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GREEN ENERGY GROUP LIMITED

綠色能源科技集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 979)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

The board of directors (the “Board”) of Green Energy Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 31 December 2021 (the “Period”) with comparative figures for the corresponding period in last year as set out below.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2021

	<i>Notes</i>	For the six months ended 31 December	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	202,778	40,159
Change in inventories of finished goods		(192,642)	(34,634)
Other income		473	3,232
Depreciation and amortisation charges		(3,125)	(1,068)
Staff costs		(11,471)	(7,866)
Other operating expenses		(9,741)	(8,891)
Finance costs		(68)	(46)
Loss before income tax	4	(13,796)	(9,114)
Income tax expense	5	(2)	(5)
Loss for the period		(13,798)	(9,119)
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of financial statements of foreign operations		(810)	1,633
Other comprehensive (loss)/income for the period		(810)	1,633
Total comprehensive loss for the period		(14,608)	(7,486)

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:		
Owners of the Company	(11,835)	(8,136)
Non-controlling interests	<u>(1,963)</u>	<u>(983)</u>
	<u>(13,798)</u>	<u>(9,119)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(12,855)	(6,261)
Non-controlling interests	<u>(1,753)</u>	<u>(1,225)</u>
	<u>(14,608)</u>	<u>(7,486)</u>
	<i>(HK cents)</i>	<i>(HK cents)</i>
Loss per share		
– Basic and diluted	7 <u>1.04</u>	<u>0.72</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	As at 31 December 2021 (Unaudited) <i>HK\$'000</i>	As at 30 June 2021 (Audited) <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		29,281	31,999
Intangible assets		128	178
Prepayments, deposits and other receivables	10	941	1,072
Right-of-use assets		1,987	890
		32,337	34,139
Current assets			
Inventories	8	4,928	1,340
Trade receivables	9	8,905	3,617
Prepayments, deposits and other receivables	10	12,238	10,888
Cash and cash equivalents		36,031	40,224
		62,102	56,069
Current liabilities			
Trade payables	11	13,994	312
Accruals and other payables		15,118	11,037
Contract liabilities		40	58
Lease liabilities		1,700	668
Income tax payables		2	2
		30,854	12,077
Net current assets		31,248	43,992
Total assets less current liabilities		63,585	78,131
Non-current liabilities			
Lease liabilities		299	237
Net assets		63,286	77,894
EQUITY			
Share capital	12	113,631	113,631
Reserves		(45,613)	(32,758)
Equity attributable to the owners of the Company		68,018	80,873
Non-controlling interests		(4,732)	(2,979)
Total equity		63,286	77,894

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements 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”) and 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 Rules”).

2. ACCOUNTING POLICIES

These 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 Group’s annual financial statements for the year ended 30 June 2021. They have been prepared on the historical cost basis.

The accounting policies and methods of computation applied in preparation of these interim financial statements are consistent with those applied in preparing the Group’s annual financial statements for the year ended 30 June 2021 except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA that are relevant to the Group and effective from the current period as stated below:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions Beyond 30 June 2021

The adoption of these amendments to HKFRS and HKAS did not have any significant effect on the financial position or performance of the Group.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>At a point in time:</i>		
Trading of recyclable oil/biodiesel	193,152	33,649
Trading of waste construction materials	1,633	1,641
Trading of plastic recycling/metal scrap materials	495	1,122
Sales of healthcare products	2,299	–
	<u>197,579</u>	<u>36,412</u>
<i>Over time:</i>		
Provision of waste processing services	1,531	777
Provision of plastic processing services	1,646	2,559
Provision of healthcare services	2,022	411
	<u>5,199</u>	<u>3,747</u>
Revenue from contracts with customer within HKFRS 15	<u>202,778</u>	<u>40,159</u>

Business segments

For the six months ended 31 December 2021, the Group was organised into five operating divisions. All of the segment revenue reported below is from external customers. Information regarding the Group's reportable segments, as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the periods has presented the following segments.

Segment assets include all assets with the exception of corporate assets, including bank balances and cash, certain other receivables and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade payables, accruals and other payables and other liabilities directly attributable to the business activities of operating segments, and exclude corporate liabilities and provision for income tax.

Segment information about these businesses is presented below:

Segment revenue and results

For the six months ended 31 December 2021

	Waste construction materials and processing services <i>HK\$'000</i> (Unaudited)	Renewable energy <i>HK\$'000</i> (Unaudited)	Plastic recycling/ metal scrap <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Healthcare <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
REVENUE	<u>3,164</u>	<u>193,152</u>	<u>2,141</u>	<u>-</u>	<u>4,321</u>	<u>202,778</u>
RESULTS						
Segment results	<u>1,594</u>	<u>3,281</u>	<u>(4,355)</u>	<u>(137)</u>	<u>(5,428)</u>	<u>(5,045)</u>
Other corporate expenses						<u>(9,156)</u>
Finance costs						<u>(68)</u>
Other income						<u>473</u>
Loss before income tax						<u><u>(13,796)</u></u>

For the six months ended 31 December 2020

	Waste construction materials and processing services <i>HK\$'000</i> (Unaudited)	Renewable energy <i>HK\$'000</i> (Unaudited)	Plastic recycling/ metal scrap <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Healthcare <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
REVENUE	<u>2,418</u>	<u>33,649</u>	<u>3,681</u>	<u>-</u>	<u>411</u>	<u>40,159</u>
RESULTS						
Segment results	<u>1,044</u>	<u>88</u>	<u>(4,389)</u>	<u>(83)</u>	<u>(402)</u>	<u>(3,742)</u>
Other corporate expenses						<u>(8,558)</u>
Finance costs						<u>(46)</u>
Other income						<u>3,232</u>
Loss before income tax						<u><u>(9,114)</u></u>

The following table presents assets and liabilities by segment of the Group as at 31 December 2021 and 30 June 2021:

As at 31 December 2021

	Waste construction materials and processing services <i>HK\$'000</i> (Unaudited)	Renewable energy <i>HK\$'000</i> (Unaudited)	Plastic recycling/ metal scrap <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Healthcare <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
ASSETS						
Segment assets	9,626	28,302	25,121	272	3,352	66,673
Unallocated cash and cash equivalents						25,401
Other corporate assets						2,365
Consolidated total assets						<u>94,439</u>
LIABILITIES						
Segment liabilities	179	13,567	5,088	-	8,411	27,245
Other corporate liabilities						3,908
Consolidated total liabilities						<u>31,153</u>

As at 30 June 2021

	Waste construction materials and processing services <i>HK\$'000</i> (Audited)	Renewable energy <i>HK\$'000</i> (Audited)	Plastic recycling/ metal scrap <i>HK\$'000</i> (Audited)	Money lending <i>HK\$'000</i> (Audited)	Healthcare <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
ASSETS						
Segment assets	9,323	13,453	28,387	928	5,603	57,694
Unallocated cash and cash equivalents						31,597
Other corporate assets						917
Consolidated total assets						<u>90,208</u>
LIABILITIES						
Segment liabilities	287	-	5,315	-	5,096	10,698
Other corporate liabilities						1,616
Consolidated total liabilities						<u>12,314</u>

4. LOSS BEFORE INCOME TAX

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before income tax has been arrived at after charging/ (crediting) the following items:		
Staff costs including director's remuneration		
Salaries and allowances	11,471	7,866
Interest income/realised fair value gain on financial instruments	(301)	(348)
Loss on disposal of property, plant and equipment	3	–
Net exchange gain	(12)	(2,447)
Expenses included in other operating expenses:		
Administrative expenses	990	887
Bank charges	75	76
Legal and professional fee	4,080	3,956
Office expenses and overheads	1,961	426
Repair and maintenance	1,492	2,333
Travel and entertainment	132	24
Utilities and other expenses	1,008	1,189

5. INCOME TAX

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
PRC tax	2	5

No Hong Kong profits tax has been provided for the six months ended 31 December 2021 as the Company incurred losses for tax purpose and certain subsidiaries of the Group have tax losses brought forward to set-off the estimated assessable profits.

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated profits for the six months ended 31 December 2021 after deduction of tax concession.

The PRC Enterprise Income Tax provision of the Group in respect of operations in Mainland China has been calculated at the rate of 25% (2020: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The income tax provision of the Group in respect of operations in Germany is calculated at the rate of 30% (2020: 30%) on the estimated assessable profits for the six months ended 31 December 2021, based on the existing legislation, interpretations and practices in respect thereof. No provision for income tax of Germany has been made as the Group incurred a loss for taxation purpose for the six months ended 31 December 2021.

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax. No provision for income tax of Japan has been made as the Group incurred a loss of taxation purpose for the six months ended 31 December 2021.

No recognition of the potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

6. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2021 (2020: Nil).

7. LOSS PER SHARE

The calculations of basic and diluted loss per share from operations are based on:

	For the six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the period attributable to owners of the Company	(11,835)	(8,136)
	<u><u> </u></u>	<u><u> </u></u>
	Number of shares	
	Six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculations	1,136,308,176	1,136,308,176
	<u><u> </u></u>	<u><u> </u></u>

There were no dilutive potential ordinary shares outstanding for the six months ended 31 December 2021 and 2020.

8. INVENTORIES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Recyclable oil	3,949	–
Plastic materials	375	404
Waste construction materials	1	3
Vaccines and medicines	603	933
	<u><u> </u></u>	<u><u> </u></u>
	4,928	1,340
	<u><u> </u></u>	<u><u> </u></u>

9. TRADE RECEIVABLES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Trade receivables	10,377	5,148
Less: Allowance for expected credit losses	<u>(1,472)</u>	<u>(1,531)</u>
	<u>8,905</u>	<u>3,617</u>

The Group makes cash-on-delivery sales and makes sales with a credit period of 0-30 days (as at 30 June 2021: 0-30 days) to certain of its trade customers. The following is an ageing analysis of trade receivables based on invoice date at the end of the reporting period:

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
0 – 90 days	8,822	3,546
91 – 180 days	–	34
>180 days	<u>83</u>	<u>37</u>
	<u>8,905</u>	<u>3,617</u>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
Prepayments	824	596
Trade deposits paid	7,486	9,465
Amount due from a related party	600	600
Other deposits and receivables	4,269	1,299
	<u>13,179</u>	<u>11,960</u>
Less: Non-current portion	(941)	(1,072)
	<u>12,238</u>	<u>10,888</u>

As at 31 December 2021 and 30 June 2021, the capital contribution from non-controlling interests of a subsidiary of HK\$1,400,000 was received and the remaining commitment of HK\$600,000 yet to be received was recognized as amount due from a related party which is unsecured, interest-free and has no fixed repayment term.

All the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year except for security and rental deposit, of approximately HK\$941,000 (as at 30 June 2021: approximately HK\$1,072,000) which are expected to be recovered more than one year.

11. TRADE PAYABLES

The following is an ageing analysis of trade payables based on invoice date at the end of the reporting period:

	As at 31 December 2021 (Unaudited) HK\$'000	As at 30 June 2021 (Audited) HK\$'000
0 to 90 days	<u>13,994</u>	<u>312</u>

The payment terms with suppliers are generally within 30 days (as at 30 June 2021: 30 days).

12. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 July 2020, 30 June 2021 and 31 December 2021	4,000,000	400,000
	<u>4,000,000</u>	<u>400,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 July 2020, 30 June 2021 and 31 December 2021	1,136,308	113,631
	<u>1,136,308</u>	<u>113,631</u>

BUSINESS REVIEW

During the period ended 31 December 2021, the Group has principally engaged in (a) renewable energy business, (b) waste construction materials and processing service, (c) plastic recycling/metal scrap, (d) money lending business, and (e) healthcare business.

Renewable Energy Business

The Group has begun to focus its development on trading of recyclable oil/biodiesel since 2017. The recyclable oil is in the nature of used cooking oil which could be further used as one of the components in refining biodiesel, one of the renewable energy commonly used. The operation of the renewable energy business is accredited with an International Sustainability and Carbon Certificate (“ISCC”) according to the Renewable Energy Directive 2018/2001/EU (RED II) of the European Parliament. The Group handles the customers’ product specification and discuss product specification with the raw material suppliers, as well as inspects their raw material quality.

(I) Products

The Group primarily purchases used cooking oils, recyclable oil and/or biodiesel as well as palm oil mill effluent methyl ester in the PRC and Hong Kong, which have been reprocessed according to the quality specification required by different customers, and sells them as feedstock to overseas and PRC buyers for the trading/production of biodiesel and/or for use in other industrial applications.

(II) Customers

The customers mainly comprise feedstock suppliers and recyclers who are engaged in the trading of recyclable waste cooking oils, palm oil mill effluent methyl ester and/or production of biodiesel in European countries, South East Asia and the PRC.

(III) Suppliers

The recyclable oil and/or biodiesel are supplied by waste oil collectors in Hong Kong and the PRC; and palm oil mill effluent methyl ester are sourced from suppliers in South East Asia.

The Group has formulated/implemented the upcoming business development plans for the renewable energy business, details as follows:

(i) *Expansion of operating team*

During December 2021, the Group has recruited additional new staff with relevant experiences in the trading and collection of used cooking oils in the Hong Kong market to join the operating team (including the sourcing team). The number of staff operating the renewable energy business has expanded to 11 staff. The expanded team will reinforce the Group's capability to reach its new and potential customers as well as advance its sourcing abilities. The Group targets to further expand its total headcount for the renewable energy business in 2022.

(ii) *Setup of storage and processing factory*

The Group is going to set up its own storage and processing factory in Hong Kong to store and process the used cooking oils. The Group is actively seeking a suitable industrial site for lease in Hong Kong to setup its factory.

At the same time, the Group is negotiating with potential suppliers for (a) the purchase of processing machineries; and (b) the storage facilities for the used cooking oils, including but not limited to those which are to be collected by the Group's own used cooking oil collection trucks. After proper installation of processing machineries and storage facilities, conducting renovation works and obtaining of relevant licences, the factory is expected to be ready for operation by the 1st half of 2022.

(iii) *Purchase of used cooking oil collection trucks*

The Group is going to purchase approximately 10 used cooking oil collection trucks in Hong Kong. Upon procuring the trucks, the Group will have its own capability in collecting used cooking oils in Hong Kong. The Group expects that the collection trucks shall be ready for use by the Group around March 2022. As a start, the Group's strategy is to build up its local supplier network during the 1st half of 2022, and targets to enter into more contracts with food and beverages providers in Hong Kong and the exclusive rights to collect used cooking oils with contract period of minimum of one year. During the first two months of 2022, the Group has already entered into formal contracts with several local restaurants in this regard.

Waste Construction Materials and Processing Service

The Group has commenced the waste construction materials and processing service business since 2007. With more than a decade of operating history, the Group's waste construction materials and processing service in Germany has established stable operation as well as long-term relationships with its business partners and customers in the local market.

(I) Products

The Group collects and recycles construction waste material and asphalt, and resells the recovered and/or recycled materials for a profit. Besides, the Group also performs processing service and mixing service according to formulas and proportion as provided by customers.

(II) Customers

The customers mainly comprise local construction companies, government authorities and individual customers in Germany.

(III) Suppliers

The Group primarily sources construction waste material and asphalt from various construction companies and construction waste collectors in Germany.

Plastic Recycling/Metal Scrap Business

The Group has commenced its plastic recycling business in Germany since 2016. The Group had also started the business of high-grade plastic recycling and processing in Japan in June 2020. Besides, the Group was also engaged in the trading of metal scrap, but it was inactive now. During the six months ended 31 December 2021, the Group has approximately 12 staff operating the plastic recycling metal scrap business.

(I) Products

The Group's plastic recycling business represents the recycling (sorting, washing and shredding) of plastic materials. The operations are basically divided into two streams, as follows:

Processing activities:

Plastic materials are supplied by commercial waste collectors, for which the Group charges the customers by reference to the weight of the incoming materials and bear the cost of disposal of waste arising from such recycling activities.

Purchase-Recycling-Resell Activities:

The Group purchases the plastic materials from both commercial waste collectors and plastics dealers for resale at a higher profit margin after recycling.

(II) Customers

The customers mainly comprise plastic recycling companies in Germany, Japan and member states of European Union.

(III) Suppliers

The Group has been purchasing feedstock from reputable suppliers who are engaged in, among others, environmental services and waste materials collection.

Money Lending Business

The Group has commenced the money lending business since 2018 with its money lenders licence in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

With the uncertainties in the economic conditions and business environment, in particular due to Hong Kong social unrest and the outbreak of the COVID-19, the Group has adopted a cautious and prudent approach in the assessment and approval of new loans and/or renewal of existing loans in order to mitigate its credit risk.

Healthcare Business

With the emergence of the COVID-19 pandemic, the Group saw demand growth in lab testing and coronavirus test kits. People are also increasingly opting for health diagnoses and preventive healthcare. In mid-November 2020, the Group had diversified and set up its subsidiaries to commence the Healthcare Business which mainly involved the laboratory diagnostic service and clinical health service. During the six months ended 31 December 2021, the Group has approximately 14 staff operating the healthcare business.

(I) Services

The Group has established its own medical centre and laboratory in Sheung Wan, Hong Kong offering a wide range of clinical health services and laboratory diagnostic services, which include doctor consultation and medication, laboratory test service, health screening and medical check-up packages, COVID-19 test package and test kits as well as vaccination service.

(II) Customers

The customers mainly comprise individual patients from the general public and corporate customers in Hong Kong.

(III) Suppliers

The major suppliers include (i) equipment vendors which facilitate the operation of the laboratory and clinic; and (ii) pharmaceutical companies and test kits companies.

Operating Results

The revenue of the Group for the six months ended 31 December 2021 was approximately HK\$202.8 million (2020 corresponding period: approximately HK\$40.2 million), representing a fivefold increase as compared with the corresponding period in last year. The increase in revenue was mainly contributed by the renewable energy segment through the product and market diversification.

The net loss attributable to the owners of the Company for the six months ended 31 December 2021 was approximately HK\$11.8 million (2020 corresponding period: approximately HK\$8.1 million), representing an increase of 46% as compared with the corresponding period in last year. Although the tremendous sales growth in the renewable energy segment brought a promising segment result of approximately HK\$3.3 million, the healthcare segment had incurred a loss of approximately HK\$5.4 million which was mainly attributable to the depreciation on fixed assets of clinic and laboratory as well as the staff cost of medical personnel. On the other hand, there was a reduction in exchange gain of approximately HK\$2.4 million as compared with the corresponding period in last year, which was derived from the translation of balances denominated in foreign currencies. Given that the COVID-19 pandemic has remained a looming threat over the global economy, as compared to other foreign currencies, the USD had a strong performance during 2021 being a safe haven currency. It has also benefited from its own strong recovery. Moreover, the emerging differences in the monetary-policy stances of the US and eurozone have clearly favoured a strengthening of the USD.

Segment Information

(a) *Renewable Energy – trading of recyclable oil/biodiesel*

The Group recorded a revenue of approximately HK\$193.2 million from the trading of recyclable oil/biodiesel for the six months ended 31 December 2021 (2020 corresponding period: approximately HK\$33.6 million). There was over fivefold increase in sales as compared with the corresponding period in last year. Such rocketing sales were mainly resulted from the diversification into sales of palm oil mill effluent methyl ester to PRC customers.

In 2021, global biofuel production has rebounded due to the expected recovery in oil demand and maintained or strengthened support policies for biomass-based fuels. European countries had increased their biofuels blending to meet the Renewable Energy Directive (RED) and Fuel Quality Directive (FQD) compliance targets. The recast directive moved the legal framework to 2030 and revised a new binding renewable energy target for the EU for 2030 to 38%-40%.

In spite of the rebound in the price and demand of biofuel in Europe, the high international shipping cost had eroded much of the profit margin of the long-haul shipment to European countries. The Group had further expanded its customer base of the renewable energy business to South East Asia (i.e. Singapore and Malaysia) as well as the PRC with lower shipping cost and led to a significant improvement in the segment revenue. The segment had been showing successful and encouraging results. Besides the sale of used cooking oil, the Group was able to expand its products to palm oil mill effluent methyl ester. Those customers ordered large quantity of palm oil mill effluent methyl ester for their bulk shipments to Europe by tanker vessels in face of the soaring container freight rate.

Although the Group has recently shifted some of its focus to the sales of palm oil mill effluent methyl ester due to the impacts from the coronavirus pandemic, the sales of used cooking oils to European and overseas buyers remains as one of its important revenue streams, and will be re-focused once the unfavourable impacts from the coronavirus pandemic (e.g. high international shipping rates) are diminished.

(b) *Waste construction materials and waste processing service*

The revenue of this business segment involves the collection and recycling of waste construction materials and the sale of recycled construction materials. The revenue arising from this sector was approximately HK\$3.2 million for the six months ended 31 December 2021 (2020 corresponding period: approximately HK\$2.4 million). With the long-established trust and relationship with the local construction companies and government authorities as well as the collapse of some competitors in the region during the pandemic, there was an increase of approximately 33% in the segment revenue as compared with the corresponding period in last year.

(c) *Plastic Recycling/Metal Scrap*

The plastic recycling/metal scrap sector recorded a revenue approximately of HK\$2.1 million for the six months ended 31 December 2021 (2020 corresponding period: approximately HK\$3.7 million). There was a drop of 43% in sales as compared with the corresponding period in last year. The persistent lack of feedstock supply in both Germany and Japan under the COVID-19 pandemic barely kept the minimal operation of the production plants during the period.

Increased demand for recycled plastics is being stimulated by intensifying sustainability commitments from the packaging sector, and ongoing consumer and regulatory pressure against single use plastics. However, European plastic scrap bale and feedstock supplies are tight across all major recycled chains. Disruption to collection and sorting capabilities has been caused by social distancing measures under COVID-19 pandemic. Changes to the waste input mix have been resulted from home working. All these factors led to the shortage of feedstock. It led to running of the German recycling plant far below its full production capacity, thus limiting its revenue in spite of the strong demand in recycled plastics.

The successive declarations of the state of emergency in Japan in face of the ongoing COVID-19 surge had dragged the economy down. Moreover, the inappropriate disposal of plastic during the challenging times due to lack of labour and lockdown measures affected the plastic recycling market drastically. The shortage in feedstock supply of reclaimed plastic had led to several halts in the processing operation of the Group in Japan in 2021.

(d) Money lending business

There was no revenue arising from this sector for the six months ended 31 December 2021 (2020 corresponding period: Nil). Ongoing economic contraction under COVID-19 has lasted longer than expected, the tightening financial conditions leads to more vulnerabilities and instability in credit markets. The Group had to take a more cautious and conservative approach to weigh on credit quality of new lender.

(e) Healthcare business

The key element of this sector involves the laboratory diagnostic service and clinical health service. The healthcare business recorded a revenue of approximately HK\$4.3 million for the six months ended 31 December 2021 (2020 corresponding period: approximately HK\$0.4 million). The COVID-19 testing service has been severely impacted by the prolonged delay in resumption of cross border travel with China and international travel restrictions. The Group has strived to offer a wide range of clinical health services including doctor consultation and medication, health screening and medical check-up package as well as vaccination service. Nevertheless, a loss of approximately HK\$5.4 million was recorded for the six months ended 31 December 2021 in face of the revenue shortfall, rising medical and laboratory personnel cost during the pandemic as well as the depreciation on fixed assets of clinic and laboratory.

FINANCIAL REVIEW

Liquidity, financial resources and cashflow

As at 31 December 2021, the Group had total current assets of approximately HK\$62.1 million (as at 30 June 2021: approximately HK\$56.1 million) and the total current liabilities were approximately HK\$30.9 million (as at 30 June 2021: approximately HK\$12.1 million). The current ratio of the Group was approximately 2.0 (as at 30 June 2021: approximately 4.6). The Group has sufficient funds to settle its debts.

As at 31 December 2021, the Group had total assets of approximately HK\$94.4 million (as at 30 June 2021: approximately HK\$90.2 million). The Group did not have external borrowing as at 31 December 2021 (as at 30 June 2021: Nil).

Use of proceeds from the placing of new shares

On 5 July 2019, the Company conducted a placing of 189,380,000 new ordinary shares at a price of HK\$0.12 each to raise a net proceeds of approximately HK\$22.50 million (the “Placing”). For further details of the Placing, please refer to the announcements of the Company dated 5 July 2019 and 24 July 2019.

As disclosed in the announcement of the Company dated 16 June 2021, the Board had resolved to reallocate the unutilised balance of the Net Proceeds in the amount of approximately HK\$8 million from the future expansion of the existing renewable energy business of the Group and future business opportunities to be identified by the Company, to additional general working capital of the Group.

The table below has summarised the planned use, revised use and actual utilization of the Net Proceeds of the Company:

Use of Net Proceeds	Planned use of Net Proceeds (HK\$ million)	Revised use of Net Proceeds as at 16 June 2021 (HK\$ million)	Actual use of Net Proceeds as at 31 December 2021 (HK\$ million)	Unutilized Net Proceeds as at 31 December 2021 (HK\$ million)
Further development of the existing plastic recycling business of the Group	10.0	10.0	10.0	0.0
Future expansion of the existing renewable energy business of the Group and future business opportunities to be identified by the Company	8.0	0.0	0.0	0.0
Additional general working capital of the Group	4.5	12.5	8.4	4.1 ^(Note)
Total	22.5	22.5	18.4	4.1

Note: The expected timeline for utilization of the unused Net Proceeds will be on or before 30 June 2022.

As at the date of this announcement, the Directors are not aware of any material change to the expected timeline for the application of the net proceeds as aforesaid and the revised use of the net proceeds as previously disclosed. The remaining proceeds is expected to be used in accordance with the intended purposes as stated above.

Save as disclosed above, there were no other equity fund raising activities of the Company during the last 12 months prior to the date of this announcement.

Foreign Exchange Exposure

The ordinary operations and investments of the Group are mainly in Hong Kong, Germany and Japan, with revenue and expenditures denominated in US dollars, euro and Japanese yen. The operating results of the Group may be affected by the volatility of foreign currencies. In addition, we are exposed to foreign currency risks arising from certain bank balances which are denominated in Renminbi, US dollars and euro. The Group will review its foreign exchange exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 31 December 2021, there were no derivative financial instruments employed by the Group.

Seasonal or Cyclical Factors

During the Period, the Group's business operations are not significantly affected by any seasonal and cyclical factor.

Material Acquisitions and Disposals of Subsidiaries and Associates

During the Period, the Group had no material acquisition and disposal of subsidiaries and associated companies.

Capital Commitments

As at 31 December 2021, the Group did not have any material capital commitment (as at 30 June 2021: Nil).

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

BUSINESS OUTLOOK AND FUTURE PROSPECTUS

Since the pandemic hit nearly two years ago, it has imposed one economic challenge after another. But record-high infusions of government spending and, eventually, the rollout of vaccines triggered an unexpectedly powerful recovery. However, a renewed wave brought by the Omicron coronavirus variant threatened to add to the existing strain on the world economy. The global economic recovery risks being thrown off track by the Omicron variant.

Nevertheless, it is set for an unprecedented boom of the renewable energy segment in the next few years because of government policies aimed at finding alternatives to fossil fuels, and improving the climate change. Under the European Climate Law, the European Union (EU) has a legally binding commitment to reach net zero greenhouse gas (GHG) emissions by 2050. On 14 July 2021, the European Commission published a proposal to revise the Renewable Energy Directive to increase the current EU-level target set in the 2018 directive of 'at least 32%' of renewable energy sources in the overall energy mix to at least 40% by 2030. In view of the booming biodiesel industry in the global market, the Group had increased its headcount for the renewable energy segment by the end of 2021 and has been planning to reallocate more financial and manpower resources to strengthen the supply chain of the renewable energy business in Hong Kong.

On the other hand, as rising global demand will continue to be met with limited increases in shipping capacity and the disruptive effects of local lockdowns. This mismatch between surging demand and de facto reduced supply capacity had thus led to record container freight rates on practically all container trade routes since 2020. With prices estimated to remain at these levels until 2023, the Group had made diversification of its product in renewable energy business into palm oil mill effluent methyl ester and extension of customer base to South East Asia countries and the PRC.

Under the “Single-Use Plastics (SUP) Directive” passed by the European Union (EU) in June 2019, certain plastic items under a specific list have been prohibited from being placed on the EU markets in 2021. It also imposes a minimum 30% recycled content requirement in beverage bottles by 2030. A raft of new legislation in the EU, along with voluntary commitments by major users and producers of plastic, aims to rid the world of plastic waste and is pushing demand for recycled plastics ever higher. However, growing demand from the packaging sector continues to expose shortfalls in collection and sorting capacities. Tightening environmental laws mean the crunch in plastic feed stock will probably intensify. COVID-19 pandemic seriously hit the plastic processing plant of the Group in Japan since 2020. The said processing plant in Japan ran below 50% of its full capacity, thus contributed a very minimal revenue to the Group since its start-up in 2020. The Group has to re-evaluate the viability of the Japanese processing operation under the prolonged pandemic and its aftermath.

Economists expect that the Omicron variant has a lesser negative impact on economic activities as compared to the prior waves of the pandemic. However, record infections in the fourth quarter of 2021 put pressure on different countries to bring in more stringent prevention measures. European countries have gone further with restrictions ranging from a full lockdown to indoor mask mandates. Governments need to find equilibrium between economic activity and preserving the health and safety of their populations. In fact, the Omicron variant has unleashed a fresh round of fear and uncertainty for travellers, shoppers and the world economy as a whole. The Group has to take a prudent and cautious approach in developing its existing business and exploring new business.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had 56 employees (As at 30 June 2021: 54 employees) in Hong Kong, the PRC, Germany and Japan.

The Group offered competitive remuneration package as an incentive to staff for career advancement and improvements. The Company has in place a share option scheme as a mean to encourage and reward the eligible employees’ (including directors of the Company) contributions to the Group’s results and business development based on their individual performance.

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experiences and professional qualifications and the prevailing market practice.

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2021.

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the six months ended 31 December 2021 (the "Period") with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, except for the deviation on the code provision A.2.1.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company has not appointed a chief executive officer. The role of the chief executive officer was performed by Mr. Wong Sai Hung, who was the chairman of the Company during the Period. The Board believes that the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the Period.

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") set out in Appendix 10 to the Listing Rules as its own securities dealing code for the directors of the Company. Upon specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

AUDIT COMMITTEE

The Audit Committee of the Company has been set up with terms of reference in accordance with Appendix 14 of Listing Rules. The Audit Committee of the Company has reviewed the accounting principles and policies adopted by the Group with management and discussed risk management systems internal control and financial reporting matters including the review of these unaudited condensed consolidated interim results of the Company for the six months ended 31 December 2021.

PUBLICATION OF INTERIM REPORT

The interim report will be available on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Wong Sai Hung
Chairman

Hong Kong, 25 February 2022

As at the date of this announcement, the Company has three executive Directors, namely Mr. Wong Sai Hung, Mr. Luo Xian Ping and Mr. Ho Wai Hung, and three independent non-executive Directors, namely Mr. Tam Chun Wa, Mr. Sze Cheung Pang and Mr. Lau Ka Wing.

* *For identification purposes only*