



Newtree Group Holdings Limited 友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 1323




Interim Report
2011/12





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chum Tung Hang (*Chairman*)
Dr., Sir Wong Wai Sing (*Vice Chairman*)
Mr. Chum Hon Sing
Ms. Lei Sao Cheng
Mr. Lee Chi Shing, Caesar

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Chung
Mr. Chow Tsu-Yin
Mr. Lee Thomas Tuan-Tong

AUTHORISED REPRESENTATIVES

Mr. Chum Hon Sing
Mr. Chan Shiu Yuen Sammy, *HKICPA, FCCA*

AUDIT COMMITTEE MEMBERS

Mr. Chan Bing Chung (*chairman*)
Mr. Chow Tsu-Yin
Mr. Lee Thomas Tuan-Tong

REMUNERATION COMMITTEE MEMBERS

Mr. Chow Tsu-Yin (*chairman*)
Mr. Lee Thomas Tuan-Tong
Mr. Chan Bing Chung
Mr. Chum Tung Hang

NOMINATION COMMITTEE MEMBERS

Mr. Lee Thomas Tuan-Tong (*chairman*)
Mr. Chum Tung Hang
Mr. Chow Tsu-Yin
Mr. Chan Bing Chung

COMPANY SECRETARY

Mr. Chan Shiu Yuen Sammy, *HKICPA, FCCA*

PRINCIPAL BANKERS

Bank of China Huizhou Huihuan Sub-branch
Bank of China, Macau Branch
DBS Bank (Hong Kong) Limited

COMPLIANCE ADVISER

Guotai Junan Capital Limited

LISTING EXCHANGE INFORMATION

Place of listing: Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 1323

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS

Flat L, 12th Floor
Macau Finance Centre
Rua de Pequim
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3702, 37/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609, Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

Mallesons Stephen Jaques

COMPANY'S WEBSITE

www.newtreegroupholdings.com



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group was engaged in the manufacture and trading of household application and clinical application products.

For the period under review, the Group recorded an unaudited profit of approximately HK\$6.7 million (2010: audited profit of approximately HK\$42.0 million).

Revenue

The Group's revenue decreased by HK\$89.5 million, 38.4% from HK\$233.2 million for the six months ended 30 September 2010 to HK\$143.8 million for the corresponding period in 2011 mainly due to the downturn of economic condition of United States of America ("US") and European market.

The following table sets forth a breakdown of the Group's revenue by geographical locations and segments and as a percentage of the Group's total revenue for the six months ended 30 September 2011, with comparative figures for the corresponding period in 2010.

	Six months ended 30 September			
	2011 HK\$'000 (Unaudited)	2011 %	2010 HK\$'000 (Audited)	2010 %
By Sector:				
Household application	109,912	76.5	119,133	51.1
Clinical application	33,857	23.5	114,089	48.9
Total	143,769	100.0	233,222	100.0
By geographical locations:				
United Kingdom	78,879	54.9	68,759	29.5
Norway	44,220	30.8	53,855	23.1
Sweden	357	0.3	1,442	0.6
Germany	781	0.4	3,084	1.3
United States of America	16,558	11.5	102,746	44.1
Singapore	—	—	438	0.2
France	2,606	1.8	—	—
Others	368	0.3	2,898	1.2
	143,769	100.0	233,222	100.0



The Group's revenue on household application products decreased by HK\$9.2 million, 7.7%, from HK\$119.1 million for the six months ended 30 September 2010 to HK\$109.9 million for the corresponding period in 2011 due to the unfavourable market condition of the European market. The Group's revenue on clinical application products significantly decreased by HK\$80.2 million, 70.3%, from HK\$114.1 million for the six months ended 30 September 2010 to HK\$33.9 million for corresponding period in 2011 mainly due to the downturn of the US market demand and the change of customer mix.

Cost of sales

Cost of sales decreased by 28.4% from HK\$170.6 million for the six months ended 30 September 2010 to HK\$122.2 million for the corresponding period in 2011. The decreased was mainly comes from the drop in revenue.

Gross profit and gross profit margin

Gross profit decreased by HK\$41.0 million, 65.6%, from HK\$62.6 million for the six months ended 30 September 2010 to HK\$21.6 million for the corresponding period in 2011. The Group's overall gross profit margin decreased from 26.8% for the six months ended 30 September 2010 to 15.0% for the corresponding period in 2011, primarily as a result of the increase in cost of the primary and auxiliary material which cannot fully transferred to our customer due to the unfavourable market condition. In addition, the unstable supply of power, where the factory is located caused periodic interruptions to the production line which resulted in higher re-start cost and wastage of materials.

The following table sets forth the Group's gross profit and the gross profit margin by sector for the six months ended 30 September 2011, with comparative figures for the corresponding period in 2010.

	Six months ended 30 September			
	2011 HK\$'000 (Unaudited)	2011 %	2010 HK\$'000 (Audited)	2010 %
By Sector:				
Household application	15,158	13.8	45,099	37.9
Clinical application	6,400	19.0	17,498	15.3
Total	21,558	15.0	62,597	26.8

The gross profit derived from household application products decreased by HK\$29.9 million, 66.4%, from HK\$45.1 million for the six months ended 30 September 2010 to HK\$15.2 million for the corresponding period in 2011. The gross profit margin for household application products decreased from 37.9% for the six months ended 30 September 2010 to 13.8% for the corresponding period in 2011. This was primarily due to the increase of material costs which was not fully transferred to our customer and the giving of free samples to various potential customers in other European countries in order to strength our customer base.

The gross profit of clinical application products decreased by HK\$11.1 million, 63.4%, from HK\$17.5 million for the six months ended 30 September 2010 to HK\$6.4 million for the corresponding period in 2011. The gross profit margin for clinical application products increased from 15.3% for the six months ended 30 September 2010 to 19.0% for the corresponding period in 2011. This was primarily due to no trading of clinical product was conducted during the six months ended 30 September 2011 of which these trading transaction contributed a lower gross profit margin than those of manufactured products.

Other income

Other income mainly consists of exchange gain, bank interest income and sundry income. Other income increased by HK\$1.3 million, 70.3%, from HK\$1.8 million for the six months ended 30 September 2010 to HK\$3.1 million for the corresponding period in 2011 mainly due to the increase of exchange gain by HK\$0.8 million and the increase of interest income by \$0.5 million.

Selling and distribution expenses

Selling and distribution expenses mainly consist of transportation expenses, customs and inspection fees and commission paid to sales agents who may from time to time introduce new orders to our Group. The selling and distribution expenses decreased by HK\$0.6 million, 10.9%, from HK\$5.7 million for the six months ended 30 September 2010 to HK\$5.1 million for the corresponding period in 2011 and this was mainly due to a reduction in freight charges and commission paid to sales agents.

Administrative expenses

Administrative expenses mainly consist of salaries, staff welfare expenses, amortization of prepaid lease payment, depreciation of properties, plants and equipment in relation to the administrative functions. The administrative expenses increased by HK\$5.7 million, 80.6%, from HK\$7.1 million for the six months ended 30 September 2010 to HK\$12.8 million for the corresponding period in 2011 mainly due to the increase in depreciation charges on the temporary structure, staff salaries (including directors remuneration) and other office and travelling expenses since the listing of the Company (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Listing expenses

Listing expenses refer to the share of fees paid to various professional parties in relation to the Listing for the six months ended 30 September 2010, none of which was incurred in the corresponding period in 2011.

Profit before tax

The Group's profit before tax decreased by HK\$36.8 million, 84.6%, from HK\$43.5 million for the six months ended 30 September 2010 to HK\$6.7 million for the corresponding period in 2011. The decrease was mainly due to the decrease of gross profit by HK\$41.0 million, increase of administrative expenses by HK\$5.7 million and which was partially offset by the increase of other incomes by HK\$1.3 million and the decrease of expenses from the listing of HK\$8.1 million.

Income tax expenses

Income tax expenses decreased by HK\$1.5 million, 100.0% from HK\$1.5 million for the six months ended 30 September 2010 to nil for the corresponding period in 2011.



Total comprehensive income for the period attributable to owners of the Company

Total comprehensive income for the period attributable to owners of the Company decreased by HK\$33.7 million, 79.8%, from HK\$42.2 million for the six months ended 30 September 2010 to HK\$8.5 million for the corresponding period in 2011. The Group's net profit margin decreased from 18.0% for the six months ended 30 September 2010 to 4.6% in the corresponding period in 2011.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's principal source of working capital was cash generated from the sales of its products. The Group's current ratio as at 30 September 2011 was 25.6 (as at 31 March 2011: 15.5). As at 30 September 2011 and 31 March 2011, the gearing ratio, which is calculated with total borrowings over shareholder's equity, was zero.

Currency and interest rate exposure

Certain sales transactions of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Certain monetary financial assets are denominated in foreign currencies as at 30 September 2011. The exposure in exchange rate risks mainly arose from fluctuations of US dollars ("USD"), Hong Kong dollars ("HKD") and Macau Pataca ("MOP"). The Group's currency risk exposure in relation to the monetary financial assets is expected to be minimal as HKD and MOP are pegged with USD.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the Group's bank deposits. The Group's exposure to interest rate risks on bank deposits is expected to be minimal.

CONTINGENT LIABILITIES

As at 30 September 2011, the Group does not have any material contingent liabilities.

COMMITMENTS

As at 30 September 2011, the Group does not have any material commitments.

MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

SUBSEQUENT EVENTS

On 26 October 2011, the Group had signed a Memorandum Of Understanding ("MOU") in respect of the possible acquisition of the entire interest in a trading company in United Kingdom, negotiation is being underway.

On 15 November 2011, the Group had signed agreement with Sino-Singapore (offshore) Chemical Resources Trading Company Ltd. (“the Target Company”) for the acquisition of the entire equity interest. The Target Company was engaged in the trading of methyl tertiary butyl ether (“MTBE”) products and the completion of this acquisition should be not later than 30 December 2011.

Save as disclosed in this report, there has been no material change in the development or future developments of the Group’s business and financial position, and no important events affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 March 2011.

CHARGE ON ASSETS

A bank deposit of HK\$60.8 million (as at 31 March 2011: 59.5 million) has been pledged as security for certain banking facilities granted to the Group.

HUMAN RESOURCES

The number of employees of the Group as at 30 September 2011, was approximately 187, whom receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses based on individual performance. The Group provides a comprehensive benefits package and career development opportunities, including medical benefits and both internal and external training appropriate to each individual’s requirements. During the six months ended 30 September 2011, the total staff cost was HK\$5.3 million (six months ended 30 September 2010: HK\$4.8 million).

PROSPECT

With the downturn of the US and European economies in 2011, the Group faces great challenges to expand its market share in the coming year.

For the European market, the Group had signed a MOU in respect of the possible acquisition of the entire interest in a trading company in United Kingdom in order to provide a better marketing channel for the Group’s product in other European countries.

For the US market, a preliminary discussion had been made between a US surgical consumable trading company for the importation of surgical consumable products in the US market, no conclusion had been made at this stage.

In relation to the PRC market, the Group had signed an acquisition agreement with the Target Company for the trading of MTBE products (a fuel additive for gasoline), such diversification in business will brings in more opportunity and return to the Group.

Whilst there remains substantial uncertainties and challenges, the Group will continue to adopt a prudent approach in respect of risk control, profit maximization and cost control. Having said that, the Group will continue our dedication to the European, US and PRC markets, with an expectation to enhance the return to all stakeholders in the future.



OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good governance practices and procedures. The Company had met the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) in Appendix 14 of the Rules governing the listing of securities on the Stock Exchange (the “Listing Rules”). Throughout the six months ended 30 September 2011. The Company has adopted the CG Code as its corporate governance code of practices and is in compliance with all the mandatory code provisions set out in the CG Code.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conducts regarding directors securities transactions. The Company confirms that having made specific enquiries to all the directors of the Company, all the directors have confirmed that they have complied with the required standards of the Model Code during the six months ended 30 September 2011.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (Cap 571 of the laws of Hong Kong) (“SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	Nature of interest	Total number of shares held <i>(note)</i>	Approximate percentage of interest in the Company
Mr. Chum Tung Hang	Controlled corporation	476,666,000	71.5%

Note: These 476,666,000 shares are held by Able Bright Limited (“Able Bright”), which in turn is wholly and beneficially owned by The Chum’s Family Trust. The Chum’s Family Trust is deemed under the SFO to be interested in 476,666,000 shares held by Able Bright and Mr. Chum Tung Hang is the founder of The Chum’s Family Trust.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as otherwise disclosed in this report, at no time during the six months ended 30 September 2011 and up to the date of this report were rights to acquire benefits by means of acquisition of shares or debentures of the Company granted to any Director or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, the following persons (not being a Director or the chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Total number of shares held	Approximate percentage of interest in the Company
The Chum's Family Trust (<i>note 1</i>)	Interest of corporation controlled by substantial shareholder	476,666,000	71.5%
Golden Realm Limited (<i>note 1</i>)	Interest of corporation controlled by substantial shareholder	476,666,000	71.5%
Able Bright Limited (<i>note 1</i>)	Beneficial owner	476,666,000	71.5%
Chau Cheek Wa (<i>note 2</i>)	Interest of corporation controlled by substantial shareholder	276,666,200	41.5%
Cheng Ting Kong (<i>note 2</i>)	Interest of corporation controlled by substantial shareholder	276,666,200	41.5%
Eminent Crest Holdings Limited (<i>note 2</i>)	Interest of corporation controlled by substantial shareholder	276,666,200	41.5%
Peak Stand Holdings Limited (<i>note 2</i>)	Interest of corporation controlled by substantial shareholder	276,666,200	41.5%
Sun Finance Company Limited (<i>note 2</i>)	Security interest	276,666,200	41.5%



Note 1: The entire issued share capital of Golden Realm Limited is registered in the name of Asia Square Holdings Limited (“Asia Square”). According to the information the Company has, Asia Square has replaced Bank Sarasin Nominees (CI) Limited as nominee for Sarasin Trust Company (Singapore) Limited, which in turn has replaced Sarasin Trust Company Guernsey Limited as trustee of The Chum’s Family Trust. Sarasin Trust Company (Singapore) Limited in its capacity as trustee of The Chum’s Family Trust is deemed to be interested in the shares of the Company held by The Chum’s Family Trust under the SFO.

Note 2: 276,666,200 shares are beneficially owned by Able Bright Limited and are deemed to be interested by Sun Finance Company Limited as security interest. According to the information the Company has, Sun Finance Company Limited was held by Eminent Crest Holdings Limited and Peak Stand Holdings Limited as to 47.5% and 47.5% respectively. Eminent Crest Holdings Limited is controlled by Chau Cheok Wa and Peak Stand Holdings Limited is controlled by Cheng Ting Kong.

Save as disclosed in this report, the Company has not been notified of any other person (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2011.

SHARE CHARGE BY CONTROLLING SHAREHOLDER

On 30 September 2011, Able Bright Limited (“Able Bright”), the controlling shareholder of the Company, entered into a share charge pursuant to which Able Bright created a charge over (the “Share Charge”) 276,666,200 shares of the Company held by it in favour of Sun Finance Company Limited (“Sun Finance”) as security for a six-month term loan of HK\$150,000,000 advanced by Sun Finance to a third party borrower. Further details in respect of the Share Charge are contained in the announcement of the Company made on 30 September 2011.

SHARE OPTION SCHEME

The Company’s share option scheme was adopted pursuant to a resolution passed on 17 December 2010 (the “Share Option Scheme”) for the purpose of providing incentives and rewards to employees, executive and officers (including executive and non-executive directors) of the Company and any of its subsidiaries and advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of Directors (the “Board”) may grant options to eligible employees, including the Directors and any of its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company’s shareholders, (i) the total number of shares to be issued under the options of the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the Directors and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at the date of this report, no options were granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") was established on 17 December 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process and internal control systems.

The Audit Committee comprises three independent non-executive directors, being Mr. Chan Bing Chung, Mr. Chow Tsu-Yin and Mr. Lee Thomas Tuan-Tong. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2011.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In the six months ended 30 September 2011 and up to the date of this report, there were no changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

By the order of the Board
Newtree Group Holdings Limited
Chum Tung Hang
Chairman

Macau, 28 November 2011



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Revenue	4	143,769	233,222
Cost of sales		(122,211)	(170,625)
Gross profit		21,558	62,597
Other income	5	3,092	1,816
Selling and distribution expenses		(5,095)	(5,720)
Administrative expenses		(12,870)	(7,127)
Listing expenses		—	(8,061)
Profit before taxation		6,685	43,505
Income tax expense	6	—	(1,500)
Profit for the period	7	6,685	42,005
Other comprehensive income			
Exchange difference arising on translation		1,851	217
Total comprehensive income for the period, attributable to owners of the Company		8,536	42,222
Earnings per share	9		
— basic (HK cents)		1.00	8.29



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Notes	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	35,623	35,312
Prepaid lease payments		10,272	6,478
		45,895	41,790
CURRENT ASSETS			
Inventories	11	65,274	71,357
Prepaid lease payments		210	205
Trade and other receivables and prepayments	12	55,073	76,747
Pledged deposits		60,974	59,500
Bank balances and cash		214,339	215,488
		395,870	423,297
CURRENT LIABILITIES			
Trade and other payables and accruals	13	12,617	24,478
Dividend payable		3	—
Tax payable		2,838	2,838
		15,458	27,316
NET CURRENT ASSETS		380,412	395,981
Total net assets		426,307	437,771
CAPITAL AND RESERVES			
Share capital	14	6,667	6,667
Reserves		419,640	431,104
Total equity		426,307	437,771



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company							Total HK\$'000
	Share/paid up capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note i)	Special reserve HK\$'000 (Note ii)	Exchange reserve HK\$'000	Other reserve HK\$'000 (Note iii)	Retained profits HK\$'000	
(AUDITED)								
At 31 March 2010	1,175	—	49	—	8,637	(6,000)	222,192	226,053
Profit for the period	—	—	—	—	—	—	42,005	42,005
Exchange difference arising on translation	—	—	—	—	217	—	—	217
Total comprehensive income for the period	—	—	—	—	217	—	42,005	42,222
Dividend recognised as distribution	—	—	—	—	—	—	(140,000)	(140,000)
Effect from group reorganisation (Note iv)	(97)	—	—	—	—	—	—	(97)
At 30 September 2010	1,078	—	49	—	8,854	(6,000)	124,197	128,178
(UNAUDITED)								
At 1 April 2011	6,667	288,369	49	678	10,891	(6,000)	137,117	437,771
Profit for the period	—	—	—	—	—	—	6,685	6,685
Exchange difference arising on translation	—	—	—	—	1,851	—	—	1,851
Total comprehensive income for the period	—	—	—	—	1,851	—	6,685	8,536
Dividend recognised as distribution	—	—	—	—	—	—	(20,000)	(20,000)
At 30 September 2011	6,667	288,369	49	678	12,742	(6,000)	123,802	426,307

Notes:

- (i) In accordance with the provisions of Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore ("Two-Two-Free") is required to transfer a minimum of 25% of annual net profit to legal reserve until the legal reserve equals half of the quota capital. This reserve is not distributable to shareholders.
- (ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation.
- (iii) The other reserve represents the difference between the fair value of interest-free advance to Mr. Chum Tung Hang ("Mr. Chum"), a director of the Company, measured at amortised cost using the effective interest method and its principal amount at inception.
- (iv) On 24 September 2010, Mr. Chum and Ms. Lei Sao Cheng ("Mrs. Chum"), directors of the Company, transferred their 100% equity interests of Two-Two-Free to Greenstar Enviro-Tech Investments Company Limited for an aggregate cash consideration of MOP100,000 (equivalent to approximately HK\$97,000), which was equal to the total capital of Two-Two-Free as at that date. The amount had been settled in November 2010.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
NET CASH FROM OPERATING ACTIVITIES	27,452	84,589
NET CASH USED IN INVESTING ACTIVITIES	(9,335)	(24,576)
NET CASH USED IN FINANCING ACTIVITIES	(19,997)	(37,204)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,880)	22,809
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	215,488	9,237
Effect of foreign exchange rate changes	731	(14)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<u>214,339</u>	<u>32,032</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 9 June 2010. On 13 July 2010, 16 November 2010 and 7 December 2010, the name of the Company changed from Newtree Medical Enviro Material Holdings Ltd. to Newtree Medical Enviro Holdings Limited, to Newtree Clinical Consumables Holdings Limited, and then to the existing name, respectively. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2011 (the "Listing"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company acts as an investment holding company. The principal activities of the Group is engaged in the manufacture and trading of plastic products.

The condensed consolidated financial statements have been presented in Hong Kong dollars ("HKD"), while the functional currency of the Company is United States dollars ("USD"). The directors of the Company selected HKD as the presentation currency because the directors of the Company consider that presenting the condensed consolidated financial statements in HKD is preferable when controlling and monitoring the performance and financial position of the Group.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange ("the Listing Rules") and in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", amendments and interpretations ("HK(IFRIC) — Int") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.



3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised HKFRSs”) issued by the HKICPA.

HKFRS (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early applied new or revised HKFRSs that have been issued but are not yet effective. The following new or revised HKFRSs have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption ¹
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴

- ¹ Effective for annual periods beginning on or after 1 July 2011
² Effective for annual periods beginning on or after 1 January 2012
³ Effective for annual periods beginning on or after 1 July 2012
⁴ Effective for annual periods beginning on or after 1 January 2013



3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 10 “Consolidated Financial Statements” replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. At the date of this report, the Directors are in the process of assessing the potential financial impact.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments”, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board of directors are the chief operating decision maker as they collectively make strategic decision towards the group entity’s operation.

The Group is organised into the following reportable operating segments, by category of products for both periods:

- Household application products; and
- Clinical application products.

Segment result represents the profit earned by each segment without allocation of selling and distribution expenses, administrative expenses and other income. Segment assets represent trade and bills receivables, work-in-progress and finished goods which are attributable to each segment. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment. As the total liabilities are reviewed by the board of directors as a whole, the measure of total liabilities by each segment is therefore not presented.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's segment profit before taxation and assets by operating segment is as follows:

	For the six months ended 30 September 2011		
	Household application products HK\$'000 (unaudited)	Clinical application products HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from external customers	<u>109,912</u>	<u>33,857</u>	<u>143,769</u>
Segment result	<u>15,158</u>	<u>6,400</u>	<u>21,558</u>
Unallocated income:			
Bank interest income			550
Net exchange gain			2,432
Other income			110
Unallocated expenses:			
Depreciation of property, plant and equipment			(3,595)
Amortisation of prepaid lease payments			(138)
Other expenses			<u>(14,232)</u>
Profit before taxation			<u>6,685</u>
Segment assets as at 30 September 2011	<u>37,565</u>	<u>23,256</u>	<u>60,821</u>
Unallocated assets:			
Property, plant and equipment			35,623
Prepaid lease payments			10,482
Inventories			49,323
Other receivables and prepayments			10,203
Pledged bank deposit			60,974
Bank balances and cash			<u>214,339</u>
Consolidated assets as at 30 September 2011			<u>441,765</u>



4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the six months ended 30 September 2010		
	Household application products HK\$'000 (audited)	Clinical application products HK\$'000 (audited)	Total HK\$'000 (audited)
Revenue from external customers	<u>119,133</u>	<u>114,089</u>	<u>233,222</u>
Segment result	<u>45,099</u>	<u>17,498</u>	62,597
Unallocated income:			
Bank interest income			8
Other income			1,808
Unallocated expenses:			
Depreciation of property, plant and equipment			(2,284)
Amortisation of prepaid lease payments			(99)
Listing expenses			(8,061)
Other expenses			<u>(10,464)</u>
Profit before taxation			<u>43,505</u>

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the year ended 31 March 2011		
	Household application products HK\$'000	Clinical application products HK\$'000	Total HK\$'000
	Segment assets as at 31 March 2011	34,214	53,345
Unallocated assets:			
Property, plant and equipment			35,312
Prepaid lease payments			6,683
Inventories			54,412
Other receivables and prepayments			6,133
Pledged bank deposit			59,500
Bank balances and cash			215,488
			465,087
Consolidated assets as at 31 March 2011			465,087

(a) Information about major customers

For the six months ended 30 September 2011 (unaudited)

The revenue from the Group's largest customer which attributed to household application products was approximately HK\$44,220,000, representing 30.8% to the total sales of the Group for the six months ended 30 September 2011.

In addition to the largest customer, there are three customers attributed to household and clinical application products contributing about 25.0%, 22.5% and 11.5% to the total sales of the Group. The revenue of these three customers was approximately HK\$35,990,000, HK\$32,335,000 and HK\$16,558,000, respectively.

For the six months ended 30 September 2010 (audited)

The revenue from the Group's largest customer which attributed to clinical application products was approximately HK\$91,659,000, representing 39.3% to the total sales of the Group for the six months ended 30 September 2010.

In addition to the largest customer, there are three customers attributed to household and clinical application products contributing about 23.1%, 14.1% and 10.4% to the total sales of the Group. The revenue of these three customers was approximately HK\$53,855,000, HK\$32,813,000 and HK\$24,195,000, respectively.



4. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Information about geographical areas

In determining the Group's information about geographical areas, revenue are attributed to the segments based on the location of the customers.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods.

	Revenue by geographical market Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
United Kingdom	78,879	68,759
Norway	44,220	53,855
Sweden	357	1,442
Germany	781	3,084
United States of America	16,558	102,746
Singapore	—	438
France	2,606	—
Others	368	2,898
	143,769	233,222

5. OTHER INCOME

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Bank interest income	550	8
Exchange gain	2,432	1,673
Others	110	135
	3,092	1,816



6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Income tax expense represents:		
Current tax:		
PRC Enterprise Income Taxation ("EIT")	—	1,500

(i) Hong Kong ("HK")

HK Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods.

No provision for HK Profits Tax has been made in the financial statements as the subsidiaries of the Group operating in HK had no assessable profit for the periods.

(ii) The People's Republic of China (the "PRC")

Prior to 2008, the Group's subsidiary in the PRC of a production nature established in the coastal economic open zones was subject to PRC Foreign Invested Enterprise Income Tax ("FIEIT") of 27% in accordance with the relevant income tax rules and regulations in the PRC.

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of the Group's subsidiary in the PRC has been reduced to 25% from 1 January 2008 onwards.

Notwithstanding the above, under the old enterprise income tax system in the PRC, Huizhou Junyang Plastics Co, Ltd. ("Huizhou Junyang") is entitled to exemptions from the FIEIT for two years commencing from its first profit making year and thereafter entitled to a 50% relief from FIEIT for the next three years (the "Manufacturing Income Tax Holidays"). According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.



6. INCOME TAX EXPENSE *(Continued)*

(ii) The People's Republic of China (the "PRC") *(Continued)*

However, taking into account the tax position of Huizhou Junyang in the PRC, the first profit making year is deemed to have started from the year ended 31 December 2007 and thus Huizhou Junyang calculated the FIEIT at 100% EIT exemption for the fiscal years ended 31 December 2007 and 2008, and at 50% EIT reduction and thus an effective rate of 12.5% for the fiscal years ended/ending 31 December 2009, 2010 and 2011.

(iii) Macau

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free Limited-Macao Commercial Offshore ("Two-Two-Free") is exempted from Macao Complementary Tax.

7. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Profit for the period has been arrived at after charging/ (crediting):		
Auditors' remuneration	52	572
Directors' remuneration	1,980	69
Other staff costs	2,929	4,440
Retirement benefit scheme contributions	402	290
Total staff costs	5,311	4,799
Cost of inventories	122,211	170,625
Depreciation of property, plant and equipment	5,392	3,944
Amortisation of prepaid lease payments	138	99
Impairment loss recognised on other receivables	—	68
Gain on disposal of property, plant and equipment	(110)	—



8. DIVIDENDS

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the periods are based on the following data:

	Six months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Profit for the period attributable to owners of the Company	<u>6,685</u>	<u>42,005</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>666,666,000</u>	<u>506,666,000</u>

No diluted earnings per share is presented for both periods as there were no potential ordinary shares in issue.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spend approximately HK\$4,771,000. (2010: HK\$152,000) on acquisition of property, plant and equipment.

11. INVENTORIES

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
At cost:		
Raw materials	49,954	54,412
Work-in-progress	7,421	4,042
Finished goods	7,899	12,903
	<u>65,274</u>	<u>71,357</u>



12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
Trade receivables	22,743	52,545
Bills receivables	22,127	18,069
Prepayments	4,226	947
Other receivables	5,977	5,186
	55,073	76,747

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of the Group's trade receivables (net of allowance for doubtful debts) and bills receivables based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
Trade and bills receivables:		
0–30 days	20,153	31,844
31–60 days	13,327	5,108
61–90 days	5,152	8,920
over 90 days	6,238	24,742
	44,870	70,614

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on results from investigation of historical credit records of these customers. There was no trade receivable which is past due but not impaired.

All bills receivables of the Group were aged within 60 days at the end of the reporting period.

The above trade and other receivables are denominated in the functional currencies of the relevant group entities.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
Trade payables	7,170	17,773
Accruals	1,172	1,054
Other tax payables	395	605
Others	3,880	5,046
	12,617	24,478

The aged analysis of the Group's trade payable based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
0–30 days	4,972	13,070
31–60 days	287	3,261
61–90 days	1,911	99
Over 90 days	—	1,343
	7,170	17,773

The above trade and other payables of the Group are denominated in the functional currencies the relevant group entities.



14. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2011 and 30 September 2011	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2011 and 30 September 2011	<u>666,666,000</u>	<u>6,667</u>

15. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Speedy Fortune (Hong Kong) Limited (<i>note</i>)	Sales of goods	<u>—</u>	<u>2,250</u>

Note: Ms. Shirley Chum Sze Wing, being the daughter of Mr. Chum and Mrs. Chum, was the director of Speedy Fortune (Hong Kong) Limited.