

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China Environmental Energy Investment Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2022 together with the comparative figures for the year ended 31 March 2021 as follows. For the reasons explained in the paragraph headed “Preparation and Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 March 2022 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Revenue	4	108,907	105,651
Cost of sales		(80,725)	(82,145)
Gross profit		28,182	23,506
Other income	6	6	777
Other gains and losses, net	7	273	(4,016)
(Provision for)/reversal of expected credit losses (“ECLs”) on trade receivables and loan and interest receivables	8	(7,511)	8,775
Selling and distribution expenses		(7,938)	(8,628)
Administrative expenses		(10,281)	(14,679)
Finance costs	9	(1,253)	(1,264)
Profit before tax	10	1,478	4,471
Income tax expense	11	(874)	(24)
Profit for the year		604	4,447

	<i>Notes</i>	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(43)	(58)
Item that will not be reclassified to profit or loss			
Fair value change in financial assets at fair value through other comprehensive income (“FVTOCI”)		<u>4,069</u>	<u>4,389</u>
Other comprehensive income for the year		<u>4,026</u>	<u>4,331</u>
Profit and total comprehensive income for the year		<u>4,630</u>	<u>8,778</u>
Profit for the year attributable to the owners of the Company		<u>604</u>	<u>4,447</u>
Profit and total comprehensive income attributable to the owners of the Company		<u>4,630</u>	<u>8,778</u>
		2022 HK\$	2021 HK\$ (Restated)
Earnings per share (Unaudited)	<i>13</i>		
– Basic		<u>0.0006</u>	<u>0.0065</u>
– Diluted		<u>0.0006</u>	<u>0.0062</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		–	128
Right-of-use assets		2,462	371
Goodwill		2,841	4,189
Loan receivables	16	178,927	163,401
Deferred tax assets		107	600
Financial assets at FVTOCI	14	27,144	23,075
		<u>211,481</u>	<u>191,764</u>
Current assets			
Inventories		73,542	45,993
Trade receivables	15	6,552	19,413
Loan and interest receivables	16	68,375	54,421
Other receivables, prepayments and deposits paid	17	50,847	46,814
Tax recoverable		108	104
Cash deposits held by securities brokers		1	2
Bank balances and cash		10,185	1,534
		<u>209,610</u>	<u>168,281</u>
Current liabilities			
Trade payables	18	2,224	869
Loan and interest payables		9,177	6,404
Other payables and accruals		16,481	26,797
Lease liabilities		993	393
		<u>28,875</u>	<u>34,463</u>
Net current assets		<u>180,735</u>	<u>133,818</u>
Total assets less current liabilities		<u>392,216</u>	<u>325,582</u>
Non-current liabilities			
Lease liabilities		1,494	–
Unconvertible bonds		16,569	16,145
		<u>18,063</u>	<u>16,145</u>
Net assets		<u>374,153</u>	<u>309,437</u>
Capital and reserves			
Share capital		124,928	62,464
Reserves		249,225	246,973
Total equity		<u>374,153</u>	<u>309,437</u>

NOTES:

1. GENERAL INFORMATION

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 address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and its principal place of business is Room 910, 9th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Group principally engaged in design, original equipment manufacturing and marketing of jewelry business ("Design, OEM and Marketing of jewelry") and provision of loans as money lending business ("Money Lending").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2

The application of the Amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phrase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment provides a practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2021.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2021:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 April 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 April 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 April 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 April 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 April 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 April 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 April 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of Jewelry	<u>85,147</u>	<u>86,889</u>
Revenue from other sources		
Interest income from Money Lending	<u>23,760</u>	<u>18,762</u>
	<u>108,907</u>	<u>105,651</u>

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
At a point in time	<u>85,147</u>	<u>86,889</u>

As at 31 March 2022, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied was approximately HK\$3,668,000 (2021: approximately HK\$16,339,000).

5. SEGMENT INFORMATION

- (a) **Business segments**

The Group's operating and reportable segments which are based on the types of products sold and services rendered are as follows:

Design, OEM and Marketing of Jewelry: design of jewelry, OEM and sales and marketing of jewelry

Money Lending: provision of loans as money lending

Segment revenue and result

The following is an analysis of the Group's revenue and results by reporting segments:

For the year ended 31 March 2022

	Design, OEM and Marketing of Jewelry <i>HK\$'000</i> (Unaudited)	Money Lending <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue:			
Sales to external customers	<u>85,147</u>	<u>23,760</u>	<u>108,907</u>
Revenue from external customers	<u><u>85,147</u></u>	<u><u>23,760</u></u>	<u><u>108,907</u></u>
Net segment result:			
Segment result	<u>(4,100)</u>	<u>16,507</u>	<u>12,407</u>
Impairment loss on goodwill	<u>(1,348)</u>	<u>–</u>	<u>(1,348)</u>
Net segment result	<u><u>(5,448)</u></u>	<u><u>16,507</u></u>	<u>11,059</u>
Other unallocated income			24
Other unallocated expenses			(8,352)
Finance costs			<u>(1,253)</u>
Profit before tax			1,478
Income tax expense			<u>(874)</u>
Profit for the year			<u><u>604</u></u>

For the year ended 31 March 2021

	Design, OEM and Marketing of Jewelry <i>HK\$'000</i> (Audited)	Money Lending <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment revenue:			
Sales to external customers	86,889	18,762	105,651
	<u>86,889</u>	<u>18,762</u>	<u>105,651</u>
Revenue from external customers	<u>86,889</u>	<u>18,762</u>	<u>105,651</u>
Net segment result:			
Segment result	(3,661)	14,966	11,305
Impairment loss on goodwill	(2,408)	–	(2,408)
	<u>(6,069)</u>	<u>14,966</u>	<u>8,897</u>
Net segment result	<u>(6,069)</u>	<u>14,966</u>	<u>8,897</u>
Other unallocated income			9,201
Other unallocated expenses			(12,363)
Finance costs			<u>(1,264)</u>
Profit before tax			4,471
Income tax expense			<u>(24)</u>
Profit for the year			<u><u>4,447</u></u>

Segment profit or loss represents profit or loss from each segment without allocation of certain other income, central administrative costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 March 2022

	Design, OEM and Marketing of Jewelry <i>HK\$'000</i> (Unaudited)	Money Lending <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Assets and liabilities:			
Segment assets			
– Hong Kong	104,029	248,344	352,373
– The People's Republic of China (“PRC”)	29,197	–	29,197
	<u>133,226</u>	<u>248,344</u>	<u>381,570</u>
Financial assets at FVTOCI			27,144
Deferred tax assets			107
Unallocated corporate assets			<u>12,270</u>
Consolidated total assets			<u><u>421,091</u></u>
Segment liabilities:			
– Hong Kong	9,535	244,700	254,235
– Elimination of loan payables (<i>Note</i>)	–	(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><u>46,938</u></u>

As at 31 March 2021

	Design, OEM and Marketing of Jewelry <i>HK\$'000</i> (Audited)	Money Lending <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Assets and liabilities:			
Segment assets			
– Hong Kong	115,646	218,865	334,511
	<u>115,646</u>	<u>218,865</u>	334,511
Financial assets at FVTOCI			23,075
Deferred tax assets			600
Unallocated corporate assets			<u>1,859</u>
Consolidated total assets			<u>360,045</u>
Segment liabilities:			
– Hong Kong	20,256	212,700	232,956
– Elimination of loan payables (<i>Note</i>)	–	(212,700)	(212,700)
	<u>20,256</u>	<u>–</u>	20,256
Unconvertible bonds			16,145
Loan and interest payables			6,404
Unallocated corporate liabilities			<u>7,803</u>
Consolidated total liabilities			<u>50,608</u>

Note: The loan was made from the Money Lending segment of the Company to the subsidiary under negotiated terms. As at 31 March 2022, the carrying amount of loan was approximately HK\$244,700,000 (2021: approximately HK\$212,700,000).

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, financial assets at FVTOCI, certain other receivables, prepayments and deposits paid, income tax recoverable and deferred tax assets; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, loan and interest payables, income tax payable and unconvertible bonds.

Other segment information

In respect of the year ended 31 March 2022

	Design, OEM and Marketing of Jewelry <i>HK\$'000</i> (Unaudited)	Money Lending <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Other information of			
Depreciation of property, plant and equipment	91	–	91
Depreciation of right-of-use assets	81	–	81
Provision for ECL on trade receivables	1,196	–	1,196
Provision for ECL on loan and interest receivables	–	6,315	6,315
Gain on early termination of loan receivables	–	(1,479)	(1,479)
	<u> </u>	<u> </u>	<u> </u>

In respect of the year ended 31 March 2021

	Design, OEM and Marketing of Jewelry <i>HK\$'000</i> (Audited)	Money Lending <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Other information of			
Depreciation of property, plant and equipment	133	–	133
Depreciation of right-of-use assets	124	–	124
Provision for ECL on trade receivables	58	–	58
Reversal of ECL on loan and interest receivables	–	(8,833)	(8,833)
Loss on modification of loan receivables	–	10,215	10,215
	<u> </u>	<u> </u>	<u> </u>

(b) Geographical information

The Group's operations are mainly located in Hong Kong.

The geographic market of the Group's revenue is determined based on the location at which the services were provided or the goods were delivered, irrespective of the origin of customers. Major services provided by the Group are in Hong Kong.

The non-current assets of the Group (other than financial assets at FVTOCI and deferred tax assets) by geographical areas determined based on the physical location of assets in the case of property, plant and equipment and right-of-use assets; and the location of the operations to which they are allocated, in the case of intangible assets and goodwill.

(c) **Information about major customers**

Revenues from customers contributing over 10% of the total revenue of the Group are as follows:

	Revenue generated from	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Customer A	Design, OEM and Marketing of Jewelry	24,068	33,335
Customer B	Design, OEM and Marketing of Jewelry	N/A	14,553
Customer C	Design, OEM and Marketing of Jewelry	16,643	10,909

6. OTHER INCOME

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Bank interest income	1	1
Government subsidies (<i>note</i>)	–	775
Others	5	1
	6	777

Note: The amount represents the receipts from Employment Support Scheme and Retail Sector Subsidy from the Anti-epidemic Fund provided by the Hong Kong government. The conditions of the government grant were fulfilled during the year ended 31 March 2021.

7. OTHER GAINS AND LOSSES, NET

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Other gains:		
Reversal of impairment loss on inventories	160	–
Exchange gains, net	19	–
Gain on early termination of loan receivables	1,479	–
Gain on disposal of property, plant and equipment	–	5,000
Imputed interest income of unconvertible bond on initial recognition	–	3,716
	1,658	8,716
Other losses:		
Loss on disposal of property, plant and equipment	(37)	–
Loss on modification of loan receivables	–	(10,215)
Impairment loss recognised on:		
– goodwill	(1,348)	(2,408)
– inventories	–	(109)
	(1,385)	(12,732)
	273	(4,016)

8. (PROVISION FOR)/REVERSAL OF ECLS ON TRADE RECEIVABLES AND LOAN AND INTEREST RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
(Provision for)/reversal of ECLs on:		
– trade receivables	(1,196)	(58)
– loan and interest receivables	(6,315)	8,833
	<u>(7,511)</u>	<u>8,775</u>

9. FINANCE COSTS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Interest on loan payables	271	511
Imputed interest on unconvertible bonds	924	703
Interest on lease liabilities	58	50
	<u>1,253</u>	<u>1,264</u>

10. PROFIT BEFORE TAX

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Staff costs (including directors' emoluments)		
– Directors' fees, staff salaries and allowances	7,465	8,863
– Retirement benefits contributions	217	255
– Equity-settled share-based payment	–	2,199
	<u>7,682</u>	<u>11,317</u>
Total staff costs	7,682	11,317
Auditor's remuneration	630	580
Cost of inventories sold	80,725	82,145
Depreciation of property, plant and equipment	91	236
Depreciation of right-of-use assets	1,056	1,145
Loss on modification of loan receivables	–	10,215
Gain on early termination of loan receivable	1,479	–
Short-term lease payment	75	121
	<u>75</u>	<u>121</u>

11. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Current tax – Hong Kong Profits Tax		
Provision for the year	380	–
Under – provision for prior years	1	8
	<u>381</u>	<u>8</u>
Deferred tax	493	16
	<u>874</u>	<u>24</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the law of the PRC on Enterprise Income Tax (the “EIT law”) and implementation regulation of the EIT law, the tax rate of the Group’s subsidiary in the PRC is 25% (2021: 25%). No PRC income tax has been provided as the Group’s subsidiary in the PRC did not have any assessable profit for the years ended 31 March 2022 and 2021.

The reconciliation between the income tax expense and profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Profit before tax	<u>1,478</u>	<u>4,471</u>
Tax at the applicable rate of 16.5% (2021: 16.5%)	244	738
Effect of different tax rates of subsidiaries operating in other jurisdictions	(34)	(31)
Tax effect of income not taxable for tax purpose	(1,118)	(3,431)
Tax effect of expenses not deductible for tax purpose	1,768	2,578
Tax effect of tax losses not recognised	79	192
Tax effect of utilisation of tax losses not previously recognised	(362)	(422)
Tax effect to unrecognised temporary differences	476	415
Tax effect of adoption of two-tier profits tax rate	(165)	–
Tax reduction	(15)	(23)
Under-provision in prior years	1	8
	<u>874</u>	<u>24</u>

12. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2022 (2021: Nil), nor has any dividend been proposed since the end of the reporting period (2021: Nil).

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is as follows:

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Earnings		
Profit for the purpose of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<u>604</u>	<u>4,447</u>
	2022 '000 (Unaudited)	2021 <i>'000</i> (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	983,282	686,539
Effect of dilutive potential ordinary shares arising from share options	58,418	51,536
Weighted average number of shares that would have been issued at average market prices	<u>(57,939)</u>	<u>(23,297)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>983,761</u>	<u>714,778</u>

14. FINANCIAL ASSETS AT FVTOCI

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Listed equity securities	<u>27,144</u>	<u>23,075</u>

As at 31 March 2022 and 2021, the fair value of listed equity securities are determined based on the quoted market closing prices available on the Stock Exchange.

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

15. TRADE RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade receivables		
– Design, OEM and Marketing of Jewelry business	7,946	19,611
Less: allowance for ECLs	(1,394)	(198)
	6,552	19,413

The Group has a policy of allowing credit period of 90 days (2021: 90 days) to its trade customers. The Group does not hold any collateral over the balances.

An aging analysis of trade receivables, net of impairment loss recognised, at the end of reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Within 3 months	1,694	6,811
4 to 6 months	4,742	10,240
Over 6 months	116	2,362
	6,552	19,413

At 31 March 2022 and 2021, the trade receivables were denominated in HK\$.

16. LOAN AND INTEREST RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Loan receivables	251,667	212,914
Interest receivables	4,997	7,955
Less: allowance for ECLs	(9,362)	(3,047)
	247,302	217,822
Less: non-current portion	(178,927)	(163,401)
	68,375	54,421

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 31 March 2022, the loan receivables arising from Money Lending business with fixed interest rate ranging from 8% to 12% (2021: 6% to 16%) per annum on principal amount, are repayable quarterly. The effective interest rates of the loan receivables range from 8% to 12% (2021: 6% to 16%) per annum.

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

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> <i>(Audited)</i>
Repayable:		
On demand and within 3 months	4,838	6,939
Over 3 months but less than 1 year	63,537	47,482
Over 1 year but less than 2 years	178,927	163,401
	<u>247,302</u>	<u>217,822</u>

The loan receivables outstanding as at 31 March 2022 and 2021 are denominated in HK\$.

17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> <i>(Audited)</i>
Other receivables	19	85
Prepayments	12	10
Deposits paid (<i>note</i>)	50,816	46,719
	<u>50,847</u>	<u>46,814</u>

note:

As at 31 March 2022, included in the deposits paid of approximately HK\$50,339,000 (2021: approximately HK\$46,186,000) are trade deposit paid to suppliers for design, OEM and marketing of Jewelry business.

18. TRADE PAYABLES

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade payables	<u>2,224</u>	<u>869</u>

Trade payables related to Design, OEM and Marketing of Jewelry business with credit period on purchase of goods ranges from 30 to 180 days (2021: 30 to 180 days).

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Within 90 days	550	640
91-180 days	1,590	–
Over 180 days	<u>84</u>	<u>229</u>
	<u>2,224</u>	<u>869</u>

At 31 March 2022 and 2021, the trade payables were denominated in HK\$ and the carrying amounts of trade payable approximate to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2022, the Group's revenue was approximately HK\$108.91 million (2021: approximately HK\$105.65 million), representing an increase of approximately HK\$3.26 million or 3.09% as compared with the year ended 31 March 2021. The revenue included approximately HK\$85.15 million (2021: approximately HK\$86.89 million) from design, original equipment manufacturing ("**OEM**") and marketing of jewelry (the "**Design, OEM and Marketing of Jewelry**") business and approximately HK\$23.76 million (2021: approximately HK\$18.76 million) from provision of loans as money lending (the "**Money Lending**") business.

Gross profit was approximately HK\$28.18 million (2021: approximately HK\$23.51 million), representing an increase of approximately HK\$4.67 million or 19.86% as compared with the year ended 31 March 2021. Gross profit margin of the Group was increased from approximately 22.25% to 25.88%. 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 for the year of the Group was approximately HK\$0.60 million (2021: approximately HK\$4.45 million), representing a decrease of approximately HK\$3.85 million.

The decrease of profit was mainly due to, including but not limited to (a) the expected credit losses on loan and interest receivables and trade receivables were approximately HK\$7.51 million whereas reversal of expected credit losses were approximately HK\$8.78 million in the year ended 31 March 2021; and offset with (b) increase of gross profit for the year; (c) no share options granted during the year, whereas share options were granted in the year ended 31 March 2021, the equity-settled share-based payment expense was approximately HK\$2.20 million; and (d) decrease of impairment of goodwill of Design, OEM and Marketing of Jewelry which was approximately HK\$1.35 million during the year, whereas the impairment of goodwill of Design, OEM and Marketing of Jewelry business was approximately HK\$2.41 million in the year ended 31 March 2021.

Selling, distribution and administrative expenses were approximately HK\$18.22 million (2021: approximately HK\$23.31 million), representing a decrease of HK\$5.09 million or approximately 21.84% as compared with the year ended 31 March 2021 due to (i) no share options were granted during the year ended 31 March 2022, whereas share options were granted in the year ended 31 March 2021, the equity-settled share-based payment expense was approximately HK\$2.20 million; and (ii) the Group's active cost control measures to improve operating efficiency.

The finance costs amounted to approximately HK\$1.25 million, representing a slight decrease of approximately HK\$0.01 million as compared to approximately HK\$1.26 million of the year ended 31 March 2021.

For the year ended 31 March 2022, the Group was principally engaged in the businesses of OEM and Marketing of Jewelry and Money Lending.

Design, OEM and Marketing of Jewelry business

During the year, the revenue generated from the Design, OEM and Marketing of Jewelry business was approximately HK\$85.15 million (2021: approximately HK\$86.89 million). Operating loss before tax was approximately HK\$5.45 million (2021: operating loss before tax was approximately HK\$6.07 million).

Since the 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.

There are improved market sentiments and a gradual recovery of the consumer market from April to December 2021. The National Bureau of Statistics of China also revealed that the total retail sales of consumer goods in 2021 increased 12.5% year-on-year while the retail sales of jewellery by 29.8%. Unfortunately, the fifth wave of the COVID-19 pandemic occurred since January 2022 which has dealt a heavy blow to the retail industry and us.

In the third quarter of the financial year ended 31 March 2022, the Group invested the proceeds from rights issue of HK\$30 million to the business to extend its distribution channel and product line. The Directors believe this business segment will rebound once border shutdowns are lifted as the pandemic eases.

Money Lending business

During the year, 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 31 March 2022, Great Luck had made loans to certain borrowers amounting to approximately HK\$252.67 million (2021: approximately HK\$220.67 million) in total at the average interest rate of 9.69% (2021: 8.60%) per annum. During the year, interest income from money lending was approximately HK\$23.76 million (2021: approximately HK\$18.76 million).

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

The aggregate percentage of the five largest borrowers were less than 30% 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 borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit assessment process encompasses detailed assessment on the credit history and financial background of the borrowers, as well as the value and characteristics of the collaterals to be pledged, if any. The credit limit of loans successfully granted to the borrowers will be subject to regular credit review by the management as part of the ongoing loan monitoring process.

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 year ended 31 March 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).

The expected credit losses on loan and interest receivables were made approximately HK\$6.32 million which is mainly due to the global risk factor increased in 2022. Actually, the Group did not incur any bad debt during the year except for these accounting impairment provision.

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.

SIGNIFICANT INVESTMENTS

As at 31 March 2022, the market value of the equity securities (the “**Listed Equities**”) listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) held by the Group was approximately HK\$27.14 million (2021: approximately HK\$23.08 million) which were classified as financial assets at fair value through other comprehensive income. There was no investment in an investee company with a value of 5% or more of the Group’s total assets as at 31 March 2022 and 2021.

During the year under review, the Group’s Listed Equities recorded a fair value gain of approximately HK\$4.07 million (2021: approximately HK\$4.39 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.

MATERIAL ACQUISITION AND DISPOSAL

The Company did not have any significant acquisition and disposal during the year ended 31 March 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have other future plans for material investments or capital assets as at 31 March 2022.

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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group’s net current assets were approximately HK\$180.73 million (2021: approximately HK\$133.82 million), including cash and cash equivalents of approximately HK\$10.19 million (2021: approximately HK\$1.53 million). Total interest-bearing borrowings amounted to approximately HK\$29.05 million as at 31 March 2022 (2021: approximately HK\$25.15 million). The Group’s gearing ratio, which was net debt divided by total equity plus net debt, as at 31 March 2022 was 3.99% (2021: 6.36%).

SHARE CAPITAL AND CAPITAL STRUCTURE

On 20 September 2021, the Company allotted and issued 624,637,750 new ordinary shares of the Company to the shareholders of the Company on the basis of one rights share for every one share of the Company in issue at the subscription price of HK\$0.10 per rights share (the “**Rights Issue**”). The net proceeds from the Rights Issue after deducting the expenses were approximately HK\$60.09 million. The number of issued ordinary shares of the Company was 1,249,275,500 shares upon completion of the Rights Issue on 20 September 2021.

Further details of the Rights Issue were set out in the Company’s announcements dated 16 June 2021, 9 July 2021, 8 September 2021 and 17 September 2021, the circular of the Company dated 16 July 2021 and the prospectus of the Company dated 18 August 2021.

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 31 March 2022 are summarised as follows:

Use of proceeds	Original intended	Actual use of net	Remaining
	use of net		balance of
	proceeds stated	proceeds as at	unutilised
	in circular dated	31 March 2022	proceeds as at
	16 July 2021	31 March 2022	31 March 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	6.60	2.86
Development of Design, OEM and Marketing of jewelry business	30.00	30.00	–
General working capital	14.89	9.95	4.94
Total	<u>60.11</u>	<u>52.31</u>	<u>7.80</u>

The remaining balance of unutilised proceeds of approximately HK\$7.8 million as at 31 March 2022 is expected to be utilised in accordance with the original plan.

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 year ended 31 March 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 31 March 2022 and 2021.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 31 March 2022 and 2021.

PLEDGE OF ASSETS

The Group did not have any pledge on its assets as at 31 March 2022 and 2021.

DIVIDEND

No dividend for the year ended 31 March 2022 (2021: Nil) is recommended by the Board.

EVENTS AFTER THE REPORTING PERIOD

On 12 May 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.

EMPLOYMENT AND REMUNERATION POLICY

During the year under review, the Group continued to strengthen its staff quality through staff development and training programmes. The Group had 50 employees as at 31 March 2022 (2021: 30). Remunerations are commensurate with the nature of job, staff experience and market conditions.

PURCHASE, REDEMPTION OR SALE OF LISTED EQUITY SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Own Code"). Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Own Code during the year under review.

CORPORATE GOVERNANCE FUNCTIONS

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the year ended 31 March 2022, except for the code provision of A.4.1 (which was removed on 1 January 2022) and E.1.2 (which has been re-numbered as F.2.2 since 1 January 2022):

Code provision A.4.1 (which was removed on 1 January 2022) of the CG Code stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. An independent non-executive Director, namely Mr. Tse Kwong Chan, is not appointed for a specific term. However, all of the independent non-executive Directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting pursuant to the Bye-laws provisions as mentioned above. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1 (which was removed on 1 January 2022).

Pursuant to code provision E.1.2 (which has been re-numbered as F.2.2 since 1 January 2022) of the CG Code, the Chairman of the Company should attend the annual general meetings of the Company. The Chairman of the Company, was unable to attend the annual general meeting of the Company held on 29 September 2021 due to COVID-19 pandemic control measures. However, the Chairman had arranged other directors to attend the meeting and communicate with shareholders.

AUDIT COMMITTEE

The audit committee currently comprises a total of four members, being the four existing independent non-executive directors, namely Mr. Yiu To Wa, Mr. Tse Kwong Chan, Mr. Lau Leong Yuen and Mr. Hong Hui Lung. The chairman of the Audit Committee is Mr. Yiu To Wa.

The main duties of the audit committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making relevant recommendation to the Board; and reviewing the Company’s financial reporting system, internal control system and risk management system.

PREPARATION AND REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results of the Group for the year ended 31 March 2022 has not been completed as a result of the various measures and restrictions in Mainland China and Hong Kong on COVID-19 pandemic.

It is currently expected that the auditor will not be able to complete these two audit work, (i) the auditor has not yet gathered the certain bank confirmations from Mainland China; and (ii) the stocktake procedures have not completed due to the various measures and restrictions in the Mainland China. Having considered the current progress of the audit work, the Company discussed with the auditor, additional time is required to finalise the audit work and currently there is no other material outstanding audit issue.

The unaudited annual results contained herein have not been agreed with the Company's auditor as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing.

In order to keep the shareholders of the Company and potential investors of the Company informed of the Group's business operation and financial position, the Board has set forth in this announcement the unaudited consolidated results of the Group for the year ended 31 March 2022 as extracted from the latest unaudited management accounts of the Group for the year ended 31 March 2022. The Directors confirmed that the unaudited consolidated results of the Group for the year ended 31 March 2022 were prepared on the same basis as used in the audited consolidated financial statements of the Group for the year ended 31 March 2021 except for the application of new and amendments to HKFRSs set out in note 3 to this announcement. The Board cannot guarantee that the unaudited consolidated results of the Group for the year ended 31 March 2022 truly reflects the financial performance and position of the Group and such information might be misleading if any potential adjustments have not been taken into account.

Based on the current situation and the latest discussion with the Company's auditor, the Company expects that an announcement relating to the audited annual results and annual report of the Group for the year ended 31 March 2022 will be made on or before 29 July 2022, but this may be subject to further developments of the COVID-19 outbreak in the Mainland China.

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT

This unaudited annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.986.com.hk>).

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditor of the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Environmental Energy Investment Limited
Zhou Yaying
Chairman

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Zhou Yaying, Mr. Wei Liang and Mr. Tang Wing Cheung Louis; and four independent non-executive Directors, namely Mr. Tse Kwong Chan, Mr. Yiu To Wa, Mr. Lau Leong Yuen and Mr. Hong Hui Lung.