRUALS (Continued)

Income from design, OEM, and marketing of Jewelry business

The Group receives a designated amount of the contract value from customers in advance. The advances result in contract liabilities being recognised until the customer obtains control of a promised jewelry products and the Group satisfies a performance obligation.

23. LEASE LIABILITIES

	30 September 2022 Unaudited HK\$'000	31 March 2022 Audited HK\$'000
Lease liabilities payable:		
Within one year	551	993
In the second to fifth years, inclusive	1,403	1,494
	1,954	2,487
Less: Amount due for settlement within 12 months shown under current liabilities	(551)	(993)
Amount due for settlement after 12 months shown under non-current liabilities	1,403	1,494

All lease liabilities are denominated in HK\$.

The incremental borrowing rates applied to lease liabilities is 2.75% and 4.75% (31 March 2022: 2.75% and 4.75%).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

24. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each at 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	10,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.1 each at 1 April 2021	624,638	62,464
Share issued on 20 September 2021 pursuant to rights issue (Note a)	624,638	62,464
Ordinary shares of HK\$0.1 each at 31 March 2022 and 1 April 2022	1,249,276	124,928
Exercise of share options (Note b)	45,430	4,543
Ordinary shares of HK\$0.1 each at 30 September 2022	1,294,706	129,471

Notes:

- a. On 20 September 2021, the Company completed a rights issue of 624,637,750 rights shares at the subscription price of HK\$0.10 per rights share on the basis of one rights share for every one share at the Company. The net proceeds from rights issue were approximately HK\$60,086,000 after deducting directly attributable costs of approximately HK\$2,378,000.
- b. During the period ended 30 September 2022, 45,430,000 options were exercised at the exercise price of HK\$0.121 per share, resulting in the issue of 45,430,000 new shares of HK\$0.1 each. Proceeds generated from exercising the share options amounted of HK\$5,497,000. HK\$4,543,000 was credited to share capital, HK\$2,265,000 was credited to share premium account, HK\$1,314,000 was fully debited to share option reserve.

All the new ordinary shares issued and allotted during the period ended 30 September 2022 presented rank pari passu in all respect with the then existing ordinary shares of the Company.

25. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2022

25. EMPLOYEE RETIREMENT BENEFITS (Continued)

Defined contribution retirement plan (Continued)

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 2022 (2021: Nil) and there were no material forfeitures available to reduce the Group's future contributions at 30 September 2022 and 31 March 2022.

26. CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 30 September 2022 (31 March 2022: Nil).

27. 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	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Short-term employee benefits	801	887