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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

The board (the “**Board**”) of directors (the “**Directors**”) of China Environmental Energy Investment Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2024 together with the comparative figures for the year ended 31 March 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	4	66,052	68,472
Cost of sales		(36,178)	(40,440)
Gross profit		29,874	28,032
Other income	6	2	304
Other gains and losses, net	7	(23)	(1,574)
Impairment of expected credit losses (“ ECLs ”) on trade and loan and interest receivables	8	(30,723)	(21,826)
Selling and distribution expenses		(5,032)	(6,887)
Administrative expenses		(11,030)	(10,501)
Finance costs	9	(1,655)	(1,054)
Loss before tax	10	(18,587)	(13,506)
Income tax credit/(expense)	11	74	(955)
Loss for the year		(18,513)	(14,461)

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

For the year ended 31 March 2024

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Other comprehensive (expense)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		93	103
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes in financial assets at fair value through other comprehensive income (“FVTOCI”)		<u>(16,140)</u>	<u>1,275</u>
Other comprehensive (expense)/income for the year		<u>(16,047)</u>	<u>1,378</u>
Total comprehensive expense for the year		<u>(34,560)</u>	<u>(13,083)</u>
		2024	2023
Loss per share	<i>13</i>		
Basic (HK cents)		<u>(1.43)</u>	<u>(1.12)</u>
Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		–	–
Right-of-use assets		421	1,431
Goodwill		–	1,000
Loan receivables	<i>16</i>	216,586	85,002
Deferred tax assets		95	101
Financial assets at FVTOCI	<i>14</i>	12,279	28,419
		<u>229,381</u>	<u>115,953</u>
Current assets			
Inventories		98,202	83,227
Trade receivables	<i>15</i>	8,249	26,008
Loan and interest receivables	<i>16</i>	32,020	168,558
Other receivables and deposits paid	<i>17</i>	19,211	18,943
Cash deposits held by securities brokers		1	1
Bank balances and cash		354	1,353
		<u>158,037</u>	<u>298,090</u>
Current liabilities			
Trade payables	<i>18</i>	501	3,498
Loan and interest payables		3,698	1,701
Other payables and accruals		27,882	21,124
Lease liabilities		374	1,014
Unconvertible bonds		10,406	9,859
Tax payable		320	1,253
		<u>43,181</u>	<u>38,449</u>
Net current assets		<u>114,856</u>	<u>259,641</u>
Total assets less current liabilities		<u>344,237</u>	<u>375,594</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 March 2024*

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	71	456
Unconvertible bonds	12,162	8,574
	<u>12,233</u>	<u>9,030</u>
Net assets	<u>332,004</u>	<u>366,564</u>
Capital and reserves		
Share capital	129,471	129,471
Reserves	202,533	237,093
	<u>332,004</u>	<u>366,564</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 is principally engaged in design, marketing and sales of jewelry business ("**Design and marketing of jewelry**") and provision of loans as money lending ("**Money lending**").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise an individual Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKASs**"); 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 of Hong Kong Limited (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments to 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 AMENDMENTS TO HKFRSs

(a) Application of new and amendments to HKFRSs

The Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Except as disclosed below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group's consolidated financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

(b) Amendments to HKFRSs in issue but not yet effective

The Group has not applied the following amendments to HKFRSs and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2023:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of the above amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

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

	2024 HK\$'000	2023 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of jewelry	37,900	41,806
Revenue from other sources		
Interest income from money lending	28,152	26,666
	<u>66,052</u>	<u>68,472</u>

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

	2024 HK\$'000	2023 HK\$'000
At a point in time	<u>37,900</u>	<u>41,806</u>

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 and marketing of jewelry: design, marketing and sales 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:

	Design and marketing of jewelry <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2024			
Segment revenue:			
Revenue from external customers	<u>37,900</u>	<u>28,152</u>	<u>66,052</u>
Net segment result:			
Segment result	<u>278</u>	<u>(5,127)</u>	(4,849)
Other unallocated income			2
Other unallocated expenses			(12,085)
Finance costs			<u>(1,655)</u>
Loss before tax			<u>(18,587)</u>
	Design and marketing of jewelry <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2023			
Segment revenue:			
Revenue from external customers	<u>41,806</u>	<u>26,666</u>	<u>68,472</u>
Net segment result:			
Segment result	<u>(4,493)</u>	<u>2,740</u>	(1,753)
Other unallocated income			387
Other unallocated expenses			(11,086)
Finance costs			<u>(1,054)</u>
Loss before tax			<u>(13,506)</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.

5. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

Segment assets and liabilities

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

As at 31 March 2024

	Design and marketing of jewelry <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets and liabilities:			
Segment assets			
– Hong Kong	27,580	215,251	242,831
– The People's Republic of China ("PRC")	98,005	–	98,005
	<u>125,585</u>	<u>215,251</u>	<u>340,836</u>
Financial assets at FVTOCI			12,279
Deferred tax assets			95
Unallocated corporate assets			<u>34,208</u>
Consolidated total assets			<u><u>387,418</u></u>
Segment liabilities:			
– Hong Kong	9,460	250,216	259,676
– Elimination of loan payables (<i>Note</i>)	–	(249,900)	(249,900)
	<u>9,460</u>	<u>316</u>	9,776
Unconvertible bonds			22,568
Loan and interest payables			3,698
Tax payable			320
Unallocated corporate liabilities			<u>19,052</u>
Consolidated total liabilities			<u><u>55,414</u></u>

5. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

Segment assets and liabilities (continued)

As at 31 March 2023

	Design and marketing of jewelry <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets and liabilities:			
Segment assets			
– Hong Kong	44,641	254,876	299,517
– PRC	83,030	–	83,030
	<u>127,671</u>	<u>254,876</u>	382,547
Financial assets at FVTOCI			28,419
Deferred tax assets			101
Unallocated corporate assets			<u>2,976</u>
Consolidated total assets			<u>414,043</u>
Segment liabilities:			
– Hong Kong	9,968	249,516	259,484
– Elimination of loan payables (<i>Note</i>)	–	(249,516)	(249,516)
	<u>9,968</u>	<u>–</u>	9,968
Unconvertible bonds			18,433
Loan and interest payables			1,701
Tax payable			1,253
Unallocated corporate liabilities			<u>16,124</u>
Consolidated total liabilities			<u>47,479</u>

Note: The loan was made from the Money lending segment of the Company to the subsidiary under negotiated terms. As at 31 March 2024, the carrying amount of loan was approximately HK\$249,900,000 (2023: HK\$249,516,000).

For the purposes of monitoring segment performance and allocating resources between segments:

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

5. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

Other segment information

In respect of the year ended 31 March 2024

	Design and marketing of jewelry <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other information of			
Impairment loss on goodwill	–	1,000	1,000
Reversal of ECL on trade receivables	(1,344)	–	(1,344)
Impairment of ECL on loan and interest receivables	–	32,067	32,067
Gain on loan modification	–	(989)	(989)
	<u>–</u>	<u>30,078</u>	<u>29,089</u>

In respect of the year ended 31 March 2023

	Design and marketing of jewelry <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other information of			
Impairment of ECL on trade receivables	148	–	148
Impairment of ECL on loan and interest receivables	–	21,678	21,678
Impairment loss on goodwill	1,841	–	1,841
	<u>2,039</u>	<u>21,678</u>	<u>23,717</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:

		2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
	Revenue generated from		
Customer A	Design and marketing of jewelry	18,117	19,720
Customer B	Design and marketing of jewelry	<u>7,442</u>	<u>N/A</u> [#]

[#] The customer contributed less than 10% of the total revenue of the Group for the year ended 31 March 2023.

6. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	2	1
Government subsidies (<i>Note</i>)	–	206
Others	–	97
	<u>2</u>	<u>304</u>

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 2023.

7. OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other gains:		
Exchange gain, net	–	167
Gain on disposal of property, plant and equipment	–	100
Gain on loan modification	989	–
	<u>989</u>	<u>267</u>
Other losses:		
Impairment loss recognised on goodwill	(1,000)	(1,841)
Exchange loss, net	(12)	–
	<u>(1,012)</u>	<u>(1,841)</u>
	<u>(23)</u>	<u>(1,574)</u>

8. IMPAIRMENT OF ECLs ON TRADE AND LOAN AND INTEREST RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Impairment/(reversal) of ECLs on:		
– trade receivables	(1,344)	148
– loan and interest receivables	32,067	21,678
	<u>30,723</u>	<u>21,826</u>

9. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on loan payables	206	28
Imputed interest on unconvertible bonds	1,417	964
Interest on lease liabilities	32	62
	<u>1,655</u>	<u>1,054</u>

10. LOSS BEFORE TAX

The Group's loss before tax is arrived after charging/(credited):

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Staff costs (including directors' emoluments)		
– Directors' fees, staff salaries and allowances	5,823	6,603
– Retirement benefits contributions	241	198
Total staff costs	6,064	6,801
Auditor's remuneration	730	730
Cost of inventories sold	36,178	40,440
Depreciation of right-of-use assets	993	997
Gain on disposal of property, plant and equipment	–	(100)
Short-term lease payment	–	381
	<u>–</u>	<u>–</u>

11. INCOME TAX (CREDIT)/EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	308	1,148
Over-provision for prior years	(388)	(199)
	<u>(80)</u>	<u>949</u>
Deferred tax	6	6
	<u>6</u>	<u>6</u>
Income tax (credit)/expense	<u>(74)</u>	<u>955</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% (2023: 25%). No PRC income tax has been provided for the Group as the Group's subsidiary in the PRC did not have any assessable profit for the years ended 31 March 2024 and 2023.

11. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The reconciliation between the income tax (credit)/expense and loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before tax	<u>(18,587)</u>	<u>(13,506)</u>
Tax at the applicable rate of 16.5% (2023: 16.5%)	(3,067)	(2,228)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(40)	(22)
Tax effect of income not taxable for tax purpose	(25)	(209)
Tax effect of expenses not deductible for tax purpose	567	549
Tax effect of tax losses not recognised	1,514	–
Tax effect of utilisation of tax losses not previously recognised	(274)	(353)
Tax effect to unrecognised temporary differences	1,810	3,599
Tax effect of adoption of two-tier profits tax rate	(165)	(165)
Tax reduction	(6)	(17)
Over-provision in prior years	<u>(388)</u>	<u>(199)</u>
Income tax (credit)/expense	<u>(74)</u>	<u>955</u>

12. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

13. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	<u>(18,513)</u>	<u>(14,461)</u>
	2024	2023
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,294,706</u>	<u>1,289,492</u>

No diluted loss per share was presented as the Company did not have any dilutive potential ordinary share as at 31 March 2024 and 2023.

14. FINANCIAL ASSETS AT FVTOCI

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Listed equity securities	<u>12,279</u>	<u>28,419</u>

As at 31 March 2024 and 2023, the fair value of listed equity securities are determined based on the quoted market closing bid 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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables		
– Design and marketing of jewelry business	8,447	27,550
Less: allowance for ECLs	<u>(198)</u>	<u>(1,542)</u>
	<u>8,249</u>	<u>26,008</u>

The Group has a policy of allowing credit period of 90 days (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 3 months	6,898	10,467
4 to 6 months	876	6,179
Over 6 months	<u>475</u>	<u>9,362</u>
	<u>8,249</u>	<u>26,008</u>

At 31 March 2024 and 2023, the trade receivables were denominated in HK\$.

16. LOAN AND INTEREST RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loan receivables	311,138	276,572
Interest receivables	568	8,028
Less: allowance for ECLs	<u>(63,100)</u>	<u>(31,040)</u>
	248,606	253,560
Less: non-current portion	<u>(216,586)</u>	<u>(85,002)</u>
	<u><u>32,020</u></u>	<u><u>168,558</u></u>

Loan receivables include both secured and unsecured loans to individuals customers, which are bearing interest and are repayable with fixed terms agreed with the Group's customers. Secured loan receivables are secured by collaterals provided by customers.

At 31 March 2024, the loan receivables arising from money lending business with fixed interest rate ranging from 8% to 11% (2023: 8% to 11%) per annum on principal amount, are repayable quarterly. The effective interest rates of the loan receivables range from 9% to 11% (2023: 9% to 11%) 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Repayable:		
On demand and within 3 months	5,798	8,214
Over 3 months but less than 1 year	27,609	160,344
Over 1 year but less than 2 years	181,843	85,002
Over 2 years but less than 3 years	<u>33,356</u>	<u>–</u>
	<u><u>248,606</u></u>	<u><u>253,560</u></u>

The loan receivables outstanding as at 31 March 2024 and 2023 are denominated in HK\$ amounted to HK\$241,261,000 (2023: HK\$253,560,000).

17. OTHER RECEIVABLES AND DEPOSITS PAID

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other receivables	5	20
Deposits paid (<i>Note</i>)	<u>19,206</u>	<u>18,923</u>
	<u><u>19,211</u></u>	<u><u>18,943</u></u>

Note:

As at 31 March 2024, included in the deposits paid of approximately HK\$18,847,000 (2023: HK\$18,420,000) are trade deposit paid to suppliers for design and marketing of jewelry business.

18. TRADE PAYABLES

	2024 HK\$'000	2023 <i>HK\$'000</i>
Trade payables	<u>501</u>	<u>3,498</u>

Trade payables related to design and marketing of jewelry business with credit period on purchase of goods ranges from 30 to 180 days (2023: 30 to 180 days).

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

	2024 HK\$'000	2023 <i>HK\$'000</i>
Within 90 days	141	–
Between 91 and 180 days	22	3,270
Over 180 days	<u>338</u>	<u>228</u>
	<u>501</u>	<u>3,498</u>

At 31 March 2024 and 2023, the trade payables were denominated in HK\$ and the carrying amount of trade payables approximate to their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2024, the Group's revenue was approximately HK\$66.05 million (2023: HK\$68.47 million), representing a decrease of approximately HK\$2.42 million or 3.53% as compared with the year ended 31 March 2023. The revenue included approximately HK\$37.90 million (2023: HK\$41.80 million) from design and marketing of jewelry (the “**Design and Marketing of Jewelry**”) business and approximately HK\$28.15 million (2023: HK\$26.66 million) from provision of loans as money lending (the “**Money Lending**”) business.

Gross profit was approximately HK\$29.87 million (2023: HK\$28.03 million), representing a slight increase of approximately HK\$1.84 million or 6.56% as compared with the year ended 31 March 2023. Gross profit margin of the Group increased from approximately 40.93% to 45.22%. The increase in gross profit was due to the higher demand in the Money Lending.

The loss for the year of the Group was approximately HK\$18.51 million (2023: loss of HK\$14.46 million), representing an increase of approximately HK\$4.05 million.

The increase in loss 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\$30.72 million as compared to HK\$21.82 million of the year ended 31 March 2023; and offset with (b) decrease in staff cost in the selling and distribution expenses due to the decrease in sales of Design and Marketing of Jewelry.

Selling, distribution and administrative expenses were approximately HK\$16.06 million (2023: HK\$17.38 million), representing a decrease of HK\$1.32 million or approximately 7.59% compared to the year ended 31 March 2023 due to the Group's active cost control measures to improve operating efficiency.

The finance costs amounted to approximately HK\$1.65 million, representing a slight increase of approximately HK\$0.60 million compared to approximately HK\$1.05 million for the year ended 31 March 2023.

For the year ended 31 March 2024, the Group was principally engaged in the businesses of Design and Marketing of Jewelry and Money Lending.

Design and Marketing of Jewelry business

During the year, the revenue generated from the Design and Marketing of Jewelry business was approximately HK\$37.90 million (2023: HK\$41.80 million). Operating profit before tax was approximately HK\$0.27 million (2023: operating loss before tax was approximately HK\$4.49 million).

The pandemic in Mainland China (the “**Mainland**”) has affected all businesses, including ours. Since the severe outbreak of COVID-19 in 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. Nevertheless, it appears that we are finally able to leave behind the nightmare of the pandemic.

However, the fading threat of COVID-19 only puts into even starker contrast the spectre of geopolitical conflicts. At the same time, the major economies of the world are showing worrying signs of weakness. It is not inconceivable that trade issues could become catalysts for military actions. The world is fraught with uncertainty.

In February 2022, an escalation in geopolitical tensions further disrupted 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.

Despite the lifting of pandemic-related restrictions in mainland China in 2023, economic uncertainty may still be affecting consumer spending; uncertainty about employment and income may cause consumers to be more conservative in their consumption, especially for non-essential items. As a result, the Group’s Design and Marketing of Jewelry business in mainland China has not been able to rebound, and compared to the same period last year, its performance has declined.

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

The Group holds a money lender’s licence in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and provides loan facilities to prospective clients. The Group earns interest income from the provision of such loan facilities through the wholly owned subsidiaries of the Company, Great Luck Finance Limited (“**Great Luck**”) and Ritz Trading (Shanghai) Co., Limited.

As at 31 March 2024, there were a total of 122 (31 March 2023: 87) individual borrowers with principal amounts totalling approximately HK\$310.14 million (31 March 2023: HK\$276.57 million) at the average interest rate of 10.58% (31 March 2023: 9.70%) per annum. The tenure of loans was 1 to 4 years (2023: 1 to 3 years). During the period under review, interest income from money lending was approximately HK\$28.15 million (2023: approximately HK\$26.66 million).

The following table sets forth the distribution of the remaining maturity of loan receivables as at 31 March 2024:

	<i>HK\$'million</i>
Within one year	49.88
Between one and three years	<u>260.26</u>
	<u><u>310.14</u></u>

All of the borrowers are individuals. Out of the total loan receivables, approximately HK\$34 million were secured by guarantees from certain companies and the remaining balances were unsecured.

The loan amount of largest borrower of the Group was HK\$9,000,000, approximately 2.90% of the total loan receivables of the Group and the five largest borrowers were HK\$43,000,000, approximately 13.86% of the total loan receivables.

The Group strived to adhere to a set of policies and procedural manuals (such as, internal loan and credit 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.

Before granting loans to potential customers, the Group performs credit assessment and due diligence process to assess the potential customers' credit quality individually and defines the credit limits granted to the borrowers.

The credit assessment and due diligence process encompasses (i) obtaining personal information as to identity card copy and address proof; (ii) enquiring with the potential customer about any relationship with our directors or staff; (iii) ensuring 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") if required; (v) perform a notifiable transaction test to ensure the loan is in compliance with the Listing Rules; (vi) conducting a detailed assessment on the credit history and financial background of the potential customers are performed by the finance team, the officer will gather the information and pass it to finance manager to review and finally pass these information to directors of Great Luck for assessment and approval. The relevant documents of financial background including but not limited to securities statement, bank statement and property certificate for asset proof will be received; (vii) conducting a litigation search through the government/other platform for the potential customers; and (viii) performing an assessment on the recoverability by the finance team, the procedures include reviewing the asset proof to ensure the potential customer is not under bankruptcy or debt restructuring.

Under the Group's credit policy, (i) the loan shall not exceed 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), (iii) the interest rate of loan shall not be less than the preset by the Group (i.e. 5%) and (iv) the credit limit should be based on, amongst others, the asset proof and the collateral value (if any), and determined by one of directors of Great Luck. The terms of loan will depend on, amongst others, on assets proof, background search, and collateral which will be determined on a case-by-case basis in accordance with the policy.

Loan monitoring mechanism has been established. The finance team is responsible for ongoing monitoring of the loan portfolio, credit limit of loans, loan recoverability, debt collection, identifying potential problems and recommending mitigating measures. The Group will conduct regular repayment assessments on the repayment schedule and the date of payment, and perform company searches, litigation searches, internet searches and regulatory compliance searches in order to monitor and determine the risk level. The Group will request borrowers provide any updated financial information if considered necessary to update their financial ability, credit risk and assess the loan recoverability. These exercises are to monitor if any material adverse change may arise in the financial or legal conditions of the borrowers.

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 based on historical data and forward-looking information is 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 2024, 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 aging 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\$30.72 million which is mainly due to the global economics risk factor increased in 2024. Actually, the Group did not incur any bad debt during the year except for these accounting impairment provisions.

Regarding monitoring the recoverability of the loans, the Company will quarterly review and monitor the loan repayment status subsequent to the drawdown of loans to ensure that loan repayments are punctual and past due accounts are handled efficiently. When there were past due accounts, the Group would take actions including reminding calls, interviews, issue demand notes, discussing the repayment terms or settlement proposals with the borrower and if unsuccessful, legal action would be taken against the borrower.

As at 31 March 2024, the allowance for ECLs of loan receivables is HKD63.10 million (2023: HKD31.04 million). The provision of default rate is 20.34% (2023: 11.22%). The increase of provision of default rate was 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 or write-off of loan receivable during the year ended 31 March 2024.

The Company has complied with requirements set out in chapter 14 and/or 14A of the Listing Rules when it granted the loans to each of the borrower(s), whose loan(s) was still outstanding as at 31 March 2024.

According to the statistics from Companies Registry, number of licensed money lenders has gradually increased from 1,994 to 2,236 for year 2017 to year 2024. Licensed money lenders, which are outside the banking system, provide an alternative source of financing for individuals and companies.

SIGNIFICANT INVESTMENTS

As at 31 March 2024, 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\$12.28 million (2023: HK\$28.42 million) which were classified as financial assets at fair value through other comprehensive income.

Name (Stock code)	Principal business	Market value as at 31 March 2023 <i>HK\$ million</i>	Net gain/(loss) on fair value change during the period <i>HK\$ million</i>	Market value as at 31 March 2024 <i>HK\$ million</i>	% of net assets	
					% of shareholding held as at 31 March 2024	% of the Company as at 31 March 2024
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	23.69	(15.07)	862	2.5	2.37
Other listed equity securities (<i>Note</i>)		4.73	(1.07)	3.66	N/A	1.01
Total		<u>28.42</u>	<u>(16.14)</u>	<u>12.28</u>	<u>N/A</u>	<u>3.38</u>

Note: As at 31 March 2024 and 31 March 2023, 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 year under review, the Group’s Listed Equities recorded a fair value loss of approximately HK\$16.14 million (2023: gain of approximately HK\$1.27 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' returns.

MATERIAL ACQUISITION AND DISPOSAL

The Company did not have any significant acquisition and disposal during the year ended 31 March 2024.

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 2024.

OUTLOOK

The Directors will continue to enhance the Group's businesses through the 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 2024, the Group's net current assets were approximately HK\$114.85 million (2023: HK\$259.64 million), including cash and cash equivalents of approximately HK\$0.35 million (2023: HK\$1.35 million). Total interest-bearing borrowings amounted to approximately HK\$26.26 million as at 31 March 2024 (2023: HK\$20.13 million). The Group's gearing ratio, which was net debt divided by total equity plus net debt, as at 31 March 2024 was 6.77% (2023: 4.87%).

SHARE CAPITAL AND CAPITAL STRUCTURE

There was no change in the share capital and capital structure of the Company during the year ended 31 March 2024.

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 2024, 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 2024 and 2023.

CAPITAL COMMITMENTS

The Group had no material capital commitments authorised but not provided for as at 31 March 2024 and 2023.

PLEDGE OF ASSETS

The Group did not have any pledge on its assets as at 31 March 2024 and 2023.

DIVIDEND

No dividend for the year ended 31 March 2024 (2023: Nil) is recommended by the Board.

EVENTS AFTER THE REPORTING PERIOD

At the date of this annual report, the directors of the Company were not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements misleading.

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 25 employees as at 31 March 2024 (2023: 47). Remunerations are commensurate with the nature of job, staff experience and market conditions.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to all management and staff for their diligence and continuing support.

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

Hong Kong, 28 June 2024

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Zhou Yaying, Mr. Wei Liang and Mr. Liu Jun; and three independent non-executive Directors, namely Mr. Yiu To Wa, Mr. Lau Leong Yuen and Mr. Hong Hui Lung.

* *For identification purposes only*