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**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)**

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 21.0% to HK\$252.0 million
- Gross profit increased by approximately 51.4% to HK\$13.4 million
- Gross profit margin increased from 2.8% to 5.3%
- Loss attributable to owners of the Company amounted to HK\$64.7 million
- Loss per share amounted to HK\$8.69 cents

# Management Discussion and Analysis

The board of directors (the “Directors”) of Newtree Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together as the “Group”) for the six months ended 30 September 2014.

## Business Review

During the period under review, the Group has been engaged in the Hygienic Disposables Business, MTBE Business, Coal Business, Household Consumables Business and Jewelries and Watches Business.

For the period under review, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$64.7 million (2013: loss of approximately HK\$45.3 million).

## Revenue

The Group’s revenue decreased by approximately HK\$67.0 million or 21.0% from approximately HK\$319.0 million for the six months ended 30 September 2013 to approximately HK\$252.0 million for the corresponding period in 2014.

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 2014, with comparative figures for the corresponding period in 2013.

	Six months ended 30 September			
	2014 HK\$’000 (unaudited)	2014 %	2013 HK\$’000 (unaudited)	2013 %
By Segment:				
– Hygienic Disposables Business	48,725	19.3	101,006	31.7
– MTBE Business	104,230	41.3	108,162	33.9
– Coal Business	57,000	22.6	72,327	22.7
– Household Consumables Business	41,975	16.7	37,472	11.7
– Jewelries and Watches Business	83	0.1	–	–
Total	252,013	100.0	318,967	100.0
By geographical locations:				
People’s Republic of China (the “PRC”)	161,312	64.0	180,489	56.6
United Kingdom	71,749	28.5	103,359	32.4
Norway	12,331	4.9	21,182	6.6
Singapore	4,741	1.9	2,286	0.8
United States of America	1,697	0.6	10,885	3.4
Estonia	183	0.1	–	–
Turkey	–	–	400	0.1
Taiwan	–	–	366	0.1
	252,013	100.0	318,967	100.0

# Management Discussion and Analysis

## Business Review (Continued)

### Revenue (Continued)

The Group's revenue from the Hygienic Disposables Business decreased by approximately HK\$52.3 million or 51.8% from approximately HK\$101.0 million for the six months ended 30 September 2013 to approximately HK\$48.7 million for the corresponding period in 2014 mainly due to the substantial decrease in demand for the hygienic disposables products. Revenue for MTBE Business decreased by approximately HK\$3.9 million or 3.6% from approximately HK\$108.1 million for the six months ended 30 September 2013 to approximately HK\$104.2 million for the corresponding period in 2014 mainly due to the drop in average selling price of MTBE products in the current period. Revenue for Coal Business decrease by approximately HK\$15.3 million or 21.2% from approximately HK\$72.3 million for the six months ended 30 September 2013 to approximately HK\$57.0 million for the corresponding period in 2014 mainly due to decrease in sales volume and the average selling price of the coal products in the current period. The revenue on the Household Consumables Business increased by approximately HK\$4.5 million or 12.0% from approximately HK\$37.5 million for the six months ended 30 September 2013 to approximately HK\$42.0 million for the corresponding period in 2014 resulting from a steady growth for the household consumable products. Since the Jewelries and Watches Business was newly acquired during the period, no comparative information is shown.

### Cost of sales

Cost of sales decreased by approximately HK\$71.5 million or 23.1% from approximately HK\$310.0 million for the six months ended 30 September 2013 to approximately HK\$238.5 million for the corresponding period in 2014. The decrease was mainly in line with the changes in turnover of various business segments.

### Gross profit and gross profit margin

The following table sets forth the Group's gross profit and the gross profit margin by business segment for the six months ended 30 September 2014, with comparative figures for the corresponding period in 2013.

	Six months ended 30 September			
	2014 HK\$'000 (unaudited)	2014 %	2013 HK\$'000 (unaudited)	2013 %
By segment:				
– Hygienic Disposables Business	3,792	7.8	(1,871)	(1.9)
– MTBE Business	1,861	1.8	3,211	3.0
– Coal Business	2,352	4.1	2,712	3.8
– Household Consumables Business	5,390	12.8	4,824	12.9
– Jewelries and Watches Business	46	55.4	–	–
	<b>13,441</b>	<b>5.3</b>	<b>8,876</b>	<b>2.8</b>

Gross profit increased by approximately HK\$4.5 million or 51.4% from approximately HK\$8.9 million for the six months ended 30 September 2013 to approximately HK\$13.4 million for the corresponding period in 2014. The Group's gross profit margin on Hygienic Disposables Business increased from a gross loss margin of 1.9% for the six months ended 30 September 2013 to a gross profit margin of 7.8% for the corresponding period in 2014 primarily due to more portion of the increase in cost of major raw material can be transferred to the customers in current period as compared to the same period last year. The gross profit margin on MTBE Business decreased from approximately 3.0% for the six months ended 30 September 2013 to approximately 1.8% for the corresponding period in 2014 mainly because of the decrease in selling price. The gross profit margin for the Coal Business increase from approximately 3.8% for the six months ended 30 September 2013 to approximately 4.1% for the corresponding period in 2014. The gross profit margin for the Household Consumables Business slightly decreased from approximately 12.9% for the six months ended 30 September 2013 to approximately 12.8% for the corresponding period in 2014. Since the Jewelries and Watches Business was newly acquired during the period, no comparative information is shown.

# Management Discussion and Analysis

## Business Review (Continued)

### Other income

Other income mainly consists of service income, bank interest income and other interest income. Other income decreased by approximately HK\$0.4 million or 33.3% from approximately HK\$1.1 million for the six months ended 30 September 2013 to approximately HK\$0.7 million for the corresponding period in 2014 mainly due to no other interest income was received for the six months ended 30 September 2014.

### Other gains and losses

For the six months ended 30 September 2014, the other gain and losses mainly comprises of impairment loss on other intangible assets of approximately HK\$5.9 million and written back of impairment loss on trade and other receivables of approximately HK\$2.5 million while for the corresponding period in 2013, the other gains and losses mainly comprises of impairment loss on other intangible assets of approximately HK\$8.5 million and exchange gain of approximately HK\$0.8 million.

### Selling and distribution expenses

Selling and distribution expenses mainly consist of transportation expenses, custom and inspection fee and commission paid to sales agents. The selling and distribution expenses decreased by approximately HK\$1.5 million or 35.0% from approximately HK\$4.3 million for the six months ended 30 September 2013 to approximately HK\$2.8 million for the corresponding period in 2014 mainly due to the decrease in sales volume for the Hygienic Disposable Business.

### Administrative expenses

Administrative expenses mainly consist of salaries (including directors), legal and professional fee, consultancy fee, rental expenses and management fee paid for the MTBE Business. The administrative expenses increased by approximately HK\$25.1 million or 64.2% from approximately HK\$39.3 million for the six months ended 30 September 2013 to approximately HK\$64.4 million for the corresponding period in 2014 mainly due to (i) increase in staff's and director's salaries of approximately HK\$29.3 million; (ii) decrease in legal and professional fee of approximately HK\$8.3 million and (iii) increase in rental expenses of approximately HK\$2.2 million.

### Other expenses

Other expenses represents legal and professional fee paid to professional parties relating to the acquisition of business into the Group. The other expenses decreased by approximately HK\$1.9 million or 40.2% from approximately HK\$4.7 million for the six months ended 30 September 2013 to approximately HK\$2.8 million for the corresponding period in 2014 mainly due to large portion of the professional fee related to the acquisition of Goldbell Holdings Limited was incurred in the financial year 2013/2014.

### Finance costs

Finance cost consists of interest expenses on convertible bonds, imputed interest on the promissory note and interest expenses for trust receipt loans. The increase was mainly due to the interest expenses arising from convertible bonds issued during the period.

# Management Discussion and Analysis

## Business Review (Continued)

### Loss before tax

The Group recorded a loss before tax of approximately HK\$64.9 million during the six months ended 30 September 2014 (as compared to loss before tax of approximately HK\$46.1 million during the six months ended 30 September 2013), the loss in 2014 were mainly due to the substantial increase in administrative expenses of approximately HK\$25.1 million and increase in finance cost of approximately HK\$5.7 million, which was partially offset by the increase in gross profit of approximately HK\$4.5 million, decrease in other gains and losses of approximately HK\$4.5 million, decrease in selling and distribution expenses of approximately HK\$1.5 million and decrease in other expenses of approximately HK\$1.9 million.

### Income tax expense/credit

The Group recorded a tax expenses of approximately HK\$0.02 million during the six months ended 30 September 2014 (as compare to the tax credit of approximately HK\$0.3 million during the six months ended 30 September 2013). There was no significant change in applicable tax rates of the Company's subsidiaries during the period under review. The subsidiaries operating in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2013: 16.5%) for the year. For the subsidiaries operating in the PRC, pursuant to the Law of the People's Republic of China on enterprise income tax (the "EIT Law") and implementation regulation of the EIT Law, the general EIT rate of the PRC entities is 25% from 1 January 2008 onwards, the major subsidiary operating in the PRC is subject to a tax rate of 25% (2013: 25%). For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both periods.

The significant change in income tax for the period was mainly due to the decrease in deferred tax credit related to the amortisation and impairment loss of other intangible assets.

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

Total comprehensive income for the period attributable to owners of the Company shows a loss of approximately HK\$53.2 million for the six months ended 30 September 2014 as compare to a loss of approximately HK\$47.6 million for the six months ended 30 September 2013.

### Dividends

The Directors did not recommend the payment of any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$Nil).

## Financial Review

### Liquidity and financial resources

The Group's principal source of working capital was cash generated from the sale of its products, fund raising by issue of Company's new shares and borrowing by issue of convertible bonds. The Group's current ratio as at 30 September 2014 was 1.7 (as at 31 March 2014: 2.4). The gearing ratio as at 30 September 2014 was 27.5% (as at 31 March 2014: 2.7%), which is calculated with total borrowings over shareholder's equity.

# Management Discussion and Analysis

## Financial Review *(Continued)*

### 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 arise. Certain monetary financial assets are denominated in foreign currencies as at 30 September 2014. The exposure to exchange rate risks mainly arose from fluctuations of United State Dollar (“USD”), Hong Kong Dollar (“HKD”), Great Britain Pound (“GBP”) 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 of interest rates arising from the Group’s bank deposits and interest expenses from its trust receipt loan with floating interest rate. The Group’s exposure to interest rate risks on bank deposits and trust receipt loan, is expected to be minimal.

### Trust Receipt loan

The trust receipt loan was denominated in USD, and secured by a pledged bank deposit, corporate guarantee in the amount of USD3,500,000 executed by the Company, and legally notarised *livranca* (i.e. promissory note) in the amount of USD3,500,000 executed by a subsidiary of the Company. It was repayable within 3 months and interest-bearing at London Interbank Money Market Offered Rate plus 1.9% per annum.

### Charge on Assets

A bank deposit of approximately HK\$7.8 million and certain leasehold land and buildings with carrying value of approximately HK\$13.1 million (as at 31 March 2014: a bank deposit of approximately HK\$7.8 million and certain leasehold land and buildings with carrying value of approximately HK\$13.6 million) have been pledged as securities for certain banking facilities granted to the Group.

## Contingent Liabilities

As at 30 September 2014, the Group does not have any material contingent liabilities.

## Commitments

### (a) Capital Commitments

As at 30 September 2014 and 31 March 2014, the Group did not have any material capital commitments.

# Management Discussion and Analysis

## Commitments (Continued)

### (b) Operating lease commitments

The Group as lessee:

The Group made minimum lease payments of approximately HK\$3,873,000 (six months ended 30 September 2013: HK\$1,670,000) under operating leases in respect of office premises and car-parking space during the period.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Within one year	6,865	7,356
In the second to fifth years inclusive	9,219	10,634
	<b>16,084</b>	<b>17,990</b>

## Significant events and material acquisition

### (i) Placing of new shares under general mandate

The Company entered into a placing agreement (the "Placing Agreement") dated 14 May 2014 with the placing agent pursuant to which the placing agent had conditionally agreed with the Company to place up to 31,840,000 placing shares of the Company on a best effort basis, to not less than six placees who are independent third parties at a placing price of HK\$2.45 per placing share.

The placing price represents (i) a discount of approximately 12.19% to the closing price of HK\$2.79 per share as quoted on the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 14 May 2014, and (ii) a discount of approximately 12.50% to the average of the closing prices of approximately HK\$2.80 per share as quoted on the Stock Exchange for the last five full trading days of the share immediately prior to the date of the Placing Agreement.

On 6 June 2014, 23,700,000 new shares were placed at HK\$2.45 per shares to not less than six placees who are independent third parties. The net proceeds from the placing were approximately HK\$56.4 million of which approximately HK\$38.0 million had been paid as consideration for the acquisition of the approximately 10% equity interest in Goldbell Holdings Limited ("Goldbell") and approximately HK\$3.2 million had been used for the payment of legal and professional fee, approximately HK\$3.2 million had been used for the payment of office rental, approximately HK\$8.3 million had been used for the payment of directors' fee and staff salaries and approximately HK\$3.7 million had been used for the payment other office expenses.

Further details are set out in the Company's announcement dated 14 May 2014 and 6 June 2014 respectively.

# Management Discussion and Analysis

## Significant events and material acquisition *(Continued)*

### (ii) Issue of HK\$100,000,000 guaranteed convertible bonds due 2016

On 11 June 2014, the Group entered into a subscription agreement (“Subscription Agreement”) with Fulfilled Limited (“Fulfilled”) pursuant to which Fulfilled had conditionally agreed to subscribe for, and the Company has agreed to issue, the convertible bonds in the aggregate principal amount of HK\$100,000,000 (“Convertible Bonds”). The conversion price (“Conversion Price”) is HK\$3.20 per share (subject to adjustments).

The Conversion Price represents (i) a premium of about 1.59% over the closing price of HK\$3.150 per share as quoted on the Stock Exchange on 11 June 2014; (ii) a premium of about 1.65% over the average closing price of HK\$3.148 per share as quoted on the Stock Exchange of the five consecutive trading days immediately prior to 11 June 2014; and (iii) a premium of about 4.03% over the average closing price of HK\$3.076 per share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to 11 June 2014.

On 19 June 2014, the Convertible Bonds was issued to Fulfilled pursuant to the Subscription Agreement and details of the Convertible Bonds was set out in Note 24. The net proceeds from the issue of Convertible Bonds were approximately HK\$96.40 million of which approximately HK\$96.0 million had been paid as consideration for the acquisition of the approximately 10% equity interest in Goldbell and approximately HK\$0.4 million had been used for the payment of directors’ fee and staff salaries.

Further details are set out in the Company’s announcement dated 11 June 2014 and 19 June 2014 respectively.

### (iii) Completion of discloseable transaction

On 10 July 2014, the Group entered into a conditional acquisition agreement (the “Acquisition Agreement”) with two independent vendors (the “Vendors”) relating to the acquisition of 1,066 shares of Goldbell (the “Sales Shares”), approximately 10% equity interest in Goldbell at the consideration of HK\$159 million (the “Consideration”), Goldbell, through its subsidiaries, is principally engaged in the exploration and exploitation of gold mines, and processing, smelting, refining and sales of gold in the PRC. The Consideration was settled by HK\$134 million in cash and HK\$25 million by the Company’s issue of a promissory note.

Pursuant to the Acquisition Agreement, the Vendors undertook to the Group that the consolidated net profit after tax of Goldbell and its subsidiaries attributable to the equity holders of Goldbell as prepared in accordance with Hong Kong Financial Reporting Standards will be not less than RMB127.2 million for the year ending 31 December 2014 (the “Guaranteed Profit”). In this regard, the Vendors agreed to pledge an aggregate of 3,196 shares of Goldbell representing an aggregate of approximately 30% equity interest in Goldbell in favour of the Group as a security of the Guaranteed Profit. If the actual audited consolidated net profit after tax of Goldbell attributable to the equity holders of Goldbell for the year ending 31 December 2014 (the “Actual Profit”) be less than the Guaranteed Profit, the Vendors shall compensate the Group in cash, in an amount equal to the difference between the Guaranteed Profit (in RMB) and Actual Profit (in RMB) multiplied by 1.25 times.



# Management Discussion and Analysis

## Significant events and material acquisition *(Continued)*

### (iii) Completion of discloseable transaction *(Continued)*

Pursuant to the Acquisition Agreement, the Group shall be entitled to serve a notice on the Vendors to require the Vendors to purchase the Sales Shares from the Group at the Consideration or adjusted consideration commencing from 42 months after the completion date. Upon completion, the approximately 10% equity interest in Goldbell was classified as available-for-sale financial assets of the Group.

The acquisition has been completed on 16 July 2014 and further detail are set out in the Company's announcement dated 10 July 2014 and 16 July 2014 respectively.

### (iv) Business combination of Tiger Global Group Limited

On 16 September 2014, the Group entered into a conditional acquisition agreement (the "Tiger Acquisition Agreement") with three independent vendors to acquire the entire equity interest in Tiger Global Group Limited ("Tiger Global") at a total consideration of HK\$81 million. The consideration was satisfied in full by the Company's allotment and issue of an aggregate of 33,360,790 fully paid shares (the "Consideration Shares") upon completion, the Consideration Shares was allotted and issued at HK\$2.428 per shares represented (i) a discount of approximately 6.97% to the closing price of HK\$2.61 per share as quoted on the Stock Exchange on 16 September 2014 and (ii) a discount of approximately 9.81% to the average of the closing prices of HK\$2.692 per share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Tiger Acquisition Agreement.

Tiger Global together with its subsidiary and associate was principally engaged in the sales and distribution of the trademarked jewelry and watches in the international market. The business combination was completed on 25 September 2014 and further details are set out in the Company's announcement dated 16 September 2014 and 25 September 2014 respectively.

## Significant event after the reporting period

### (i) Placing of new shares under general mandate

The Company entered into a placing agreement date 15 October 2014 with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place up to 27,000,000 placing shares of the Company on a best effort basis to not less than six placees who are independent third parties at the placing price of HK\$2.40 per placing share. The placing was completed on 29 October 2014 and a total of 21,900,000 placing shares was issued and allotted. Further details are set out in the Company's announcement dated 15 October 2014 and 29 October 2014 respectively.

The net proceeds from the placing were approximately HK\$50.8 million of which approximately HK\$1.9 million had been used for the payment for legal and professional fees in related to the potential acquisitions, approximately HK\$25.0 million had been used for payment of directors' fees and staff salaries, approximately HK\$12.5 million had been used for partial settlement of remaining amount of the promissory notes issued as the consideration in relation to the acquisition of approximately 10% equity interest in Goldbell and approximately HK\$4.0 million had been used for the settlement of the promissory note issued as the consideration in relation to the acquisition of China Indonesia Alliances Coal Investment Company Limited, approximately HK\$1.8 million had been used for general working capital of the Group and approximately HK\$5.6 million is not being utilized.

# Management Discussion and Analysis

## Significant event after the reporting period *(Continued)*

### **(ii) Discloseable and connected transaction in respect of the acquisition of the entire equity interest and shareholder's loan in Digismart (Group) Limited ("Digismart")**

On 16 October 2014, the Company entered into a conditional acquisition agreement with four vendors, of which three are independent third parties to the Company and one is a connected person to the Company, for the acquisition of the entire equity interest and shareholder's loan in Digismart, at an initial consideration of HK\$200 million and an earn-out consideration of up to HK\$80 million.

The consideration shall be satisfied by the Group as to HK\$15 million in cash and by allotment and issue of an aggregate of 79,467,353 consideration shares and up to 34,364,261 earn-out consideration shares at a issue price of HK\$2.328 per share. The issue price represents (i) a discount of approximately 9.77% to the closing price of HK\$2.58 per share as quoted on the Stock Exchange on 16 October 2014 and (ii) a discount of approximately 9.7% to the average of the closing prices of HK\$2.578 per shares as quoted on the Stock Exchange for the five trading days immediately prior to 16 October 2014. The directors (excluding the independent non-executive directors) considers that the issue price is fair and reasonable.

Further details are set out in the Company's announcement date 16 October 2014 and circular dated 7 November 2014.

The acquisition has been completed on 28 November 2014 and further details are set out in the Company's announcement dated 28 November 2014.

### **(iii) Memorandum of Understanding ("MOU") in respect of the possible acquisition of 95% equity interest in Eco-Mining Innovative Tech Limited**

On 7 November 2014, the Group entered into a non-legally binding MOU with the vendor in relation to the possible acquisition of 95% equity interest in Eco-Mining Innovative Tech Limited for a proposed consideration of HK\$209 million and is proposed to be settled in the following manners:

- (a) HK\$30 million to be paid by the Group to the vendor within 21 calendar days after the date of the MOU as a refundable deposit ("Refundable Deposit"); and
- (b) The balance of the consideration to be paid by the Group to the vendor upon completion in the form of promissory notes issued by the Company to the vendor.

In the event that the MOU is early terminated or the formal agreement is not entered into on or before 5 February 2015 (the "Long Stop Date"), the Refundable Deposit shall be fully refunded to the Group within three business days from the termination date or the Long Stop Date without interest.

The reason for the acquisition is to provide an opportunity for the Group to engage in a new line of business with growth potential and broaden its source of income which is expected to benefit the Company and the shareholders as a whole.

Further details is set out in the Company's announcement dated 7 November 2014.

# Management Discussion and Analysis

## Human Resources

The number of employees of the Group as at 30 September 2014, was approximately 123, 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.

## Prospect

The Board has been proactively probing for new business opportunities to achieve sustainable growth of the Company and maximise benefits of the shareholders as a whole.

### Hygienic Disposables Business

The Group will continue to improve the profit margin for the business segment. This business segment should be able to benefit from the steady economic recovery of the United States and the European market in the coming year.

### MTBE Business

The execution of the existing sales contract continues to provide steady turnover and profit to the Group in the coming year and with the experience gained in the past, the Groups plans to introduce more customers and products in the petro-chemical industry.

### Coal Business

Similar to the MTBE Business, the smooth execution of the sales contract will bring in stable turnover and profit to the Group, and with the experience gained from the MTBE and Coal Business, the Group will seek for the opportunity to diversify the Group's business in the PRC market.

### Household Consumables Business

This business segment continues to be the platform for the expansion of the European market and also contribute steady profit to the Group.

### Jewelries and Watches Business

With the newly acquired business during the period, the Group could explore more market geographically through the sales and distribution of the "Cosi Moda" branded products in order to generate more revenue and profit to the Group.

# 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 has met the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) in Appendix 14 of the Listing Rules. Throughout the six months ended 30 September 2014, 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 except for the deviations set out as below:

### Code provision A.1.3 of the CG Code

The code provision A.1.3 requires of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

Due to the practical reasons, 14 days’ advanced notifications have not been given to all meetings of the Board of Directors (the “Board”). Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days’ advanced notification. The Board will use its best endeavours to give 14 days’ advanced notifications of Board meeting to the extent practicable.

### Code provision A.4.1 of the CG Code

The code provision A.4.1 requires the appointment of non-executive directors for a specific term, subject to re-election.

The independent non-executive Directors (“INED”) of the Company (namely Mr. Kwok Kam Tim (“Mr. Kwok”), Mr. Kinley Lincoln James Lloyd (“Mr. Kinley”) and Dr. Hui Chik Kwan (“Dr. Hui”) are not appointed for a fixed term of office, but they are subjected to retirement by rotation and re-election of Directors through the articles of association of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

### Code provision A.6.7 of the CG Code

Code provision A.6.7 stipulates that INED and other non-executive Directors should attend general meetings and develop a balanced understanding of the view of shareholders.

Mr. Kinley, Dr. Hui and Mr. Wang Junqiang (“Mr. Wang”), who are the INED of the Company were unable to attend the annual general meeting (the “2014 AGM”) of the Company held on 7 August 2014 respectively as they had other important business engagement.

As an action plan to address the aforesaid deviation, the Company will require all the INED and other non-executive Directors to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

# Other Information

## Compliance with the Code on Corporate Governance Practice *(Continued)*

### Code provision A.7.1 of the CG Code

The code provision A.7.1 requires for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

Due to the practical reasons, an agenda and accompanying board paper have not been sent, in full, in 3 days' advanced to all meetings of the Board or Board Committee. Reasons have been given in the agenda and accompanying board paper in respect of those meetings of the Board or Board Committee where it is not practical to send, in full, 3 days' advanced. The Board will use its best endeavours to send the agenda and accompanying board paper, in full to the Board or Board Committee at least 3 days' advanced to the extent practicable.

### Code provision E.1.2 of the CG Code

The code provision E.1.2 currently in force stipulates, among other things, that the Chairman of the issuer should attend the annual general meeting.

Mr. Wong Wai Sing ("Mr. Wong") being the Chairman of the Company, was unable to attend the 2014 AGM due to another commitment and Mr. Wong appointed Mr. Kwok, an INED, to act as his representative at the 2014 AGM and to take the chair of the said 2014 AGM and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. This constitutes a deviation of the code provision E.1.2.

## 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 conduct 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 2014.

# Other Information

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2014, 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:

<b>Name of director</b>	<b>Nature of interest</b>	<b>Total number of shares held</b> <i>(note)</i>	<b>Approximate percentage of interest in the Company</b>
Mr. Wong	Beneficial Owner and Interest in Controlled Corporation	142,308,000	18.12
Mr. Chum Hon Sing ("Mr. Chum")	Beneficial Owner and Interest in Controlled Corporation	138,208,000	17.60

*Note:* Include 138,148,000 shares are held by Twin Star Global Limited, a company beneficially owned by Mr. Wong and Mr. Chum as to 50% and 50% respectively.

## Director's Rights to Acquire Shares or Debenture

Save as otherwise disclosed in this announcement, at no time during the six months ended 30 September 2014 and up to the date of this announcement 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.

# Other Information

## Substantial Shareholders

As at 30 September 2014, 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:

<b>Name</b>	<b>Nature of interest</b>	<b>Total number of shares held</b>	<b>Approximate percentage of interest in the Company</b>
Twin Star Global Limited <i>(Note 1)</i>	Beneficial owner	138,148,000	17.59
Mr. Wong <i>(Note 2)</i>	Beneficial Owner	4,160,000	0.53
	Interest in Controlled Corporation	138,148,000	17.59
Mr. Chum <i>(Note 2)</i>	Beneficial Owner	60,000	0.01
	Interest in Controlled Corporation	138,148,000	17.59

*Note:*

1. This company is ultimately beneficially owned as to 50% by Mr. Wong and 50% by Mr. Chum.
2. Include 138,148,000 Shares held by Twin Star Global Limited.

Save as disclosed in this announcement, 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 2014.

# Other Information

## 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, executives 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 and 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 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 are 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 are 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 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 announcement, no options were granted under the Share Option Scheme.

## Purchase, Sales or Redemption of Listed Securities

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

## Audit Committee and Review of Financial Statement

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 four independent non-executive directors, being Mr. Kwok, Mr. Kinley, Mr. Tam Chak Chi and Dr. Hui. 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 2014.

## Interim Dividend

The Board does not recommend the payment of interim dividends for the six months ended 30 September 2014.



# Other Information

## Changes to Information in Respect of Directors

In the six months ended 30 September 2014 and up to the date of this announcement, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

- Mr. Wong Wai Sing resigned as Chief Executive Officer effective from 11 July 2014
- Ms. Sung Ting Yee appointed as Joint Vice-Chairman and Chief Executive Officer effective from 11 July 2014
- Ms. Lu Ying resigned as executive director effective from 11 July 2014
- Ms Yu Tak Wai, Winnie appointed as executive director effective from 11 July 2014 and appointed as authorised representative effective from 31 July 2014
- Mr. Tsang Ho Ka, Eugene resigned as executive director and authorized representative effective from 31 July 2014, has resigned as the Vice-Chairman of Capital Finance Holdings Limited (formerly known as Ming Kei Holdings Limited), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the growth enterprise market (the “GEM”) of the Stock Exchange (stock code: 8239) with effect from 31 July 2014 and has resigned as a chairman and non-executive director of Sky Forever Supply Chain Management Group Limited (the “Sky Forever”) (formerly known as Rising Power Group Holdings Limited), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on GEM of Exchange (stock code: 8047) with effect from 13 June 2014 and 22 July 2014 respectively
- Mr. Wang Junqiang retired as independent non-executive director effective from 7 August 2014
- Mr. Mok Tsan San appointed as non-executive director effective from 27 August 2014
- Mr. Kwok Kam Tim resigned as chairman of the remuneration committee and nomination committee effective from 14 August 2014 and has been appointed and resigned as an independent non-executive director of Sky Forever with effect from 13 June 2014 and 22 July 2014 respectively
- Mr. Kinley Lincoln James Lloyd appointed as Chairman of the nomination committee effective from 14 August 2014 and has been appointed and resigned as an independent non-executive director of Sky Forever with effect from 13 June 2014 and 22 July 2014 respectively
- Mr. Tam Chak Chi appointed as independent non-executive director, Chairman of the remuneration committee and members of the audit committee and nomination committee effective from 14 August 2014

Further details are set out in the Company’s announcement dated 11 July 2014, 31 July 2014, 7 August 2014, 14 August 2014 and 27 August 2014 respectively.

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

	Notes	Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	4	252,013	318,967
Cost of sales		(238,572)	(310,091)
Gross profit		13,441	8,876
Other income	5	736	1,104
Other gains and losses	6	(3,176)	(7,682)
Selling and distribution expenses		(2,782)	(4,279)
Administrative expenses		(64,430)	(39,250)
Other expenses		(2,789)	(4,663)
Finance costs	7	(5,885)	(168)
Share of profits of an associate		13	–
Loss before tax		(64,872)	(46,062)
Income tax (expense) credit	8	(21)	308
Loss for the period	9	(64,893)	(45,754)
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation		(460)	(2,350)
– Fair value gain on available-for-sale financial assets	17	11,900	–
Other comprehensive income for the period, net of income tax		11,440	(2,350)
Total comprehensive income for the period, net of income tax		(53,453)	(48,104)
Loss for the period attributable to:			
Owners of the Company		(64,685)	(45,267)
Non-controlling interests		(208)	(487)
		(64,893)	(45,754)
Total comprehensive income for the period attributable to:			
Owners of the Company		(53,243)	(47,617)
Non-controlling interests		(210)	(487)
		(53,453)	(48,104)
Loss per share	11		
– basic and diluted (HK cents)		(8.69)	(6.39)

# Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2014

	Notes	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	20,090	17,921
Prepaid lease payments		6,132	6,236
Other intangible assets	13	67,356	68,961
Goodwill	14	56,931	9,774
Interest in an associate	16	25,373	–
Available-for-sale financial assets	17	173,100	2,200
Financial instrument	18	8,183	–
		<b>357,165</b>	105,092
<b>CURRENT ASSETS</b>			
Inventories	19	40,133	37,765
Prepaid lease payments		216	216
Trade and other receivables and prepayments	20	477,701	384,236
Refundable deposits		21,349	52,132
Pledged bank deposit		7,808	7,807
Bank balances and cash		42,359	39,887
		<b>589,566</b>	522,043
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	21	311,940	209,519
Trust receipt loan		3,820	6,829
Tax payable		6,333	5,711
Promissory note	22	25,000	–
		<b>347,093</b>	222,059
<b>NET CURRENT ASSETS</b>		<b>242,473</b>	299,984
Total assets less current liabilities		<b>599,638</b>	405,076
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		11,327	11,578
Promissory note	22	3,657	3,552
Convertible bonds	24	99,766	–
		<b>114,750</b>	15,130
<b>NET ASSETS</b>		<b>484,888</b>	389,946
<b>CAPITAL AND RESERVES</b>			
Share capital	25	7,853	7,282
Reserves		472,657	378,076
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>480,510</b>	385,358
Non-controlling interests		4,378	4,588
<b>TOTAL EQUITY</b>		<b>484,888</b>	389,946

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Attributable to owners of the Company											
	Share capital	Share premium	Legal reserve	Special reserve	Convertible bonds equity reserve	Investments valuation reserve	Exchange reserve	Other reserves	Retained profits/ (accumulated loss)	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note iii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013 (audited)	6,667	288,369	49	678	-	-	15,111	(6,000)	90,195	395,069	965	396,034
Loss for the period	-	-	-	-	-	-	-	-	(45,267)	(45,267)	(487)	(45,754)
Other comprehensive income, net of income tax	-	-	-	-	-	-	(2,350)	-	-	(2,350)	-	(2,350)
Total comprehensive income for the period	-	-	-	-	-	-	(2,350)	-	(45,267)	(47,617)	(487)	(48,104)
Acquisition of subsidiaries	175	36,301	-	-	-	-	-	-	-	36,476	4,887	41,363
Acquisition of interest from a non-controlling shareholder	15	3,143	-	-	-	-	-	(2,046)	-	1,112	(1,112)	-
Acquisition of available-for-sale financial assets	25	5,175	-	-	-	-	-	-	-	5,200	-	5,200
Issue of shares pursuant to placing agreement	400	83,600	-	-	-	-	-	-	-	84,000	-	84,000
Transaction cost attributable to issue of placing shares	-	(2,100)	-	-	-	-	-	-	-	(2,100)	-	(2,100)
At 30 September 2013 (unaudited)	7,282	414,488	49	678	-	-	12,761	(8,046)	44,928	472,140	4,253	476,393
At 1 April 2014 (audited)	7,282	414,488	49	678	-	-	17,840	(8,046)	(46,933)	385,358	4,588	389,946
Loss for the period	-	-	-	-	-	-	-	-	(64,685)	(64,685)	(208)	(64,893)
Other comprehensive income, net of income tax	-	-	-	-	-	11,900	(458)	-	-	11,442	(2)	11,440
Total comprehensive income for the period	-	-	-	-	-	11,900	(458)	-	(64,685)	(53,243)	(210)	(53,453)
Issue of shares pursuant to placing agreement	237	57,828	-	-	-	-	-	-	-	58,065	-	58,065
Transaction cost attributable to issue of placing shares	-	(1,688)	-	-	-	-	-	-	-	(1,688)	-	(1,688)
Issue of convertible bond	-	-	-	-	5,947	-	-	-	-	5,947	-	5,947
Acquisition of subsidiaries	334	85,737	-	-	-	-	-	-	-	86,071	-	86,071
At 30 September 2014 (unaudited)	7,853	556,365	49	678	5,947	11,900	17,382	(8,046)	(111,618)	480,510	4,378	484,888

## Notes:

- (i) In accordance with the provisions of the Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore ("Two-Two-Free"), a subsidiary of the Company, 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 in preparing for listing on The Stock Exchange of Hong Kong Limited.
- (iii) The other reserves represent (i) the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, a shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK\$6,000,000 and (ii) the difference between the amount by which the non-controlling interest is adjusted and the fair value of shares issued as consideration for the acquisition of the remaining equity interest in a subsidiary from a non-controlling shareholder amounting to approximately HK\$2,046,000.

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(14,033)	(53,824)
NET CASH USED IN INVESTING ACTIVITIES	(137,201)	(4,641)
NET CASH GENERATED FROM FINANCING ACTIVITIES	153,558	78,867
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,324	20,402
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	39,887	33,037
Effect of foreign exchange rate changes	148	(3,854)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	42,359	49,585

# Notes to the Unaudited Condensed Consolidated Financial Statements

*For the six months ended 30 September 2014*

## 1. General Information

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. 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 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 are (i) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials; (ii) trading of Methyl Tertiary Butyl Ether (“MTBE”) products; (iii) trading of coal products; (iv) wholesale and retail of household consumables and (v) sales and distribution of jewelries and watches.

## 2. Basis of Preparation

This unaudited condensed consolidated financial statements (“Interim Financial Statements”) of the Group for the six months ended 30 September 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of the Stock Exchange and in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 March 2014, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKAS and Interpretation issued by HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2014 (the “Annual Report”).

The Interim Financial Statements have been prepared on the historical cost basis except for available-for-sale financial assets and financial instrument, which are measured at fair values.

The accounting policies and methods of computation used in the Interim Financial Statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 3. Adoption of New or Amended HKFRSs

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior years.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

## 4. Revenue and Segment Information

Information reported to the Directors being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Hygienic Disposables Business – Trading and manufacturing of clinical and household hygienic disposables and trading of related raw materials
- MTBE Business – Trading of MTBE products
- Coal Business – Trading of coal products
- Household Consumables Business – Wholesale and retail of household consumables
- Jewelries and Watches Business – Sales and distribution of jewelries and watches

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 4. Revenue and Segment Information (Continued)

### Segment revenues and results

The following is an analysis of the Group's revenue and results from reportable and operating segments.

	Hygienic Disposables Business HK\$'000 (unaudited)	MTBE Business HK\$'000 (unaudited)	Coal Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Jewelries and Watches Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the six months ended 30 September 2014</b>						
Revenue from external customers	48,725	104,230	57,000	41,975	83	252,013
Segment (loss)/profit	(4,119)	708	2,376	4,213	36	3,214
Bank interest income						11
Exchange differences						(14)
Amortisation of other intangible assets						(526)
Impairment losses on other intangible assets						(5,898)
Share of profits of an associate						13
Central administration costs						(61,672)
Loss before tax						(64,872)



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 4. Revenue and Segment Information (Continued)

### Segment revenues and results (Continued)

	Hygienic Disposables Business HK\$'000 (unaudited)	MTBE Business HK\$'000 (unaudited)	Coal Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the six months ended 30 September 2013</b>					
Revenue from external customers	101,006	108,162	72,327	37,472	318,967
Segment (loss)/profit	(13,304)	1,959	2,656	1,922	(6,767)
Bank interest income					8
Exchange differences					849
Amortisation of other intangible assets					(482)
Impairment loss on other intangible assets					(8,491)
Central administration costs					(31,179)
Loss before tax					(46,062)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs, amortisation of other intangible assets, impairment losses on other intangible assets, bank interest income, exchange differences, share of profits of an associate and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 4. Revenue and Segment Information (Continued)

### Segment assets and liabilities

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

#### Segment assets

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Hygienic Disposables Business	148,165	194,490
MTBE Business	292,244	219,841
Coal Business	85,978	54,246
Household Consumables Business	20,969	27,979
Jewelries and Watches Business	5,585	–
Total segment assets	552,941	496,556
Goodwill	56,931	9,774
Other intangible assets	67,356	68,961
Available-for-sale financial assets	173,100	2,200
Interest in an associate	25,373	–
Financial instrument	8,183	–
Amount due from a related company	1,950	1,950
Pledged bank deposit	7,808	7,807
Bank balances and cash	42,359	39,887
Unallocated corporate assets	10,730	–
Consolidated assets	946,731	627,135

#### Segment liabilities

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Hygienic Disposables Business	11,677	20,039
MTBE Business	209,337	139,237
Coal Business	79,207	50,726
Household Consumables Business	6,737	6,346
Jewelries and Watches Business	4,445	–
Total segment liabilities	311,403	216,348
Tax payable	6,333	5,711
Promissory notes	28,657	3,552
Convertible bonds	99,766	–
Deferred tax liabilities	11,327	11,578
Unallocated corporate liabilities	4,357	–
Consolidated liabilities	461,843	237,189

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

- All assets are allocated to operating segments other than goodwill, other intangible assets, available-for-sale financial assets, interest in an associate, financial instrument, amount due from a related company, pledged bank deposit, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, promissory notes, convertible bonds, deferred tax liabilities and unallocated corporate liabilities.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 4. Revenue and Segment Information (Continued)

### Other segment information

	Hygienic Disposables Business HK\$'000 (unaudited)	MTBE Business HK\$'000 (unaudited)	Coal Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Jewelries and Watches Business HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the six months ended 30 September 2014</b>							
Capital additions	12	-	-	-	-	3,699	3,711
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	1,040	-	-	55	-	331	1,426
Gain on disposal of property, plant and equipment	-	-	-	-	-	296	296
Impairment losses on other intangible assets	-	1,024	4,874	-	-	-	5,898
Written-off of trade receivables	-	-	-	11	-	-	11
Written back of impairment loss on trade and other receivables	140	-	-	2,311	-	-	2,451

	Hygienic Disposables Business HK\$'000 (unaudited)	MTBE Business HK\$'000 (unaudited)	Coal Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the six months ended 30 September 2013</b>					
Capital additions	1,391	-	-	35	1,426
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	3,997	-	-	67	4,064
Loss on disposal of property, plant and equipment	-	-	-	12	12
Impairment loss on other intangible assets	-	-	8,491	-	8,491
Impairment loss on trade receivables	-	-	-	40	40

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 4. Revenue and Segment Information (Continued)

### Information about geographical areas

In determining the Group's information about geographical areas, revenue is allocated 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.

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
The People's Republic of China ("PRC")	161,312	180,489
United Kingdom	71,749	103,359
Norway	12,331	21,182
Singapore	4,741	2,286
United States of America	1,697	10,885
Estonia	183	–
Turkey	–	400
Taiwan	–	366
	<b>252,013</b>	<b>318,967</b>

As at 30 September 2014, approximately HK\$191,744,000, HK\$18,482,000, HK\$146,471,000 and HK\$468,000 of the non-current assets are located in the PRC, United Kingdom, Hong Kong and Macau respectively.

As at 31 March 2014, approximately HK\$21,709,000, HK\$19,273,000, HK\$63,592,000 and HK\$518,000 of the non-current assets are located in the PRC, United Kingdom, Hong Kong and Macau respectively.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 4. Revenue and Segment Information (Continued)

### Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Customer A <sup>1</sup>	161,229	180,489
Customer B <sup>2</sup>	14,579 <sup>3</sup>	37,730

<sup>1</sup> Revenue is from MTBE Business and Coal Business

<sup>2</sup> Revenue is from Hygienic Disposables Business

<sup>3</sup> Revenue from this customer represented less than 10% of the total sales of the Group for the respective period. The amount is for comparative purpose only.

## 5. Other Income

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Bank Interest income	11	8
Other interest income	–	472
Service income	723	624
Sundry income	2	–
	736	1,104

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 6. Other Gains and Losses

		Six months ended 30 September	
	Notes	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Exchange differences		(14)	849
Impairment losses on other intangible assets	13	(5,898)	(8,491)
Gain on disposal of property, plant and equipment		296	–
Impairment loss recognised on trade and other receivables		–	(40)
Written-off of trade receivables		(11)	–
Written back of impairment loss on trade and other receivables (Note)		2,451	–
		<b>(3,176)</b>	<b>(7,682)</b>

Note: Trade and other receivables which were previously impaired were subsequently received from the customers during the six-month ended 30 September 2014 which amounted to approximately HK\$140,000 and HK\$2,311,000 respectively.

## 7. Finance Costs

		Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest expenses on trust receipt loan		67	77
Imputed interest expenses on promissory note		105	91
Interest expenses on convertible bonds		5,713	–
		<b>5,885</b>	<b>168</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 8. Income Tax Expense (Credit)

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Income tax (credit) expense represents:		
Current tax:		
Hong Kong Profits Tax	511	762
PRC Enterprise Income Taxation ("EIT")	96	–
Other jurisdictions	454	432
	1,061	1,194
Deferred taxation	(1,040)	(1,502)
	21	(308)

### (i) Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both period.

In prior years, the Hong Kong Inland Revenue Department (the "HKIRD") issued to wholly-owned subsidiaries incorporated in Macau and Hong Kong (the "Subsidiaries") profits tax assessments of HK\$5,600,000 and HK\$875,000, respectively, relating to the year of assessment 2004/05, that is, for the financial year ended 31 March 2005. The Group lodged the relevant objection with the HKIRD against the assessment in June 2011.

In prior years, the HKIRD issued two enquiry letters to the Subsidiaries in respect of the year of assessment 2004/05.

In prior years, the HKIRD issued to the Subsidiaries profits tax assessment of HK\$5,250,000 and HK\$2,275,000, relating to the year of assessment 2005/06, that is, for the financial year ended 31 March 2006. The Group lodged the relevant objection with the HKIRD against the assessment in January 2012.

In January 2013, the HKIRD issued to the Subsidiaries profits tax assessment of HK\$4,340,000 and HK\$2,100,000, relating to the year of assessment 2006/07, that is, for the financial year ended 31 March 2007. The Group lodged the relevant objection with the HKIRD against the assessment in February 2013.

In March 2013, the HKIRD issued another letter to one of the Subsidiaries requesting its books and records. The Group is in the process of gathering the information requested by the HKIRD.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 8. Income Tax Expense (Credit) (Continued)

### (i) Hong Kong (Continued)

In July 2013, the HKIRD issued a letter requesting for information regarding another PRC subsidiary of the Company (other than the Subsidiaries). In January 2014, the HKIRD issued a letter requesting for financial information of another one of the Subsidiaries. The Group is in the process of gathering the information requested by the HKIRD.

In February 2014, the HKIRD issued to the Subsidiaries profit tax assessment for HK\$4,875,000 and HK\$3,475,000, relating to the year of assessment 2007/08, that is, for the financial year ended 31 March 2008. The Group lodged the relevant objection with the HKIRD against the assessment in March 2014.

As of 30 September 2014, the Group has purchased tax reserve certificates in the amounts of HK\$438,000, HK\$761,000, HK\$875,000, and HK\$100,000 for the years of assessment 2004/05, 2005/06, 2006/07 and 2007/08 respectively, which have been accounted for as taxes recoverable included in trade and other receivables and prepayments of the Group as at 30 September 2014.

The Subsidiaries have not received any further queries from the HKIRD apart from the aforesaid assessments up to the date of this announcement. In the opinion of the Directors, no profits tax should be payable by the Subsidiaries for those years of assessment since the Subsidiaries either did not carry on any business in Hong Kong or did not arrive at any assessable profits for the years of assessment 2004/05, 2005/06, 2006/07 and 2007/08 and should not be subject to Hong Kong profits tax. Hence, no provision for Hong Kong profits tax in respect of the assessments is considered necessary.

### (ii) PRC

PRC EIT is calculated at 25% of the estimated assessable profits of subsidiaries operating in the PRC.

### (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 is exempted from Macao Complementary Tax.

### (iv) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 9. Loss for the Period

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
It has been arrived at after charging/(crediting):		
Directors' remuneration	32,044	4,219
Other staff costs	11,353	7,960
Retirement benefit scheme contributions	454	482
Total staff costs	43,851	12,661
Cost of inventories sold	238,046	309,609
Depreciation of property, plant and equipment	1,318	3,957
Amortisation of prepaid lease payments	108	107
Amortisation of other intangible assets (included in cost of sales)	526	482
Legal and professional fee for acquisition of subsidiaries included in other expenses	2,789	4,663

## 10. Dividends

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$Nil).

## 11. Loss Per Share

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

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(64,685)	(45,267)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	744,467,132	707,874,849

The basic and diluted loss per share are the same for both periods, as for the six months ended 30 September 2014, the Company's outstanding convertible bonds were anti-dilutive and therefore are not included in the calculation of the diluted loss per share and for the six months ended 30 September 2013, there were no potential ordinary shares in issue.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 12. Property, Plant and Equipment

During the period ended 30 September 2014, the Group incurred expenditures on property, plant and equipment of approximately HK\$3,711,000, of which approximately HK\$3,699,000 was incurred for the leasehold improvement and furniture, fixtures and equipment of its office located in Hong Kong. Expenditures on property, plant and equipment for the same period last year was approximately HK\$1,426,000.

## 13. Other Intangible Assets

	Coal Sales Contract HK\$'000	MTBE Sales Contract HK\$'000	Customer network HK\$'000	Exclusive License HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 April 2013 (audited)	–	33,292	10,119	–	43,411
Acquisition of subsidiaries	57,346	–	–	–	57,346
Exchange realignment	–	–	363	–	363
At 31 March 2014 (audited)	57,346	33,292	10,482	–	101,120
Acquisition of subsidiaries (Note 23)	–	–	–	5,000	5,000
Exchange realignment	–	–	(249)	–	(249)
<b>At 30 September 2014 (unaudited)</b>	<b>57,346</b>	<b>33,292</b>	<b>10,233</b>	<b>5,000</b>	<b>105,871</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>					
At 1 April 2013 (audited)	–	21,397	1,181	–	22,578
Charge for the year	–	–	1,003	–	1,003
Impairment	8,491	–	–	–	8,491
Exchange realignment	–	–	87	–	87
At 31 March 2014 (audited)	8,491	21,397	2,271	–	32,159
Charge for the period	–	–	526	–	526
Impairment	4,874	1,024	–	–	5,898
Exchange realignment	–	–	(68)	–	(68)
<b>At 30 September 2014 (unaudited)</b>	<b>13,365</b>	<b>22,421</b>	<b>2,729</b>	<b>–</b>	<b>38,515</b>
<b>CARRYING VALUE</b>					
<b>At 30 September 2014 (unaudited)</b>	<b>43,981</b>	<b>10,871</b>	<b>7,504</b>	<b>5,000</b>	<b>67,356</b>
<i>At 31 March 2014</i> (audited)	48,855	11,895	8,211	–	68,961

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 13. Other Intangible Assets (Continued)

The Coal Sales Contract represents a legally binding sales contract of coal products entered into between the Group and a customer, which was acquired as part of the Group's acquisition of China Indonesia Alliances Coal Investment Company Limited and its 90% owned subsidiary in prior year and has been allocated to the Coal Business cash generating unit.

The MTBE Sales Contract represents a legally binding sales contract of MTBE products entered into between the Group and a customer, which was acquired as part of the Group's acquisition of Sino-Singapore (Offshore) Chemical Resources Trading Company Limited and its subsidiaries in prior years and has been allocated to the MTBE Business cash generating unit.

The Customer Network represents a long and close business relationship with customers of S&J Distribution Limited ("S&J"), which was acquired as part of the Group's acquisition of S&J in prior years and has been allocated to the Household Consumables Business cash generating unit.

The Exclusive License represents the right to design, distribute and sell "Cosi Moda" branded products in the Asia Pacific region (other than the PRC) granted to the Group from an associate, which was acquired as part of the Group's acquisition of Tiger Global Group Limited ("Tiger Global") and its subsidiary (collectively the "Tiger Global Group") on 25 September 2014 and has been allocated to the Jewellery and Watches Business cash generating unit. As disclosed in Note 23, the initial accounting for business combination is incomplete, such amount is provisional and determined based on the Company's best estimate.

The Group assessed the useful life of the Coal Sales Contracts and MTBE Sales Contracts as indefinite, because the Group considered that the Coal Sales Contracts and MTBE Sales Contracts was renewable automatically and unconditionally at no additional cost and that the business relationship with the customer becomes probable to continue indefinitely in the foreseeable future.

The Customer Network is amortised on a straight-line basis over 10 years and the Exclusive License is amortised on a straight-line basis over 15 years.

## 14. Goodwill

		At 30 September 2014 HK\$'000 (Unaudited)	At 31 March 2014 HK\$'000 (Audited)
<b>COST AND CARRYING VALUE</b>			
At the beginning of period/year		9,774	9,774
Acquisition of subsidiaries	23	47,157	–
At the end of period/year		<b>56,931</b>	9,774

Goodwill arising in prior years related to the acquisition of S&J and has been allocated to the Household Consumables Business cash generating unit.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 14. Goodwill (Continued)

Goodwill arising in the period ended 30 September 2014 related to the acquisition of Tiger Global Group and has been allocated to the Jewelries and Watches Business cash generating unit. The goodwill of HK\$47,157,000 arises from a number of factors including the expected establishment of a fast growing internet sales channel, enhancement of other sales and distribution channels in the Asia Pacific region and assembled workforce of the acquired business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill recognised is expected to be deductible for income tax purpose.

Particulars regarding impairment testing on goodwill are set out in Note 15.

## 15. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing, other intangible assets and goodwill set out in Notes 13 and 14 respectively have been allocated to four individual cash generating units ("CGUs"), comprising a subsidiary in Household Consumables Business, a subsidiary in MTBE Business, a subsidiary in Coal Business and a subsidiary in Jewelries and Watches Business.

During the period ended 30 September 2014, the Group determines that, besides the MTBE Business and Coal Business CGUs, there is no impairment of any of its CGUs containing other intangible assets or goodwill. The recoverable amount of a CGU is the higher of its fair-value-less-costs-of-disposal and its value-in-use.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

### Household Consumables Business CGU

The recoverable amount of the Household Consumable Business CGU has been assessed based on a fair-value-less-costs-of-disposal calculation with reference to a professional valuation performed by Greater China Appraisal Limited ("GCA") an independent firm of professionally qualified valuers. That calculation covered a period estimate by the Group to be indefinite as there is no foreseeable limitation on the period of time over which CGU is expected to generate economic benefit to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period. Cash flows beyond the 4.5-year period are extrapolated using an estimated growth rate of 3%. The post-tax rate used to discount the forecast cash flows is 16.77%.

### MTBE Business CGU

The recoverable amount of this unit has been determined to be approximately HK\$9,900,000 (including working capital) based on a fair-value-less-costs-of-disposal calculation with reference to a professional valuation performed by GCA. That calculation covered a period of 13.3 years. The calculation uses cash flow projection based on financial budgets approved management covering a 1.3-year period. Cash flow beyond the 1.3 year period are extrapolated using an estimate growth rate of 2.5%. The post-tax rate used to discount the forecast cash flows is 14.97%.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 15. Impairment Testing on Other Intangible Assets and Goodwill (Continued)

### Coal Business CGU

The recoverable amount of this unit has been determined to be approximately HK\$43,200,000 (including working capital) based on a fair-value-less-costs-of-disposal calculation with reference to a professional valuation performed by GCA. That calculation covered a period estimate by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefit to the Group. The calculation uses cash flow projection based on financial budgets approved management covering a 1.5-year period. Cash flow beyond the 1.5-year period are extrapolated using an estimate growth rate of 2.5%. The post-tax rate used to discount the forecast cash flows is 12.91%.

### Jewelries and Watches Business CGU

The initial accounting for business combination in relation to the acquisition of Tiger Global Group is incomplete as at the date of finalisation of the Interim Financial Statements. Further details are set out in Note 23. In the absence of any indicators of impairment in this CGU, the impairment assessment of this CGU will be performed at the end of the financial year.

The basis used to determine the value assigned to the growth in revenue and the budget gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risk relating to industries in relation to the respective CGUs.

### Impairment

The Group is of the opinion, based on the impairment assessment of the MTBE Business and Coal Business CGUs that the MTBE Sales Contract and Coal Sales Contract included in other intangible assets are partially impaired by the amounts of approximately HK\$1,024,000 and HK\$4,874,000 respectively and the corresponding decrease in related deferred tax liabilities are approximately HK\$169,000 and HK\$804,000 respectively as compared with their respective recoverable amounts as at 30 September 2014 and were charged to profit or loss under other gains and losses and credited to income tax expense respectively in the current period. The above impairment losses are mainly attributable to changes in risks associated with the business and operations of the respective CGUs.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 16. Interests in an associate

On 25 September 2014, the Group completed the acquisition of the entire equity interest in Tiger Global, which held a 40% equity interest in Kwan Lun Precision Jewelry Limited (“Kwan Lun”), upon completion, Kwan Lun is accounted for as an associated company of the Group. The initial accounting for the acquisition of Tiger Global Group and Kwan Lun has only been provisionally determined at the end of the reporting period. Details of the business combination are disclosed in Note 23.

Details of the Group’s provisional interests in an associate are as follows:

	<i>Note</i>	<b>30 September 2014 HK\$’000 (unaudited)</b>	31 March 2014 HK\$’000 (audited)
Provisional cost of investment in an associate (Unlisted)	23	<b>25,360</b>	–
Share of post-acquisition profits and other comprehensive income		<b>13</b>	–
		<b>25,373</b>	–

Details of the associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest/voting right held by the Group	Principal activities
Kwan Lun	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	License trademark and sales and distribution of jewelry and watches in the PRC

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 17. Available-for-sale financial assets

The available-for-sale financial assets represent i) investments in unlisted equity securities issued by China Energy Trading Company Limited (“China Energy”), a company incorporated in Hong Kong with limited liabilities, and the investments represent 10% of the entire issued share capital of China Energy (“10% of China Energy”); and ii) investments in unlisted equity securities issued by Goldbell Holdings Limited (“Goldbell”), a company incorporated in British Virgin Islands with limited liabilities, and the investments represent approximately 10% of the entire issued share capital of Goldbell (“10% of Goldbell”). Both investments are measured at fair value at the end of the reporting period.

	<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)	
Unlisted equity securities	<b>173,100</b>	2,200	
	10% of China Energy HK\$'000	10% of Goldbell HK\$'000	Total HK\$'000
Net carrying value at 1 April 2013 (audited)	–	–	–
Additions	3,250	–	3,250
Impairment	(1,050)	–	(1,050)
Net carrying value at 31 March 2014 (audited)	2,200	–	2,200
Additions	–	159,000	159,000
Change in fair value	(100)	12,000	11,900
Net carrying value at 30 September 2014 (unaudited)	2,100	171,000	173,100

On 10 July 2014, the Group entered into a conditional acquisition agreement (the “Acquisition Agreement”) with two independent vendors (the “Vendors”) relating to the acquisition of 1,066 shares of Goldbell (the “Sales Shares”), representing approximately 10% equity interest in Goldbell at the consideration of HK\$159 million (the “Consideration”), Goldbell, through its subsidiaries, is principally engaged in the exploration and exploitation of gold mines, and processing, smelting, refining and sales of gold in the PRC. The Consideration was settled by HK\$134 million in cash and HK\$25 million by the Company’s issue of a promissory note (Note 22).

Pursuant to the Acquisition Agreement, the Vendors undertook to the Group that the consolidated net profit after tax of Goldbell and its subsidiaries attributable to the equity holders of Goldbell as prepared in accordance with HKFRSs will be not less than RMB127.2 million for the year ending 31 December 2014 (the “Guaranteed Profit”). In this regard, the Vendors agreed to pledge an aggregate of 3,196 shares of Goldbell representing an aggregate of approximately 30% equity interest in Goldbell in favour of the Group as a security of the Guaranteed Profit. If the actual audited consolidated net profit after tax of Goldbell attributable to the equity holders of Goldbell for the year ending 31 December 2014 (the “Actual Profit”) be less than the Guaranteed Profit, the Vendors shall compensate the Group in cash, in an amount equal to the difference between the Guaranteed Profit (in RMB) and Actual Profit (in RMB) multiplied by 1.25 times.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 17. Available-for-sale financial assets (Continued)

In the opinion of the Directors, the estimated fair value of the contingent consideration receivable is not significant at the date of acquisition and 30 September 2014.

Pursuant to the Acquisition Agreement, the Group shall be entitled to serve a notice on the Vendors to require the Vendors to purchase the Sales Shares from the Group at the Consideration or adjusted consideration commencing from 42 months after the completion date.

The acquisition was completed on 16 July 2014 and further details are set out in the Company's announcement dated 10 July 2014 and 16 July 2014 respectively.

## 18. Financial instrument

The financial instrument represents the contingent consideration receivable in relation to the acquisition of Tiger Global Group (Note 23). The financial instrument is classified as fair value through profit or loss financial assets and measured at fair value.

	Contingent consideration receivable HK\$'000
At 1 April 2013 and 1 April 2014 (audited)	–
Additions	8,183
Fair value loss recognised in profit or loss	–
At 30 September 2014 (unaudited)	8,183

## 19. Inventories

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
At cost:		
Raw materials	21,398	26,357
Work-in-progress	3,704	1,412
Finished goods	15,031	9,996
	<b>40,133</b>	37,765



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 20. Trade and Other Receivables and Prepayments

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Trade receivables	456,749	363,388
Less: Impairment loss recognised	(50,861)	(51,225)
	<b>405,888</b>	312,163
Bills receivables	8,780	14,624
Prepayments and deposits (Note i)	54,035	42,871
Other receivables	1,252	8,688
Tax recoverable	3,334	3,774
Amount due from non-controlling owner of a subsidiary (Note ii)	166	166
Amounts due from related companies (Note iii)	4,246	1,950
	<b>477,701</b>	384,236

Notes:

- i. The balances as at 30 September 2014 mainly consists of (i) a prepayment to independent suppliers which amounted to approximately HK\$46,853,000 for the acquisition of major raw materials used by the Group for the production of the existing Hygienic Disposables Business; and (ii) other sundry prepayments.
- ii. The amount due from a non-controlling owner of a subsidiary is unsecured, interest-free and repayable on demand.
- iii. The amounts due from related companies are unsecured, interest-free and repayable on demand.

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 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Trade and bills receivables:		
0–30 days	81,099	88,356
31–60 days	11,234	10,157
61–90 days	3,927	51,470
over 90 days	318,408	176,804
	<b>414,668</b>	326,787

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 21. Trade and Other Payables and Accruals

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Trade payables	298,398	201,121
Bills payable	622	–
Other payables and accruals	5,721	5,941
Amounts due to related companies	1,398	628
Amounts due to related parties	2,105	1,829
Amount due to an associate	3,696	–
	<b>311,940</b>	209,519

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

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
0–30 days	66,700	79,952
31–60 days	10,021	1,703
61–90 days	204	33,514
Over 90 days	222,095	85,952
	<b>299,020</b>	201,121

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 22. Promissory Notes

	Promissory Note 1 HK\$'000	Promissory Note 2 HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	–	–	–
Issued during the year	3,359	–	3,359
Interest expense	193	–	193
At 31 March 2014 and 1 April 2014 (audited)	3,552	–	3,552
Issued during the period	–	25,000	25,000
Interest expense	105	–	105
At 30 September 2014 (unaudited)	3,657	25,000	28,657
		<b>30 September 2014 HK\$'000 (unaudited)</b>	31 March 2014 HK\$'000 (audited)
Analysed for reporting purposes as:			
Non-current liabilities – Promissory Note 1		<b>3,657</b>	3,552
Current liabilities – Promissory Note 2		<b>25,000</b>	–
		<b>28,657</b>	3,552

### Promissory Note 1

On 16 April 2013, the Group completed the acquisition of the entire equity interest in China Indonesia Alliances Coal Investment Company Limited which held 90% equity interest in China Coal Alliances Trading Company Limited from Mr. Woo Man Wai David (“Mr. Woo”), a director of one of the Company’s subsidiaries, for a nominal consideration of HK\$36,000,000. Part of the consideration was satisfied by the Company’s issue of a promissory note in principal amount of HK\$4,000,000 in favour of Mr. Woo (the “Promissory Note 1”).

Imputed interest expenses on the Promissory Note 1 are calculated using the effective interest method by applying the effective interest rate of 5.99% per annum, the imputed interest expenses of HK\$105,000 (2013: HK\$91,000) was debited to the profit or loss of the Group for the period.

The Promissory Note 1 is unsecured, interest-free and is repayable in one lump sum on maturity on the date falling three years after the date of issue.

Subsequent to the end of the reporting period, the Promissory Note 1 was early redeemed in full resulting in a loss on settlement of approximately HK\$325,000.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 22. Promissory Notes (Continued)

### Promissory Note 2

Pursuant to the Acquisition Agreement in relation to 10% of Goldbell, part of the Consideration was settled on 2 September 2014 by the issuance of the Company's promissory note in principal amount of HK\$25,000,000 in favour of Jin Ding Investment Limited, one of the Vendors (the "Promissory Note 2").

The Promissory Note 2 is unsecured, interest-free and is repayable in one lump sum on maturity on the date falling sixty days after the date of issue.

Subsequent to the end of the reporting period, the maturity date of the Promissory Note 2 has been unconditionally extended to 19 December 2014.

## 23. Business Combination

On 25 September 2014, the Group acquired the entire equity interest of Tiger Global, which held 100% equity interest in Cosi Moda International Limited ("Cosi Moda International") and 40% equity interest in Kwan Lun, for a nominal consideration of HK\$81,000,000. The consideration was settled by the Company's issue of 33,360,790 new shares of the Company credited as fully paid (the "Consideration Shares"). The acquisition is made to diversify the business of the Group in order to maximise returns and broaden its source of revenue.

In addition, as part of the acquisition, if the actual audited consolidated net profit after tax and before all non-cash items (as defined in HKFRSs) of Tiger Global for the period from 1 January 2015 to 31 December 2015 (the "Tiger Actual Profit"), is less than HK\$9,000,000 (the "Profit Guarantee"), the vendors will compensate the Group for the shortfall on a dollar for dollar basis for an amount equivalent to the difference between the Profit Guarantee and the Tiger Actual Profit multiplied by 9 times. The possible range of face value of this contingent consideration receivable is between nil to HK\$81,000,000.

As at the date of finalisation of the Interim Financial Statements, the fair values of (i) interest in an associate; (ii) Exclusive License; and (iii) contingent consideration receivable in relation to the Profit Guarantee as at completion have not yet been finalised, pending receipt of the respective final valuations. The corresponding deferred tax liabilities and goodwill arising from the business combination are also provisional as a result.

The initial accounting for business combination is incomplete and such amounts recognised are provisional, determined based on the Company's best estimate using data currently available. Those provisional amounts are subject to adjustments during the measurement period in accordance with HKFRS 3, Business Combinations, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 23. Business Combination (Continued)

The following table summarises the consideration paid for the acquisition of Tiger Global, and the provisional fair value of assets and liabilities recognised at the acquisition date:

	Notes	HK\$'000
Consideration		
Fair value of Consideration Shares		86,071
Less: contingent consideration receivable	18	(8,183)
<b>Total</b>		<b>77,888</b>

Recognised amounts of identifiable assets acquired and liabilities assumed:

Interest in an associate	16	25,360
Cash and banks		–
Exclusive License	13	5,000
Inventories		3,326
Amounts due from related parties		2,374
Accruals		(18)
Amount due to an associate		(3,694)
Amount due to a related company		(792)
Deferred tax liabilities		(825)
		30,731
<b>Goodwill</b>		<b>47,157</b>
		77,888

	HK\$'000
Acquisition-related costs (included in other expenses)	639

<b>Net cash outflow on acquisition</b>	HK\$'000
Cash consideration	–
Cash and banks in subsidiaries acquired	–
Cash outflow on acquisition	–

The acquired business contributed revenue of HK\$83,000 and net profit of HK\$58,000 for the period from 26 September 2014 to 30 September 2014. If the acquisition had occurred on 1 April 2014, consolidated revenue and consolidated profit for the 6-month period ended 30 September 2014 would have been HK\$11,375,000 and HK\$1,370,000 respectively.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 24. Convertible Bonds

On 19 June 2014, the Company issued HK\$100,000,000 8% guaranteed convertible bonds with an aggregate principal amount of HK\$100,000,000 (the "Convertible Bonds").

The Convertible Bonds mature two years from the date of issue at 124% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds at 100% of the principal amount plus a premium of 12% per annum after the first anniversary of the date of issue; or can be converted into shares of the Company on and after 19 June 2014 to 18 June 2016 at the holder's option at the conversion price of HK\$3.20 per share. Interest of 8% per annum are payable semi-annually up until the bonds are converted or redeemed.

The fair value of the liability component and the equity conversion component were determined at issuance of the convertible bonds.

The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortised cost. The residual amount, representing the value of the equity conversion component, was included in convertible bonds equity reserve.

The convertible bonds recognised in the unaudited condensed consolidated statement of financial position were calculated as follows:

	HK\$'000
At 1 April 2014 (audited)	–
Proceeds of issue	100,000
Liability component at the date of issue	94,053
Equity component	5,947
Liability component at the date of issue	94,053
Interest expense	5,713
Liability component at 30 September 2014 (unaudited)	99,766

The effective interest rate of the liability component on initial recognition and the subsequent measure of Interest expense on the Convertible Bonds is calculated using effective interest rate of 23.24% per annum.

The Convertible Bonds are guaranteed by Mr. Wong Wai Sing, an Executive Director of the Company, (the "Guarantor") who unconditionally and irrevocably guarantees that if the Company does not pay any sum payable by it under the subscription agreement or Convertible Bonds by the time and on the date specified for such payment, the Guarantor will pay that sum to or to the order of the Convertible Bonds holders.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 25. Share Capital

	Number of shares	Nominal value
	Note	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2014 (audited) and 30 September 2014 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2014 (audited)	728,220,877	7,282
Issue of share pursuant to placing agreement (Note i)	23,700,000	237
Shares issued in consideration for the acquisition of subsidiaries	23 33,360,790	334
At 30 September 2014 (unaudited)	785,281,667	7,853

Note: (i) Pursuant to a placing agreement dated 14 May 2014, the Company had issued 23,700,000 new shares at a placing price of HK\$2.45 per share on 6 June 2014.

## 26. Fair Value Measurement of Financial Instruments

### Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1	Level 2	Level 3	Total
	Notes	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)
Recurring fair value measurement				
At 30 September 2014				
Assets				
Available-for-sale financial assets –				
Unlisted equity securities	17	–	–	173,100
Financial Instrument –				
contingent consideration receivable	18	–	–	8,183
Total		–	–	182,283

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 26. Fair Value Measurement of Financial Instruments (Continued)

### Fair Value Estimation (Continued)

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)
<hr/>				
At 31 March 2014				
Assets				
Available-for-sale financial assets –				
Unlisted equity securities	17	–	2,200	2,200

The fair value of the available-for-sale financial assets, 10% of China Energy, unlisted equity securities, is determined based on an income approach with reference to a professional valuation performed by GCA using a cash flow projection according to the financial budgets approved by the management for next 2.3 years (31 March 2014: 3 years), and adjusted for the lack of control and lack of marketability. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2.5% (31 March 2014: 2.8%). The rate used to discount the forecast cash flows is 12.91% (31 March 2014: 12.69%). The discounts for lack of control and lack of marketability are 10% and 15% respectively. The fair value measurement is negatively correlated to the discounts for the lack of control and lack of marketability. As at 30 September 2014, it is estimated that with all variables held constant, a decrease/increase in discounts for lack of control and lack of marketability by 10% respectively, would have increased/decreased the Group's total comprehensive income and equity by approximately HK\$500,000 (31 March 2014: approximately HK\$500,000).

The fair value of the available-for-sale financial assets, 10% of Goldbell, unlisted equity securities, is determined based on an income approach with reference to a professional valuation performed by Roma Appraisal Limited ("Roma"), an independent firm of professionally qualified valuers, using a cash flow projection according to the financial budgets approved by the management for next 5 years, and adjusted for the lack of marketability and lack of control. The rate used to discount the forecast cash flows is 11.66%. The discounts for lack of marketability and lack of control are 14.6% and 28.26% respectively. The fair value measurement is negatively correlated to the discount rate and discounts for lack of marketability and lack of control. As at 30 September 2014, it is estimated that with all variables held constant, i) a decrease/increase in discount rate by 1%, would have increased/decreased the Group's total comprehensive income and equity by approximately HK\$6,000,000 and HK\$5,000,000 respectively; or ii) a decrease/increase in discounts for lack of marketability and lack of control by 1% respectively, would have increased/decreased the Group's total comprehensive income and equity by approximately HK\$4,000,000.



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 26. Fair Value Measurement of Financial Instruments (Continued)

### Fair Value Estimation (Continued)

The fair value of the financial instrument, provisional contingent consideration receivable in relation to the Profit Guarantee, is determined based on the projected consolidated net profit after income tax for the year ending 31 December 2015 ("2015 PAIT") forecasted by Tiger Global's management. The key assumptions adopted in the projection of 2015 PAIT ("Base Case") include a revenue growth of approximately 28% from the year 2014. Other assumptions include scenarios and respective probabilities estimated in relation to the Profit Guarantee. The 2015 PAIT was assumed to occur in three scenarios, namely the Base Case, 20% above the Base Case and 20% below the Base Case. The probabilities for each case were assumed to be 80%, 10% and 10% respectively. A discount rate of 17.83% that reflects specific risks related to Tiger Global was adopted. As at 30 September 2014, it is estimated that with all variable held constant, an increase/decrease in discount rate by 1% would have decreased/increased the Group's profit or loss by approximately HK\$104,000 and approximately HK\$106,000 respectively.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	<b>Available-for- sale financial assets – unlisted securities</b>	<b>Financial instrument – contingent consideration receivable</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement			
At 1 April 2013 (audited)	–	–	–
Purchases	3,250	–	3,250
Total gains or losses for the year:			
– in profit or loss	(1,050)	–	(1,050)
– in other comprehensive income	–	–	–
At 31 March 2014 (audited)	2,200	–	2,200
Purchases	159,000	8,183	167,183
Total gains or losses for the period:			
– in profit or loss	–	–	–
– in other comprehensive income	11,900	–	11,900
At 30 September 2014 (unaudited)	173,100	8,183	182,283

During the six months ended 30 September 2014, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2014: Nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

No gains or losses for the reporting period recognised in profit or loss relating to financial assets that are measured at fair value at the end of each reporting period (six months ended 30 September 2013: Nil).

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

## 26. Fair Value Measurement of Financial Instruments (Continued)

### Fair Value Estimation (Continued)

All gains and losses included in other comprehensive income of approximately HK\$11,900,000 for the current period (six months ended 30 September 2013: Nil) relate to unquoted equity securities held at the end of each reporting period and are reported as fair value gain on available-for-sale financial assets.

## 27. Comparative Amounts

Certain amounts for the six months ended 30 September 2013 has been reclassified to conform with the presentation for the financial year ended 31 March 2014.

## Publication of the Interim Results and Interim Report

This results announcements is published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.newtreegroup Holdings.com>). The 2014 interim report will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By the order of the board  
**Newtree Group Holdings Limited**  
**Mr. Wong Wai Sing**  
*Chairman and Executive Director*

Hong Kong, 28 November 2014

*As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chum Hon Sing, Ms. Sung Ting Yee, Mr. Lee Chi Shing, Caesar, Ms. Yick Mi Ching, Dawnibilly, Ms. Yu Tak Wai, Winnie and Mr. Chan Kin Lung, the non-executive Director is Mr. Mok Tsan San, and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd, Mr. Tam Chak Chi and Dr. Hui Chik Kwan.*