



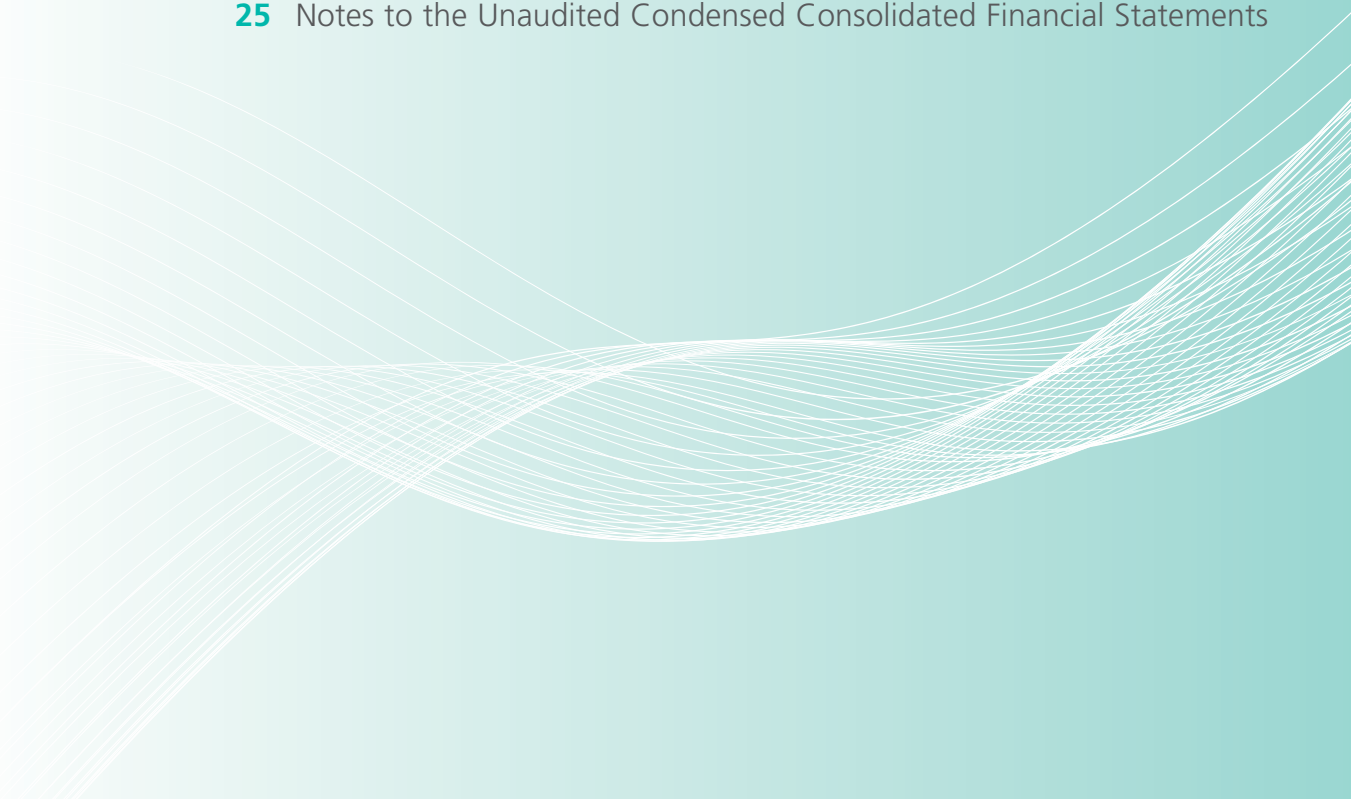
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友川集團控股有限公司
NEWTREE GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)

2016/2017
INTERIM REPORT



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Corporate Information

Executive Directors

Mr. Wong Wai Sing (*Chairman and Chief Executive Officer*)
Mr. Chum Hon Sing (*Vice-Chairman*)
Mr. Chan Kin Lung
Mr. Lee Chi Shing, Caesar
Ms. Yick Mi Ching, Dawnibilly
Mr. Wong Jeffrey

Independent Non-executive Directors

Mr. Kwok Kam Tim
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Audit Committee Members

Mr. Kwok Kam Tim (*Chairman*)
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Remuneration Committee Members

Mr. Kwok Kam Tim (*Chairman*)
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Nomination Committee Members

Mr. Tso Ping Cheong, Brian (*Chairman*)
Mr. Kwok Kam Tim
Dr. Hui Chik Kwan

Authorised Representatives

Mr. Wong Jeffrey
Ms. Kwok Ka Huen

Company Secretary

Ms. Kwok Ka Huen

Company's Website

www.newtreegroup Holdings.com

Listing Information

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

Headquarters

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

Registered Office

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

Principal Place of Business in Hong Kong

Suites 3505-08, 35/F.
Tower 6, The Gateway
Harbour City, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town Grand Cayman
KY1-1110 Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bank of China Huizhou Huihuan Sub-branch
Bank of China, Macau Branch
Bank of East Asia, Limited
Bank of Communications Co. Ltd. Hong Kong Branch

Auditor

Moore Stephens CPA Limited
905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Management Discussion and Analysis

The board (the “Board”) of directors (the “Director(s)”) of Newtree Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 September 2016 (the “Interim Period”).

Business and Financial Review

During the Interim Period, the Group has been engaged in (i) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials (“Hygienic Disposables Business”); (ii) trading of coal products (“Coal Business”); (iii) wholesale and retail of household consumables (“Household Consumables Business”); (iv) sales and distribution of jewelries and watches (“Jewelries and Watches Business”); (v) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); and (vi) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”). The Group was also engaged in the business of trading of Methyl Tertiary Butyl Ether products (“MTBE Business”) which was discontinued during the year ended 31 March 2016.

For the Interim Period, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$153.1 million (six months ended 30 September 2015: loss of approximately HK\$60.2 million).

Revenue

The Group’s revenue from continuing operations decreased by approximately HK\$76.2 million or 55.2% from approximately HK\$138.1 million for the six months ended 30 September 2015 to approximately HK\$61.9 million for the Interim Period.

The following table sets forth a breakdown of the Group’s revenue from continuing operations by geographical locations and segments and as a percentage of the Group’s total revenue from continuing operations for the Interim Period, with comparative figures for the corresponding period in 2015.

| | Six months ended 30 September | | | |
|--------------------------------|---------------------------------|-----------|---------------------------------|-----------|
| | 2016 HK\$’000 (unaudited) | 2016 % | 2015 HK\$’000 (unaudited) | 2015 % |
| By segment: | | | | |
| Hygienic Disposables Business | 23,788 | 38 | 31,831 | 23 |
| Coal Business | – | – | 52,901 | 38 |
| Household Consumables Business | 29,743 | 48 | 33,450 | 24 |
| Jewelries and Watches Business | 274 | 1 | 5,179 | 4 |
| Digital Technology Business | 261 | 1 | 3,486 | 3 |
| Education Business | 7,882 | 12 | 11,329 | 8 |
| Total | 61,948 | 100 | 138,176 | 100 |

Management Discussion and Analysis

Business and Financial Review (Continued)

Revenue (Continued)

| | Six months ended 30 September | | | |
|--|---------------------------------|------------|---------------------------------|------------|
| | 2016 HK\$'000 (unaudited) | 2016 % | 2015 HK\$'000 (unaudited) | 2015 % |
| By geographical locations: | | | | |
| United Kingdom ("UK") | 46,713 | 75 | 59,771 | 43 |
| Norway | 6,511 | 11 | 5,096 | 4 |
| Hong Kong | 4,281 | 7 | 11,682 | 9 |
| The People's Republic of China (the "PRC") | 3,994 | 6 | 58,266 | 42 |
| Others | 307 | 1 | – | – |
| Macau | 142 | – | 1,459 | 1 |
| The United Arab Emirates | – | – | 1,489 | 1 |
| Singapore | – | – | 413 | – |
| Total | 61,948 | 100 | 138,176 | 100 |

The Group's revenue from the Hygienic Disposables Business decreased by approximately HK\$8.0 million or 25.3% from approximately HK\$31.8 million for the six months ended 30 September 2015 to approximately HK\$23.8 million for the Interim Period was mainly due to the loss of major customers in the second half of financial year 2015/16 and substantial decrease in demand for the hygienic disposables products in Europe which led to a significant decrease in sales. Revenue from the Coal Business decreased by 100% from approximately HK\$52.9 million for the six months ended 30 September 2015 to nil revenue for the Interim Period was mainly due to the uncertainty in the recovery of the trade receivable from the sole customer and therefore the Company decided to suspend the trading transactions temporarily. The revenue from Household Consumables Business decreased by approximately HK\$3.7 million or 11.1% from approximately HK\$33.5 million for the six months ended 30 September 2015 to approximately HK\$29.7 million for the Interim Period was mainly due to the continuous depreciation of Great British Pound ("GBP") after UK voted to leave the European Union on 23 June 2016. The GBP currency rate during the Interim Period has been dropped sharply by approximately 11% compared with the corresponding period in 2015. By excluding the effect of the depreciation of GBP, the revenue for both periods remains similar. The revenue from Jewellery and Watches Business decreased by approximately HK\$4.9 million or 94.7% from approximately HK\$5.2 million for the six months ended 30 September 2015 to approximately HK\$0.3 million for the Interim Period, as the demand of customers for jewelries and watches especially from the online sales channel has decreased significantly. Such decrease mainly resulted from downward economic growth of the PRC and slowdown of Hong Kong and PRC retail markets which further led to sluggish demand. Revenue from Digital Technology Business decreased by approximately HK\$3.2 million or 92.5% from approximately HK\$3.5 million for the six months ended 30 September 2015 to approximately HK\$0.3 million during the Interim Period was mainly due to the intense competition among the industry, changing needs of customers and rapid development in information technology which resulted in decrease in sales volume. Whilst the Group had changed its sales mix and increased cost in developing new products with a view of regaining the competitiveness, the initiative has yet to deliver significant positive results, and therefore the segment resulted in an operating loss during the Interim Period.

Management Discussion and Analysis

Business and Financial Review (Continued)

Revenue (Continued)

Revenue from Education Business decreased by approximately HK\$3.4 million or 30.4% from approximately HK\$11.3 million for the six months ended 30 September 2015 to approximately HK\$7.9 million during the Interim Period was mainly due to the revenue from provision of educational technology solutions through online education programs shrank for the Interim Period as compared to the corresponding period in 2015. The revenue from the provision of English language proficiency tests in both Hong Kong and PRC remains similar in both periods.

Gross profit/(loss) and gross profit margin

The following table sets forth the Group's gross profit/(loss) and the gross profit margin from continuing operations by business segment for the Interim Period, with comparative figures for the corresponding period in 2015.

| | Six months ended 30 September | | | |
|--------------------------------|---------------------------------|-------------|---------------------------------|-------------|
| | 2016 HK\$'000 (unaudited) | 2016 GP% | 2015 HK\$'000 (unaudited) | 2015 GP% |
| By segment: | | | | |
| Hygienic Disposables Business | 2,542 | 10.7 | 2,934 | 9.2 |
| Coal Business | – | – | 2,321 | 4.4 |
| Household Consumables Business | 5,531 | 18.6 | 5,978 | 17.8 |
| Jewelries and Watches Business | (153) | – | 3,557 | 68.7 |
| Digital Technology Business | (1,369) | – | 2,486 | 71.3 |
| Education Business | 4,909 | 62.3 | 8,131 | 71.8 |
| Overall | 11,460 | 18.5 | 25,407 | 18.4 |

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Gross profit/(loss) and gross profit margin *(Continued)*

Gross profit from continuing operations decreased by approximately HK\$13.9 million or 54.9% from approximately HK\$25.4 million for the six months ended 30 September 2015 to approximately HK\$11.5 million for the Interim Period. The Group's gross profit margin for Hygienic Disposables Business increased from approximately 9.2% for the six months ended 30 September 2015 to approximately 10.7% for the Interim Period primarily due to the fall of global oil prices, resulting in the lowered cost of raw materials. Gross profit margin for Coal Business decreased by 100% as resulted from the temporary suspension of trading transactions in this segment. The gross profit margin for Household Consumables Business increased from approximately 17.8% for the six months ended 30 September 2015 to approximately 18.6% for the Interim Period was due to the positive results from the change in product mix for higher profit margin contribution products since second half of financial year 2015/16. The gross profit margin for Jewelries and Watches Business decreased from approximately 68.7% for the six months ended 30 September 2015 to gross loss in Interim Period due to recent slowdown of the Hong Kong and PRC sales and distribution markets. Gross profit margin for Digital Technology Business significantly decreased from approximately 71.3% for the six months ended 30 September 2015 to gross loss for the Interim Period primarily due to significant fall in sales volume while majority of the cost of sales comprised of labour costs which remain constant over the sales volume. The gross profit margin for Education Business decreased from approximately 71.8% for the six months ended 30 September 2015 to approximately 62.3% for the Interim Period as the demand from provision of educational technology solutions through online education programs shrank, which has a higher profit margin than the provision of English language proficiency tests.

Other income

Other income mainly consists of sundry income. Other income decreased by approximately HK\$5.0 million or 95.6% from approximately HK\$5.3 million for the six months ended 30 September 2015 to approximately HK\$0.2 million for the Interim Period as no dividend income from the Group's unlisted equity investment in Goldbell Holdings Limited ("Goldbell") was recorded during the Interim Period (six months ended 30 September 2015: approximately HK\$4.9 million).

Other gains and losses

For the Interim Period, the other gains and losses mainly comprised of impairment loss, net of written back, on trade receivables of approximately HK\$24.8 million due to certain customers with prolonged delay in repayment which casts doubts on their abilities to make repayments, impairment loss on goodwill of approximately HK\$87.9 million arising from Jewelries and Watches Business and Digital Technology Business and impairment loss on interest in an associate of approximately HK\$1.5 million, while for the corresponding period in 2015, the other gains and losses mainly comprised of impairment loss on other intangible assets of approximately HK\$2.1 million and fair value loss on contingent consideration receivables of Jewelries and Watches Business, Digital Technology Business and Education Business of approximately HK\$19.8 million.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

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\$0.7 million or 29.7% from approximately HK\$2.3 million for the six months ended 30 September 2015 to approximately HK\$1.6 million for the Interim Period.

Administrative expenses

Administrative expenses mainly consist of staff costs (including directors' remuneration), legal and professional fee, consultancy fee and rental expenses. The administrative expenses decreased by approximately HK\$9.7 million or 18.5% from approximately HK\$52.3 million for the six months ended 30 September 2015 to approximately HK\$42.6 million for the Interim Period mainly due to decrease in total staff costs of approximately HK\$14.1 million.

Other expenses

Other expenses represent legal and professional fee paid to professional parties related to the acquisition and disposal transactions of the Group. No other expenses incurred as no acquisition and disposal transactions took place in the Interim Period.

Finance costs

Finance costs consist of interest expenses on convertible bonds and interest expenses for trust receipt loans. The finance costs decreased by approximately HK\$2.6 million or 22.7% from approximately HK\$11.5 million for the six months ended 30 September 2015 to approximately HK\$8.9 million for the Interim Period as the convertible bonds were fully redeemed in August 2016.

Loss before income tax

The Group recorded a loss before income tax from continuing operations of approximately HK\$155.4 million for the Interim Period as compared to approximately HK\$58.1 million during the six months ended 30 September 2015. The loss for the Interim Period was mainly due to the substantial increase in impairment losses on trade receivables, goodwill and interest in an associate amounting to approximately HK\$116.5 million and decrease in gross profit of approximately HK\$13.9 million primarily arising from nil profit contribution from the Coal Business, segmental losses resulted from Jewellery and Watches Business and Digital Technology Business. These negative drivers were partially offset by the decrease in finance costs of approximately HK\$2.6 million, mainly due to the redemption of convertible bonds in August 2016.

Management Discussion and Analysis

Business and Financial Review (Continued)

Income tax expense

The Group recorded income tax expense of approximately HK\$0.4 million during the Interim Period as compared to approximately HK\$2.2 million during the six months ended 30 September 2015. There was no significant change in applicable tax rates of the Company's subsidiaries during the Interim Period. The subsidiaries operating in Hong Kong is subject to Hong Kong Profits Tax at a rate of 16.5% (six months ended 30 September 2015: 16.5%). For the subsidiaries operating in the PRC, pursuant to the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Regulation on the implementation of the EIT Law, the major subsidiaries operating in the PRC are subject to a tax rate of 25% (six months ended 30 September 2015: 25%). For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both periods.

The decrease in income tax expense was mainly because of nil income tax provision for the loss-making business segments.

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

The total comprehensive income for the period attributable to owners of the Company represented a loss of approximately HK\$159.5 million for the Interim Period as compare to approximately HK\$74.6 million for the six months ended 30 September 2015.

Impairment loss on goodwill

The management performs regular review on the carrying values of the Group's business units to determine any potential impairment loss. During the Interim period, an impairment loss on goodwill for Jewellery and Watches Business and Digital Technology Business amounting to approximately HK\$87.9 million was recognised. The management assessed the recoverable amount of each of the individual business units based on a value-in-use calculation with reference to professional valuation performed by an independent professional appraisal firm. Details of the impairment testing on other intangible assets and goodwill are set out in Note 16.

Liquidity and financial resources

The Group's principal source of working capital was cash generated from the sale of its products, provision of services and fund raising by issue of Company's new shares. The Group's current ratio as at 30 September 2016 was 1.5 (as at 31 March 2016: 0.7). The gearing ratio as at 30 September 2016 was nil (as at 31 March 2016: 39.0%), calculated as total borrowings over shareholders' equity.

Currency and interest rate exposure

Certain sales transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Certain monetary financial assets are denominated in foreign currencies as at 30 September 2016. The exposure in exchange rate risks mainly arose from fluctuations of United States Dollar ("US\$"), Renminbi ("RMB"), GBP and Macau Pataca ("MOP") to Hong Kong Dollar ("HK\$"). The Group's currency risk exposure in relation to the monetary financial assets are expected to be minimal as US\$ is pegged with HK\$. Also, the Group does not have significant monetary financial assets denominated in MOP and RMB.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Currency and interest rate exposure *(Continued)*

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, are expected to be minimal.

Trust Receipt Loan

The trust receipt loan was denominated in US\$, and secured by a pledged bank deposit, corporate guarantee in the amount of US\$3,500,000 executed by the Company, and legally notarised *livranca* (i.e. promissory note) in the amount of US\$3,500,000 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. There were no outstanding trust receipt loan as at 30 September 2016 (31 March 2016: HK\$0.8 million).

Charge on Assets

Certain leasehold land and buildings with carrying value of approximately HK\$10.6 million (as at 31 March 2016: a bank deposit of approximately HK\$7.8 million and certain leasehold land and buildings with carrying value of approximately HK\$10.9 million) have been pledged as securities for certain banking facilities granted to the Group.

Contingent Liabilities

As at 30 September and 31 March 2016, a wholly-owned subsidiary of the Company provided corporate guarantee to a bank for securing a borrowing of an associate of the Company amounting to HK\$9.1 million. Saved as aforesaid or otherwise mentioned herein, the Group did not have any other material contingent liabilities.

Commitments

(a) Capital Commitments

As at 30 September and 31 March 2016, the Group did not have any material capital commitments.

(b) Operating lease commitments

The Group as lessee:

The Group made minimum lease payments of approximately HK\$3,894,000 (six months ended 30 September 2015: HK\$3,548,000) under operating leases in respect of office premises, directors' quarter, car-parking space and warehouse during the period.

Management Discussion and Analysis

Commitments (Continued)

(b) Operating lease commitments (Continued)

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 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|---|--|---|
| Within one year | 4,015 | 7,340 |
| In the second to fifth years, inclusive | 937 | 4,462 |
| | 4,952 | 11,802 |

Significant Event

On 17 May 2016, the Company proposed to issue a total of 1,405,519,920 new ordinary shares of the Company at a subscription price of HK\$0.164 per offer share to the shareholders of the Company on the basis of three offer shares for every two existing shares held on the record date, 22 July 2016 (the "Open Offer"). The net proceeds from the Open Offer is approximately HK\$219.7 million which is intended to be used for redemption of convertible bonds and its respective interests and for general working capital of the Group. The Open Offer was completed on 16 August 2016.

Further details of the Open Offer are set out in the announcements of the Company dated 17 May 2016, 15 July 2016, 15 August 2016 and the circular and prospectus of the Company dated 24 June 2016 and 25 July 2016 respectively.

Significant Event After Reporting Period

On 24 November 2016, the Company announced to apply HK\$10 million of the unutilised proceeds from the Open Offer to subscribe straight bonds which are to be issued by a Hong Kong listed company with a term of one year (the "Bonds"). The Bonds will bear interest at the rate of 2% per month, payable monthly in arrears. Further details are set out in the announcement of the Company dated 24 November 2016.

Human Resources

The number of employees of the Group as at 30 September 2016 was approximately 137 (30 September 2015: 146) 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.

Prospects

The Group has been actively seeking opportunities to diversify its business portfolio by exploring various investments in different sectors, with a target to find new growth drivers to support the long term development of the Group.

Management Discussion and Analysis

Prospects *(Continued)*

Hygienic Disposables Business

In recent years, the Group's Hygienic Disposables Business has been facing very intense competitions among existing market players and new entrants, and has been loss-making since 2014. The Group is inevitably considering the long term development of this business and probably downsizing the operation scale with an aim to better utilise our financial resources.

Household Consumables Business

The Group's Household Consumables Business primarily targets the wholesale and retail customers in the Europe region. The unfavourable economic conditions in the Europe region in recent years as well as the UK's withdrawal from the European Union have been placing downward pressure on the operations of our Household Consumables Business. Despite the shrinking sales, the profitability in this segment has been improving. Looking ahead, the Group will remain committed to its strategy of product mix optimisation in order to maintain its position in the competitive household consumables market.

Coal Business

In considering of the long term overdue of the account receivable by our customer, the Group has temporarily suspended the trading with our customer. The trading is expected to be resumed till respective account receivable being lessen to an acceptable level. As substantial financial resources have been deployed in this segment, the Group will continue to monitor the market development and interact closely with both supplier and customer in reviewing our operating position with an aim to have a sustainable development in this business segment.

Jewelries and Watches Business

As the overall retail market continues to weaken and the overall poor consumption environment in both Hong Kong and the PRC, this segment recorded a loss making performance in the current period. In coming years, the Group will carry on our strategy in strengthening our established sales networks as well as foster our brand image building to combat the shrinking in product demands.

Digital Technology Business

Persistent demands by enterprise in exploring new technologies has driven the growth in digital technology sector for years. However, the rapid changing in demand of users, emerging of disruptive and sophisticated ideas and advancement of innovation information technology like big data, cloud computing, etc. put very high pressure on the digital technology market players. Going forward, the Group will continue to strive for innovative ideas and technologies to improve the efficiency and maintain the Group's competitive edge in this dynamic industry.

Education Business

The never ending demand for education-related products and services in Hong Kong and the PRC drives the continuous growth in this segment. The Company believes that the positive industry outlook will attract more entrants, which could induce more intense competition. Although the segment recorded a loss in the Interim Period, the Group is optimistic that the overall market size will continue to grow and that our Education Business segment could ride on such industry expansion.

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 Corporate Governance Code (“CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (the “Stock Exchange”). Throughout the Interim Period, the Company has adopted the CG Code as its corporate governance code of practices and in compliance with the mandatory code provisions set out in the CG Code except for the deviations set out as below:

Code provision A.2.1 of the CG Code

The code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separated and should not be performed by the same individual.

During the Interim Period, Mr. Wong Wai Sing held the role of chairman and chief executive officer of the Company.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong Wai Sing to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

Code provision A.6.7 of the CG Code

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

An independent non-executive director of the Company was unable to attend the annual general meeting (the “2016 AGM”) of the Company held on 26 September 2016 and extraordinary general meeting on 14 July 2016 due to other business engagements.

The Company will require all the independent 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 E.1.2 of the CG Code

The code provision E.1.2 of the CG Code stipulates, among other things, that the chairman of the issuer should attend the annual general meeting.

Mr. Wong Wai Sing being the chairman of the Company, was unable to attend the 2016 AGM due to other commitment and Mr. Wong Wai Sing appointed Mr. Wong Jeffrey, an executive Director, to act as his representative at the 2016 AGM and to take the chair of the 2016 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.

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 had made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Interim Period.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 September 2016, 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 corporation (within the meaning of Part XV of the Securities and Futures Ordinances (Cap. 571 of the laws of Hong Kong) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 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 set out as follows:

Long position in the Shares

| Name of Directors | Capacity | Total number of shares held | Total number of underlying shares held (Note 2) | Approximate percentage of shareholding in the Company |
|---|---|-----------------------------|---|---|
| Mr. Wong Wai Sing (Note 1) | Beneficial owner and interest of a controlled corporation | 153,236,000 | – | 6.52% |
| Mr. Chum Hon Sing ("Mr. Chum") (Note 1) | Interest of a controlled corporation | 145,242,000 | – | 6.18% |
| Mr. Chan Kin Lung | Beneficial owner | – | 10,000,000 | 0.42% |
| Mr. Lee Chi Shing, Caesar | Beneficial owner | 5,000,000 | – | 0.21% |
| Ms. Yick Mi Ching, Dawnibilly | Beneficial owner | – | 10,000,000 | 0.42% |
| Mr. Wong Jeffrey | Beneficial owner | – | 10,000,000 | 0.42% |
| Mr. Kwok Kam Tim | Beneficial owner | – | 800,000 | 0.03% |
| Dr. Hui Chik Kwan | Beneficial owner | – | 800,000 | 0.03% |
| Mr. Tso Ping Cheong, Brian | Beneficial owner | – | 800,000 | 0.03% |

Notes:

1. Mr. Wong Wai Sing holds 7,994,000 shares in personal capacity, he also holds 50% equity interest in Twin Star Global Limited (a company owned as to 50% by him and 50% by Mr. Chum), which is interested in 145,242,000 shares of the Company. Accordingly, both Mr. Wong Wai Sing and Mr. Chum are deemed to be interested in such 145,242,000 shares held by Twin Star Global Limited.
2. All are options granted by the Company on 29 August 2016 under the share option scheme adopted by the Company on 26 February 2015.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the Interim Period and up to the date of this report no right to acquire benefits by means of acquisition of shares or debentures of the Company were granted to any Director and chief executive 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 2016, 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 were as follows:

Long Position in the Shares

| Name | Nature of interest | Total number of shares held | Approximate percentage of interest in the Company |
|--|--------------------|-----------------------------|---|
| Yang Jinshu | Beneficial owner | 418,246,000 | 17.81% |
| Fu Chengbin | Other | 225,000,000 | 9.58% |
| Qiu Yongyang | Beneficial owner | 217,939,412 | 9.28% |
| Twin Star Global Limited (<i>Note</i>) | Beneficial owner | 145,242,000 | 6.18% |

Note: Twin Star Global Limited is owned as to 50% by Mr. Wong Wai Sing, the chairman of the Board, and as to 50% by Mr. Chum, the vice-chairman. Accordingly, both Mr. Wong Wai Sing and Mr. Chum are deemed to be interested in 145,242,000 shares of the Company held by Twin Star Global Limited.

Save as disclosed herein, 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 2016.

Share Option Scheme

The Company has adopted a share option scheme on 26 February 2015 (the "Share Option Scheme") for the purpose of providing incentives and rewards to those at the sole determination of the Board, have contributed or will contribute to the Company or its subsidiaries, such as (a) any full-time or part-time employee of the Company and/or any subsidiary of the Company; (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and (c) any consultant or adviser, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company.

The Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such option can be exercised and/or any other terms as the Board may determine in its absolute discretion. There is no general requirement on the minimum period for which an option must be held.

The life of the Share Option Scheme is 10 years from the date of adoption (26 February 2015), after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted.

Other Information

Share Option Scheme (Continued)

The subscription price shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of: (a) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a share.

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group which provide for the grant of options to acquire or subscribe for shares must not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. No option shall be granted under the Share Option Scheme if this will result in such limit being exceeded.

Subject to the aforesaid limit, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the adoption date of the Share Option Scheme unless shareholders' approval in general meeting is obtained to renew the scheme mandate limit, which shall not exceed 10% of the issued share capital of the Company at the date of such approval. Any further grant of options is subject to shareholders' advanced approval in a general meeting (the "Scheme Mandate Limit"). The existing Scheme Mandate Limit was approved by the shareholders of the Company in the annual general meeting of the Company on 26 September 2016 and the outstanding number of options available for issue under the Share Option Scheme is 234,753,320, which represents approximately 10% of the issued share capital as at the date of this report.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an eligible participant would result in excess of such limit, such further grant shall be subject to the approval of the shareholders at a general meeting with such eligible participant and his associates abstaining from voting.

Any grant of options to a connected person or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee). Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the shareholders taken on a poll at a general meeting.

Other Information

Share Option Scheme (Continued)

Details of the share options movements during the Interim Period under the Share Option Scheme are as follows:

| Name or category of grantees | Date of grant of share options | Exercise price (HK\$) | Exercise period (Note 2) | Number of share options | | | | | Balance as at 30.09.2016 |
|-------------------------------|--------------------------------|-----------------------|--------------------------|--------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | | | | Balance as at 01.04.2016 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | |
| Directors | | | | | | | | | |
| Mr. Chan Kin Lung | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 10,000,000 | – | – | – | 10,000,000 |
| Mr. Lee Chi Shing, Caesar | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 5,000,000 | (5,000,000) | – | – | – |
| Ms. Yick Mi Ching, Dawnibilly | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 10,000,000 | – | – | – | 10,000,000 |
| Mr. Wong Jeffrey | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 10,000,000 | – | – | – | 10,000,000 |
| Mr. Kwok Kam Tim | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 800,000 | – | – | – | 800,000 |
| Dr. Hui Chik Kwan | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 800,000 | – | – | – | 800,000 |
| Mr. Tso Ping Cheong, Brian | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 800,000 | – | – | – | 800,000 |
| Sub-Total | | | | – | 37,400,000 | (5,000,000) | – | – | 32,400,000 |
| Employees | | | | | | | | | |
| In aggregate | 29/08/2016 (Note 1) | HK\$0.48 | 29/08/2016 – 28/08/2019 | – | 20,500,000 | – | – | – | 20,500,000 |
| Sub-Total | | | | – | 20,500,000 | – | – | – | 20,500,000 |
| Total | | | | – | 57,900,000 | (5,000,000) | – | – | 52,900,000 |

Notes:

1. The closing price of the shares immediately before 29 August 2016, on which those options were granted, was HK\$0.48.
2. The exercise period of the share options is 29 August 2016 to 28 August 2019 (both days inclusive).

Purchase, Sales or Redemption of Listed Securities

During the Interim Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

Other Information

Audit Committee and Review of Interim Financial Statements

The audit committee of the Company (the "Audit Committee") was established on 17 December 2010 with latest written terms of reference revised on 26 November 2015 in compliance with the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process and internal control systems.

The Audit Committee comprises three independent non-executive directors, being Mr. Kwok Kam Tim, Mr. Tso Ping Cheong, Brian and Dr. Hui Chik Kwan. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, including the review of the unaudited condensed consolidated financial statements of the Group for the Interim Period, with the management of the Company.

Interim Dividend

The Board does not recommend the payment of interim dividends for the Interim Period (six months ended 30 September 2015: Nil).

Changes to Information in Respect of Directors

During the Interim Period and up to the date of this report, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors and chief executive of the Company are as follows:

Mr. Wong Jeffrey, an executive Director, has been appointed as the chief operating officer of the Company with effect from 1 September 2016.

By the order of the Board
Newtree Group Holdings Limited
Wong Wai Sing
Chairman and Executive Director

Hong Kong, 29 November 2016

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | | |
| Revenue | 4 | 61,948 | 138,176 |
| Cost of sales | | (50,488) | (112,769) |
| Gross profit | | 11,460 | 25,407 |
| Other income | 5 | 232 | 5,267 |
| Other gains and losses | 6 | (114,084) | (21,548) |
| Selling and distribution expenses | | (1,615) | (2,296) |
| Administrative expenses | | (42,648) | (52,308) |
| Other expenses | | – | (651) |
| Finance costs | 7 | (8,931) | (11,548) |
| Share of profits (losses) of associates | | 191 | (383) |
| Loss before income tax from continuing operations | | (155,395) | (58,060) |
| Income tax expense | 8 | (413) | (2,188) |
| Loss for the period from continuing operations | 9 | (155,808) | (60,248) |
| Discontinued operation | | | |
| Profit for the period from discontinued operation | 11 | – | 39 |
| Loss for the period | | (155,808) | (60,209) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| – Exchange differences arising on translation | | (2,468) | (1,363) |
| – Fair value loss on available-for-sale financial assets | 18 | (4,000) | (13,000) |
| Other comprehensive income for the period, net of income tax | | (6,468) | (14,363) |
| Total comprehensive income for the period, net of income tax | | (162,276) | (74,572) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (153,079) | (60,184) |
| Non-controlling interests | | (2,729) | (25) |
| | | (155,808) | (60,209) |

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | (159,547) | (74,548) |
| Non-controlling interests | | (2,729) | (24) |
| | | (162,276) | (74,572) |
| | | | (restated) |
| Loss per share attributable to owners of the Company | 12 | | |
| From continuing and discontinued operations | | | |
| Basic and diluted (HK cents) | | (10.24) | (5.17) |
| From continuing operations | | | |
| Basic and diluted (HK cents) | | (10.24) | (5.17) |
| From discontinued operation | | | |
| Basic and diluted (HK cents) | | – | – |

Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2016

| | Notes | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 11,103 | 12,176 |
| Prepaid lease payments | | 5,291 | 5,503 |
| Other intangible assets | 14 | 58,781 | 60,056 |
| Goodwill | 15 | 70,814 | 158,717 |
| Interest in an associate | 17 | 13,100 | 14,400 |
| Available-for-sale financial assets | 18 | 150,000 | 154,000 |
| | | 309,089 | 404,852 |
| CURRENT ASSETS | | | |
| Inventories | 19 | 21,328 | 20,159 |
| Prepaid lease payments | | 169 | 173 |
| Trade and other receivables and prepayments | 20 | 141,452 | 162,907 |
| Pledged bank deposit | | – | 7,809 |
| Bank balances and cash | | 83,643 | 27,811 |
| | | 246,592 | 218,859 |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 21 | 154,290 | 167,375 |
| Trust receipt loan | | – | 752 |
| Tax payable | | 11,452 | 11,634 |
| Convertible bonds | 22 | – | 122,340 |
| | | 165,742 | 302,101 |
| NET CURRENT ASSETS (LIABILITIES) | | 80,850 | (83,242) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 389,939 | 321,610 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 9,806 | 10,031 |
| NET ASSETS | | 380,133 | 311,579 |
| CAPITAL AND RESERVES | | | |
| Share capital | 24 | 23,475 | 9,370 |
| Reserves | | 363,382 | 306,204 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | 386,857 | 315,574 |
| Non-controlling interests | | (6,724) | (3,995) |
| TOTAL EQUITY | | 380,133 | 311,579 |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

| | Attributable to owners of the Company | | | | |
|---|---------------------------------------|---------------------------|---------------------------------------|--|----------------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Legal reserve HK\$'000 (Note i) | Convertible bonds equity reserve HK\$'000 | Share option reserve HK\$'000 |
| At 1 April 2015 (audited) | 9,026 | 877,804 | 49 | 5,947 | – |
| Loss for the period | – | – | – | – | – |
| Other comprehensive income, net of income tax: | | | | | |
| – Exchange differences arising on translation | – | – | – | – | – |
| – Changes in fair value of available-for-sale financial assets | – | – | – | – | – |
| Total comprehensive income for the period | – | – | – | – | – |
| At 30 September 2015 (unaudited) | 9,026 | 877,804 | 49 | 5,947 | – |
| At 1 April 2016 (audited) | 9,370 | 890,519 | 49 | 5,947 | – |
| Loss for the period | – | – | – | – | – |
| Other comprehensive income, net of income tax: | | | | | |
| – Exchange differences arising on translation | – | – | – | – | – |
| – Changes in fair value of available-for-sale financial assets | – | – | – | – | – |
| Total comprehensive income for the period | – | – | – | – | – |
| Issue of shares pursuant to open offer (Note 24(ii)) | 14,055 | 216,450 | – | – | – |
| Transaction cost attributable to issue of open offer shares (Note 24(ii)) | – | (11,079) | – | – | – |
| Recognition of equity-settled share-based payments (Note 23(b)) | – | – | – | – | 9,004 |
| Issue of shares upon exercise of share options (Note 24(iii)) | 50 | 3,171 | – | – | (821) |
| Transfer to accumulated losses upon redemption of convertible bonds (Note 22) | – | – | – | (5,947) | – |
| Transactions with owners | 14,105 | 208,542 | – | (5,947) | 8,183 |
| At 30 September 2016 (unaudited) | 23,475 | 1,099,061 | 49 | – | 8,183 |

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 Changes in Equity

For the six months ended 30 September 2016

| Attributable to owners of the Company | | | | | | | |
|---|---|---------------------------------|---|-----------------------------------|-------------------|--|-------------------|
| Available- for-sale investment reserve HK\$'000 | Special reserve HK\$'000 (Note ii) | Exchange reserve HK\$'000 | Other reserves HK\$'000 (Note iii) | Accumulated losses HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
| 9,100 | 678 | 15,206 | (8,046) | (305,808) | 603,956 | 4,336 | 608,292 |
| - | - | - | - | (60,184) | (60,184) | (25) | (60,209) |
| - | - | (1,364) | - | - | (1,364) | 1 | (1,363) |
| (13,000) | - | - | - | - | (13,000) | - | (13,000) |
| (13,000) | - | (1,364) | - | (60,184) | (74,548) | (24) | (74,572) |
| (3,900) | 678 | 13,842 | (8,046) | (365,992) | 529,408 | 4,312 | 533,720 |
| (5,000) | 678 | 12,259 | (6,000) | (592,248) | 315,574 | (3,995) | 311,579 |
| - | - | - | - | (153,079) | (153,079) | (2,729) | (155,808) |
| - | - | (2,468) | - | - | (2,468) | - | (2,468) |
| (4,000) | - | - | - | - | (4,000) | - | (4,000) |
| (4,000) | - | (2,468) | - | (153,079) | (159,547) | (2,729) | (162,276) |
| - | - | - | - | - | 230,505 | - | 230,505 |
| - | - | - | - | - | (11,079) | - | (11,079) |
| - | - | - | - | - | 9,004 | - | 9,004 |
| - | - | - | - | - | 2,400 | - | 2,400 |
| - | - | - | - | 5,947 | - | - | - |
| - | - | - | - | 5,947 | 230,830 | - | 230,830 |
| (9,000) | 678 | 9,791 | (6,000) | (739,380) | 386,857 | (6,724) | 380,133 |

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

| | Notes | Six months ended 30 September | |
|---|---------|----------------------------------|---------------------------------|
| | | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| OPERATING ACTIVITIES | | | |
| Cash used in operating activities | | (42,663) | (22,152) |
| Income taxes paid | | (1,399) | (423) |
| NET CASH USED IN OPERATING ACTIVITIES | | (44,062) | (22,575) |
| INVESTING ACTIVITIES | | | |
| Refundable deposit received for potential acquisition of a subsidiary | | – | 27,500 |
| Purchase of property, plant and equipment | | (474) | (193) |
| Decrease in pledged bank deposit | | 7,809 | – |
| Proceeds from disposal of property, plant and equipment | | – | 38 |
| Interest received | | 4 | 12 |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | | 7,339 | 27,357 |
| FINANCING ACTIVITIES | | | |
| Proceed from placing of open offer shares | 24(ii) | 230,505 | – |
| Issuance cost attributable to issue of open offer shares | | (11,079) | – |
| Proceed from exercise of share options | 24(iii) | 2,400 | – |
| Repayment of promissory note | | – | (4,129) |
| Repayment of convertible bonds | 22 | (100,000) | – |
| Trust receipt loan repaid | | (752) | (1,143) |
| Advance from (to) related parties | | 3,079 | (286) |
| Interest paid | | (31,271) | (4,033) |
| NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES | | 92,882 | (9,591) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 56,159 | (4,809) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | | |
| | | 27,811 | 29,548 |
| Effect of foreign exchange rate changes | | (327) | (320) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | | | |
| represented by bank balances and cash | | 83,643 | 24,419 |
| Analysis of cash and cash equivalents | | | |
| Continuing operations: Bank balances and cash | | 83,643 | 24,388 |
| Discontinued operation: Bank balances and cash | | – | 31 |
| | | 83,643 | 24,419 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2011. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is at Suites 3505-08, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

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 ("Hygienic Disposables Business"); (ii) trading of coal products ("Coal Business"); (iii) wholesale and retail of household consumables ("Household Consumables Business"); (iv) sales and distribution of jewelries and watches ("Jewelries and Watches Business"); (v) design and development of three-dimensional animations, augmented reality technology application and e-learning web application ("Digital Technology Business"); and (vi) provision of educational technology solutions through online education programs and provision of English language proficiency tests ("Education Business"). The Group was also engaged in the business of trading of Methyl Tertiary Butyl Ether ("MTBE") products ("MTBE Business") which was discontinued during the year ended 31 March 2016, further details of which are set out in Note 11.

2. Basis of Preparation and Principal Accounting Policies

These unaudited condensed consolidated financial statements ("Interim Financial Statements") of the Group for the Interim Period 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 2016, 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 the HKICPA. They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2016 (the "Annual Report").

The Interim Financial Statements have not been audited.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

2. Basis of Preparation and Principal Accounting Policies (Continued)

The Interim Financial Statements have been prepared on the historical cost basis except for available-for-sale financial assets, 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 2016, except for the inclusion of the following accounting policy:

Share-based payments

The Group operates a share option scheme for remuneration of its employees (including directors of the Company (the "Directors")).

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "Share option reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

The weighted average number of shares and resulting loss per share, for the six months ended 30 September 2015, have been restated to reflect the open offer of shares during the Interim Period in accordance with the relevant accounting treatment.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

3. Adoption of New or Revised 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 financial performance and financial position.

4. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision makers, 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 – Manufacture and trading of clinical and household hygienic disposables and trading of related raw materials
- 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
- Digital Technology Business – Design and development of three-dimensional animations, augmented reality technology applications and e-learning web application
- Education Business – Provision of educational technology solutions through online education programs and provision of English language proficiency tests

MTBE Business segment comprised the business of trading MTBE products. The Group completed the disposal of the entire equity interest of the subsidiary which carried out all the Group's MTBE Business operation on 11 December 2015. Accordingly, the MTBE Business was reclassified as a discontinued operation, details of which are set out in Note 11. The segment information reported as below does not include any results for the discontinued operation.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

4. Revenue and Segment Information (Continued)

Segment revenues and results

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

| | Continuing operations | | | | | | Total HK\$'000 (unaudited) |
|--|--|---|---|---|--|--|----------------------------------|
| | Hygienic Disposables Business HK\$'000 (unaudited) | Coal Business HK\$'000 (unaudited) | Household Consumables Business HK\$'000 (unaudited) | Jewelries and Watches Business HK\$'000 (unaudited) | Digital Technology Business HK\$'000 (unaudited) | Education Business HK\$'000 (unaudited) | |
| For the six months ended 30 September 2016 | | | | | | | |
| Revenue from external customers | 23,788 | – | 29,743 | 274 | 261 | 7,882 | 61,948 |
| Segment (loss) profit | (2,135) | (27,298) | 2,305 | (211) | (2,538) | (3,170) | (33,047) |
| Bank interest income | | | | | | | 4 |
| Exchange differences | | | | | | | 113 |
| Amortisation of other intangible assets | | | | | | | (774) |
| Impairment loss on goodwill | | | | | | | (87,903) |
| Impairment loss on interest in an associate | | | | | | | (1,491) |
| Share of profits of an associate | | | | | | | 191 |
| Central administration costs | | | | | | | (32,488) |
| Loss before income tax from continuing operations | | | | | | | (155,395) |
| For the six months ended 30 September 2015 | | | | | | | |
| Revenue from external customers | 31,831 | 52,901 | 33,450 | 5,179 | 3,486 | 11,329 | 138,176 |
| Segment (loss) profit | (4,224) | 2,352 | 2,560 | 2,922 | 1,480 | 4,686 | 9,776 |
| Bank interest income | | | | | | | 12 |
| Exchange differences | | | | | | | 354 |
| Amortisation of other intangible assets | | | | | | | (830) |
| Fair value loss on contingent consideration receivables | | | | | | | (19,790) |
| Impairment loss on other intangible assets | | | | | | | (2,108) |
| Share of losses of associates | | | | | | | (383) |
| Central administration costs | | | | | | | (45,091) |
| Loss before income tax from continuing operations | | | | | | | (58,060) |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

4. Revenue and Segment Information (Continued)

Segment revenues and results (Continued)

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, share of profits/(losses) of associates, amortisation of other intangible assets, impairment loss on other intangible assets, impairment loss on goodwill, impairment loss on interest in an associate, fair value loss on contingent consideration receivables, bank interest income, exchange differences and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|-------------------------------------|---|---|
| Continuing operations | | |
| Hygienic Disposables Business | 48,200 | 47,282 |
| Coal Business | 81,094 | 106,825 |
| Household Consumables Business | 14,646 | 17,634 |
| Jewelries and Watches Business | 15,167 | 14,068 |
| Digital Technology Business | 4,191 | 3,342 |
| Education Business | 4,863 | 4,761 |
| Total segment assets | 168,161 | 193,912 |
| Goodwill | 70,814 | 158,717 |
| Other intangible assets | 58,781 | 60,056 |
| Available-for-sale financial assets | 150,000 | 154,000 |
| Interest in an associate | 13,100 | 14,400 |
| Amounts due from related companies | 2,414 | 2,490 |
| Pledged bank deposit | – | 7,809 |
| Bank balances and cash | 83,643 | 27,811 |
| Unallocated corporate assets | 8,768 | 4,516 |
| Consolidated total assets | 555,681 | 623,711 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

4. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|-----------------------------------|---|---|
| Continuing operations | | |
| Hygienic Disposables Business | 7,622 | 7,477 |
| Coal Business | 136,358 | 147,219 |
| Household Consumables Business | 4,317 | 5,967 |
| Jewelries and Watches Business | 1,721 | 357 |
| Digital Technology Business | 454 | 446 |
| Education Business | 2,729 | 3,319 |
| Total segment liabilities | 153,201 | 164,785 |
| Tax payable | 11,452 | 11,634 |
| Convertible bonds | – | 122,340 |
| Deferred tax liabilities | 9,806 | 10,031 |
| Unallocated corporate liabilities | 1,089 | 3,342 |
| Consolidated total liabilities | 175,548 | 312,132 |

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, amounts due from related companies, pledged bank deposit, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, convertible bonds, deferred tax liabilities and unallocated corporate liabilities.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

4. Revenue and Segment Information (Continued)

Other segment information

| | Continuing operations | | | | | | | Total HK\$'000 (unaudited) | |
|---|--|--|--|---|--|--|--|----------------------------------|---|
| | Hygienic Disposables Business HK\$'000 (unaudited) | Household Coal Business HK\$'000 (unaudited) | Consumables Business HK\$'000 (unaudited) | Jewelries and Watches Business HK\$'000 (unaudited) | Digital Technology Business HK\$'000 (unaudited) | Education Business HK\$'000 (unaudited) | Unallocated HK\$'000 (unaudited) | | |
| | For the six months ended 30 September 2016 | | | | | | | | |
| | Capital additions | 459 | - | - | - | - | 15 | | - |
| Depreciation of property, plant and equipment and amortisation of prepaid lease payments | 608 | - | 38 | - | - | 13 | 681 | 1,340 | |
| Equity-settled share-based payments expenses | - | - | - | - | - | - | 9,004 | 9,004 | |
| Impairment loss on goodwill | - | - | - | 38,600 | 49,303 | - | - | 87,903 | |
| Impairment loss on interest in an associate | - | - | - | 1,491 | - | - | - | 1,491 | |
| Impairment loss on trade receivables | 721 | 26,405 | - | - | - | - | - | 27,126 | |
| Written back of impairment loss on trade and other receivables | (2,300) | - | - | - | - | (23) | - | (2,323) | |
| For the six months ended 30 September 2015 | | | | | | | | | |
| Capital additions | 2 | - | - | - | - | 100 | 91 | 193 | |
| Depreciation of property, plant and equipment and amortisation of prepaid lease payments | 911 | - | 43 | - | - | 22 | 684 | 1,660 | |
| Loss on disposal of property, plant and equipment | 2 | - | 1 | - | - | - | 3 | 6 | |
| Impairment loss on other intangible assets | - | 2,108 | - | - | - | - | - | 2,108 | |
| Written-off of trade receivables | - | - | - | - | - | 1 | - | 1 | |
| Written back of impairment loss on trade and other receivables | - | - | (3) | - | - | - | - | (3) | |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

4. Revenue and Segment Information (Continued)

Revenue from major products and services

The following is an analysis of the Group's revenues from its major products and services:

| | Six months ended 30 September | |
|-----------------------------------|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | |
| Sales of goods from | | |
| – Hygienic Disposables Business | 23,788 | 31,831 |
| – Household Consumables Business | 29,743 | 33,450 |
| – Jewelries and Watches Business | 274 | 5,179 |
| Trading income from Coal Business | – | 52,901 |
| Services income from | | |
| – Digital Technology Business | 261 | 3,486 |
| – Education Business | 7,882 | 11,329 |
| | 61,948 | 138,176 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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 locations of the customers.

The following table provides an analysis of the Group's revenue from continuing operations generated from external customers by geographical market, irrespective of the origin of the goods.

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| United Kingdom | 46,713 | 59,771 |
| Norway | 6,511 | 5,096 |
| Hong Kong | 4,281 | 11,682 |
| The People's Republic of China (the "PRC") | 3,994 | 58,266 |
| Others | 307 | – |
| Macau | 142 | 1,459 |
| The United Arab Emirates | – | 1,489 |
| Singapore | – | 413 |
| | 61,948 | 138,176 |

As at 30 September 2016, approximately HK\$13,866,000, HK\$15,008,000, HK\$129,856,000 and HK\$359,000 of the non-current assets are located in the PRC, United Kingdom, Hong Kong and Macau respectively.

As at 31 March 2016, approximately HK\$14,319,000, HK\$16,075,000, HK\$220,098,000 and HK\$360,000 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 2016

4. Revenue and Segment Information (Continued)

Information about major customers

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

| | Six months ended 30 September | |
|-------------------------|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Customer A ¹ | 15,516 | N/A |
| Customer B ² | 9,246 | N/A |
| Customer C ³ | – | 52,901 |

¹ Revenue from Hygienic Disposables Business

² Revenue from Household Consumables Business

³ Revenue from Coal Business

5. Other Income

| | Six months ended 30 September | |
|------------------------------|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | |
| Bank interest income | 4 | 12 |
| Dividend income | – | 4,871 |
| Service income | – | 356 |
| Sundry income | 228 | 28 |
| | 232 | 5,267 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

6. Other Gains and Losses

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | | |
| Exchange differences | | 113 | 354 |
| Fair value loss on contingent consideration receivables (Note i) | | – | (19,790) |
| Impairment loss on trade receivables | | (27,126) | – |
| Impairment loss on goodwill | 15 | (87,903) | – |
| Impairment loss on interest in an associate | 17 | (1,491) | – |
| Impairment loss on other intangible assets | | – | (2,108) |
| Loss on disposal of property, plant and equipment | | – | (6) |
| Written-off of trade receivables | | – | (1) |
| Written back of impairment loss on trade and other receivables (Note ii) | | 2,323 | 3 |
| | | (114,084) | (21,548) |

Notes: (i) During the six months ended 30 September 2015, fair value loss on contingent consideration receivables of approximately HK\$19,790,000 mainly due to the improved financial performance of the acquired subsidiaries during financial year ended 31 March 2015, namely Tiger Global Group Limited and DigiSmart (Group) Limited, which led to a decrease in probability of the realisation of contingent consideration receivables. The contingent consideration receivables were fully settled as at 31 March 2016.

(ii) Trade and other receivables of approximately HK\$2,323,000 (30 September 2015: approximately HK\$3,000) previously impaired was subsequently received from the debtors during the six months ended 30 September 2016.

7. Finance Costs

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | |
| Interests on bank and other borrowings: | | |
| – Interest expenses on trust receipt loans | 9 | 33 |
| – Effective interest expenses on convertible bonds | 8,922 | 11,515 |
| | 8,931 | 11,548 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

8. Income Tax Expense

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | |
| Income tax expense represents: | | |
| Current tax: | | |
| – Hong Kong Profits Tax | 46 | 1,431 |
| – PRC Enterprise Income Tax (“PRC EIT”) | – | 603 |
| – Other jurisdictions | 499 | 643 |
| | 545 | 2,677 |
| Deferred taxation | (132) | (489) |
| | 413 | 2,188 |

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

For the Interim Period and up to the date of these Interim Financial Statements, the Hong Kong Inland Revenue Department (“HKIRD”) is in the process of auditing the tax affairs of certain subsidiaries of the Group and has issued additional and estimated assessments on these subsidiaries for the year of assessments 2004/05, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10. The additional and estimated assessments were amounted to approximately HK\$53,585,000 (30 September 2015: HK\$43,520,000). The Group lodged the relevant objections with the HKIRD against these additional and estimated assessments. The HKIRD has granted holdover of the taxes being assessed in the additional and estimated assessments (conditionally and unconditionally) as a result of the objections. Up to the date of these Interim Financial Statements, the Group has purchased tax reserve certificates of HK\$4,287,000 (31 March 2016: HK\$4,287,000). For 2009/10, the Group has not purchased any tax reserve certificate pursuant to the conditional holdover notice granted by the HKIRD. The purchased tax reserve certificates have been accounted for as taxes recoverable included in trade and other receivables and prepayments of the Group as at 30 September 2016.

In the opinion of the Directors, after considering the latest communications between the Group and the HKIRD, no provision for Hong Kong Profits Tax in respect of these assessments is considered necessary as the obligation cannot be reliably measured as at 30 September 2016 and up to the date of these Interim Financial Statements. In addition, upon the listing of the Company on the Stock Exchange, Mr. Chum Tung Hang, the then-shareholder, has given indemnities, in connection with any income tax liabilities which might be incurred by any member of the Group on or before 13 January 2011, to the Group.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

8. Income Tax Expense (Continued)

(ii) PRC EIT

PRC EIT is calculated at 25% (30 September 2015: 25%) of the estimated assessable profits of subsidiaries operating in the PRC for both periods ended except for a subsidiary of the Company. On 24 November 2015, one of the subsidiaries was recognised as a high and new technology enterprise (“HNTE”) with a valid period of three years. In accordance with relevant laws and regulations in the PRC, the subsidiary is entitled to the preferential tax rate for HNTE from 1 January 2015 to 31 December 2017. The subsidiary is subject to 15% corporate income tax rate for the current period.

(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.

9. Loss for the Period

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Continuing operations | | |
| The Group's loss for the period has been arrived at after charging: | | |
| Directors' remuneration | 4,578 | 26,292 |
| Other staff costs | 11,955 | 12,747 |
| Retirement benefit scheme contributions | 691 | 1,238 |
| Equity-settled share-based payment expenses | | |
| – Directors | 6,138 | – |
| – Other staff | 2,866 | – |
| Total staff costs | 26,228 | 40,277 |
| Cost of inventories sold | 44,651 | 106,873 |
| Depreciation of property, plant and equipment | 1,254 | 1,553 |
| Amortisation of prepaid lease payments | 86 | 107 |
| Amortisation of other intangible assets (included in cost of sales) | 774 | 830 |
| Legal and professional fees incurred for the acquisitions and potential acquisitions (included in other expenses) | – | 651 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

10. Dividends

The Directors do not recommend for payment of a dividend for the Interim Period (30 September 2015: Nil).

11. Discontinued Operation

On 24 June 2015, the Group had, through its wholly-owned subsidiary, Star Fantasy International Limited (the "Star Fantasy") entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest and shareholder's loan in Sino-Singapore (Offshore) Chemical Resources Trading Company Limited ("Sino-Singapore") at a cash consideration of HK\$16,000,000. Sino-Singapore together with its subsidiary (collectively referred to as the "Sino-Singapore Group") carried out all of the Group's MTBE Business operation. Accordingly, the Group's MTBE Business was classified as a discontinued operation. The disposal was completed on 11 December 2015.

The disposal of MTBE Business could enable the Group to free up the resources and redirect it to other existing businesses which may have higher growth potential to maximise the benefit of the shareholders of the Company. Details of the disposal are set out in the Company circular dated 24 July 2015 and announcements dated 24 June 2015, 11 August 2015, 17 August 2015, 15 September 2015, 30 September 2015, 30 October 2015, 30 November 2015, 4 December 2015 and 11 December 2015.

The results of discontinued operation included in the loss for the prior period are set out below.

| | Six months ended 30 September 2015 HK\$'000 (unaudited) |
|--|--|
| Revenue | 2,866 |
| Cost of sales | (2,808) |
| Gross profit | 58 |
| Other income | 27 |
| Selling and distribution expenses | (22) |
| Administrative expenses | (15) |
| Profit before income tax from discontinued operation | 48 |
| Income tax expense | (9) |
| Profit for the period from discontinued operation | 39 |
| Profit from discontinued operation attributable to: | |
| – Owners of the Company | 39 |
| Cash flows from discontinued operation | |
| Net cash used in operating activities | (1,563) |
| Net cash from investing activities | – |
| Net cash from financing activities | 1,408 |
| Net decrease in bank balance and cash | (155) |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

12. Loss Per Share

The calculations of basic loss per share for the current and prior periods are based on the loss for the periods attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the current and prior periods. The basic loss per share for the six months ended 30 September 2015 has been adjusted to reflect the open offer of shares during the six months ended 30 September 2016.

The calculations of diluted loss per share for the current and prior periods are based on the loss for the periods attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the current and prior periods (adjusted to reflect the Open Offer of shares during the six months ended 30 September 2016) and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The diluted loss per share for the six months ended 30 September 2015 has been adjusted to reflect the open offer of shares during the six months ended 30 September 2016.

As the Company's outstanding share options (30 September 2015: convertible bonds) had an anti-dilutive effect to the basic loss per share calculation for the six months period ended 30 September 2016, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

(i) From continuing and discontinued operations

The calculations of 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 | |
|---|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Loss for the period attributable to owners of the Company | (153,079) | (60,184) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 1,494,639,725 | 1,165,184,981 (restated) |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

12. Loss Per Share (Continued)

(ii) Continuing operations

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 | |
|--|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Loss for the period from continuing operations attributable to owners of the Company | (153,079) | (60,223) |
| | | (restated) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 1,494,639,725 | 1,165,184,981 |

(iii) Discontinued operation

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 | |
|--|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Profit for the period from discontinued operation attributable to owners of the Company | – | 39 |
| | | (restated) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 1,494,639,725 | 1,165,184,981 |

13. Property, Plant and Equipment

During the six months ended 30 September 2016, the Group incurred expenditures on property, plant and equipment of approximately HK\$474,000 (30 September 2015: approximately HK\$193,000).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

14. Other Intangible Assets

| | Coal Sales Contract HK\$'000 | MTBE Sales Contract HK\$'000 | Customer Network HK\$'000 | Exclusive License HK\$'000 | License Agreements HK\$'000 | Total HK\$'000 |
|--|------------------------------------|------------------------------------|---------------------------------|----------------------------------|-----------------------------------|-------------------|
| COST | | | | | | |
| At 1 April 2015 (audited) | 57,346 | 33,292 | 9,339 | 9,800 | 55,006 | 164,783 |
| Disposal of subsidiaries | – | (33,292) | – | – | – | (33,292) |
| Exchange realignment | – | – | (278) | – | – | (278) |
| At 31 March 2016 (audited) | 57,346 | – | 9,061 | 9,800 | 55,006 | 131,213 |
| Exchange realignment | – | – | (895) | – | – | (895) |
| At 30 September 2016 (unaudited) | 57,346 | – | 8,166 | 9,800 | 55,006 | 130,318 |
| ACCUMULATED AMORTISATION AND IMPAIRMENT | | | | | | |
| At 1 April 2015 (audited) | 16,210 | 25,990 | 2,957 | 352 | – | 45,509 |
| Charge for the year | – | – | 947 | 688 | – | 1,635 |
| Disposal of subsidiaries | – | (25,990) | – | – | – | (25,990) |
| Impairment (Note 16) | 41,136 | – | – | – | 8,996 | 50,132 |
| Exchange realignment | – | – | (129) | – | – | (129) |
| At 31 March 2016 (audited) | 57,346 | – | 3,775 | 1,040 | 8,996 | 71,157 |
| Charge for the period | – | – | 430 | 344 | – | 774 |
| Exchange realignment | – | – | (394) | – | – | (394) |
| At 30 September 2016 (unaudited) | 57,346 | – | 3,811 | 1,384 | 8,996 | 71,537 |
| NET CARRYING VALUES | | | | | | |
| At 30 September 2016 (unaudited) | – | – | 4,355 | 8,416 | 46,010 | 58,781 |
| At 31 March 2016 (audited) | – | – | 5,286 | 8,760 | 46,010 | 60,056 |

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 (collectively the "China Coal Group") in prior years and has been allocated to the Coal Business cash generating unit ("CGU"). During the year ended 31 March 2016, the Coal Sales Contract was fully impaired.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

14. Other Intangible Assets (Continued)

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 Group in prior years and has been allocated to the MTBE Business CGU. During the year ended 31 March 2016, Sino-Singapore Group has been disposed of together with the MTBE Sales Contract.

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 CGU.

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 and its subsidiary (collectively the "Tiger Global Group") in prior years and has been allocated to the Jewelries and Watches Business CGU.

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

License Agreements represent the authorisation to be an official representative of (i) TOEIC (the Test of English for International Communication) in Hong Kong and Macau; (ii) TOEFL Junior tests (a general assessment of middle school-level English-language proficiency of the Test of English as a Foreign Language) in Hong Kong and Macau; (iii) TOEFL ITP (the Institutional Testing Program of the Test of English as a Foreign Language) in Hong Kong, Macau and the Southern China; and (iv) TOEIC (the Test of English for International Communication) (the tests of listening and reading only) in 8 provinces of the PRC. The License Agreements were acquired as part of the Group's acquisition of DigiSmart (Group) Limited and its subsidiaries (collectively the "DigiSmart Group") in prior years and has been allocated to the Education Business CGU.

The Group also assessed the useful lives of the License Agreements as indefinite because the Group considered the License Agreements are renewable at no additional cost and that the business relationship with the license owner becomes probable to continue indefinitely in the foreseeable future.

Particulars regarding impairment testing on other intangible assets are set out in Note 16.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

15. Goodwill

| | Household Consumables Business CGU HK\$'000 | Jewelries and Watches Business CGU HK\$'000 | Digital Technology Business CGU HK\$'000 | Education Business CGU HK\$'000 | Total HK\$'000 |
|---|---|---|--|--|-------------------|
| COST | | | | | |
| At 1 April 2015 (audited), 31 March 2016 (audited) and 30 September 2016 (unaudited) | 9,774 | 43,072 | 113,633 | 61,319 | 227,798 |
| ACCUMULATED IMPAIRMENT LOSSES | | | | | |
| At 1 April 2015 (audited) | – | – | 7,762 | 21,206 | 28,968 |
| Impairment losses recognised (Note 16) | – | – | – | 40,113 | 40,113 |
| At 31 March 2016 (audited) | – | – | 7,762 | 61,319 | 69,081 |
| Impairment losses recognised (Notes 6 & 16) | – | 38,600 | 49,303 | – | 87,903 |
| At 30 September 2016 (unaudited) | – | 38,600 | 57,065 | 61,319 | 156,984 |
| NET CARRYING VALUES | | | | | |
| At 30 September 2016 (unaudited) | 9,774 | 4,472 | 56,568 | – | 70,814 |
| At 31 March 2016 (audited) | 9,774 | 43,072 | 105,871 | – | 158,717 |

Goodwill arising in prior years related to (i) the acquisition of S&J and has been allocated to the Household Consumables Business CGU; (ii) the acquisition of Tiger Global Group and has been allocated to the Jewelries and Watches Business CGU; and (iii) the acquisition of DigiSmart Group and has been allocated to the Digital Technology Business CGU and Education Business CGU on proportion to the estimated fair value of the respective CGUs as at the date of completion of the acquisition.

Particulars regarding impairment testing on goodwill are set out in Note 16.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

16. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing as at 30 September 2016, other intangible assets and goodwill set out in Notes 14 and 15 respectively have been allocated to four individual CGUs, comprising a subsidiary in Household Consumables Business, a subsidiary in Jewelries and Watches Business, subsidiaries in Digital Technology Business and subsidiaries in Education Business. Other intangible assets and goodwill have been allocated to six individual CGUs for the purpose of impairment testing as at 31 March 2016, comprising above four CGUs, a subsidiary in Coal Business and a subsidiary in MTBE Business. However, all other intangible assets allocated to Coal Business were fully impaired as at 31 March 2016 and all other intangible assets allocated to MTBE Business have been disposed during the year ended 31 March 2016.

During the Interim Period, the Group determines that there is no impairment of other intangible assets or goodwill in respect of the Household Consumables Business CGU and Education Business CGU.

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 this unit has been determined based on a fair-value-less-costs-of-disposal (31 March 2016: 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 an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2016: a 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2016: 3%). The post-tax rate used to discount the forecast cash flows is 15.30% (31 March 2016: 16.10%).

In the opinion of the Directors, an increase in the discount rate by 1% and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

Coal Business CGU

At 31 March 2016, due to the unfavorable market circumstances, depression in coal industry and the further delay settlement of trade receivables from the sole customer, the Directors considered that there is uncertainty in the recovery of the trade receivables and the future trading transaction with the sole customer. The Group therefore was of the opinion, that the Coal Sales Contract included in other intangible assets were fully impaired by approximately HK\$41,136,000 and were charged to the profit or loss under other gains and losses while the related deferred tax liabilities amounting to approximately HK\$6,787,000 were credited to the profit or loss under income tax expense.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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

Jewelries and Watches Business CGU

The recoverable amount of this unit has been determined to be approximately HK\$24,130,000 based on a value-in-use (31 March 2016: value-in-use) calculation with reference to a professional valuation performed by Roma Appraisals Limited ("Roma"), an independent firm of professionally qualified valuers, and that calculation covered a period of 12.5 years (31 March 2016: 13 years). The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2016: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2016: 3%). The pre-tax rate used to discount the forecast cash flows is 17.08% (31 March 2016: 17.43%).

The Group is of the opinion, based on the impairment assessment of the Jewelries and Watches Business CGU, the goodwill allocated to Jewelries and Watches Business CGU is partially impaired by approximately HK\$38,600,000 (30 September 2015: Nil) which was charged to profit or loss under other gains and losses in the current period.

The above impairment loss are mainly attributable to a fall in annual growth rate over the 12.5-year forecast period due to the increase in competition among other market participants, loss of customer and the sluggish of retail markets in Hong Kong and the PRC.

Digital Technology Business CGU

The recoverable amount of this unit has been determined to be approximately HK\$60,756,000 based on a value-in-use (31 March 2016: value-in-use) calculation with reference to a professional valuation performed by Roma and that calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2016: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2016: 3%). The pre-tax rate used to discount the forecast cash flows is 12.72% (31 March 2016: 12.44%).

The Group is of the opinion, based on the impairment assessment of the Digital Technology Business CGU, the goodwill allocated to Digital Technology Business is partially impaired by approximately HK\$49,303,000 (30 September 2015: Nil) which was charged to profit or loss under other gains and losses in the current period.

The above impairment loss are mainly attributable to unfavorable changes in estimated discount rate and a fall in annual growth rate over the 4.5-year forecast period due to the increase in competition among other market participants, loss of digital competitiveness and the change in customers' needs.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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

Education Business CGU

The recoverable amount of this unit has been determined based on a value-in-use (31 March 2016: value-in-use) calculation with reference to a professional valuation performed by Roma and that calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2016: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2016: 3%). The pre-tax rate used to discount the forecast cash flows is 19.61% (31 March 2016: 22.41%).

In the opinion of the Directors, an increase in the discount rate by 1% and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

As at 31 March 2016, the Group was of the opinion, based on the impairment assessment of the Education Business CGU, the recoverable amount of this unit has been determined to be approximately HK\$56,019,000 and the goodwill allocated to Education Business CGU was fully impaired by approximately HK\$40,113,000 which was charged to profit or loss under other gains and losses. The License Agreements included in other intangible assets were partially impaired by approximately HK\$8,996,000 and the corresponding decrease in related deferred tax liabilities amounted to approximately HK\$1,485,000. These amounts were charged to the profit or losses under other gains and losses and credited to income tax expense respectively in the financial year ended 31 March 2016.

The above impairment loss was mainly attributable to the unfavourable changes in estimated discount rate and a fall in annual growth rate over the 5-year forecast period due to the increase in competition among other education market participants and the slowdown of economy in Hong Kong and the PRC.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

17. Interest in an Associate

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|---|---|---|
| Unlisted shares, at cost | – | – |
| Share of net assets | 7,742 | 7,742 |
| Goodwill | 17,755 | 17,755 |
| Share of post-tax gains of an associate | 465 | 274 |
| Impairment loss on interest in an associate (<i>note</i>) | (12,862) | (11,371) |
| | 13,100 | 14,400 |

Note: The recoverable amount of 40% equity interests in Kwan Lun (as defined below) has been determined to be approximately HK\$13,100,000 at 30 September 2016 (31 March 2016: approximately HK\$14,400,000) based on a value-in-use (31 March 2016: value-in-use) calculation with reference to a professional valuation performed by Roma. That calculation covered an indefinite period estimated by the Group as there is no foreseeable limitation on the period of time over which the associate is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a 4.5-year period (31 March 2016: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2016: 3%). The pre-tax rate used to discount the forecast cash flows is 16.70% (31 March 2016: 17.25%).

Particulars of the associate as at 30 September 2016 and 31 March 2016 are set out below, all of which are unlisted corporate entities whose quoted market prices are not available:

| Name of associate | Place and date of incorporation/ establishment | Issued and fully paid share capital/ paid up capital | Attributable equity interest held by the Group as at | | Principal activities and place of operation |
|---|---|--|--|-----------------------|---|
| | | | 30 September 2016 % | 31 March 2016 % | |
| Kwan Lun Precision Jewelry Limited ("Kwan Lun") | Hong Kong 10 December 2003 | HK\$1,000,000 | 40 | 40 | Trading of jewelries and watches in the PRC |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

18. Available-for-sale Financial Assets

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 a 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 the 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.

| | 10% of China Energy HK\$'000 | 10% of Goldbell HK\$'000 | Total HK\$'000 |
|--|------------------------------------|--------------------------------|-------------------|
| Net carrying value at 1 April 2015 (audited) | 2,300 | 168,000 | 170,300 |
| Change in fair value | (2,300) | (14,000) | (16,300) |
| Net carrying value at 31 March 2016 (audited) | – | 154,000 | 154,000 |
| Change in fair value | – | (4,000) | (4,000) |
| Net carrying value at 30 September 2016 (unaudited) | – | 150,000 | 150,000 |

At 31 March 2016, 10% of China Energy was individually determined to be impaired on the basis of a significant decline in its fair value below cost which indicated that the investment cost may not be recovered.

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\$159,000,000 (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.

Pursuant to the Acquisition Agreement, the Group should 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 Directors are in the opinion that the value of the option to require the Vendors to purchase the Sales Shares from the Group is insignificant as at 30 September 2016 and 31 March 2016.

Details of the fair value measurement are set out in Note 27.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

19. Inventories

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|------------------|---|---|
| At cost: | | |
| Raw materials | 4,758 | 6,930 |
| Work-in-progress | 193 | 576 |
| Finished goods | 16,377 | 12,653 |
| | 21,328 | 20,159 |

20. Trade and Other Receivables and Prepayments

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|--|---|---|
| Trade receivables | 270,947 | 269,877 |
| Less: Impairment loss recognised | (155,842) | (131,129) |
| | 115,105 | 138,748 |
| Bills receivables | 703 | 355 |
| Prepayments and deposits | 9,860 | 8,518 |
| Other receivables | 5,625 | 3,143 |
| Taxes recoverable | 4,286 | 4,356 |
| Amount due from a non-controlling owner of a subsidiary (Note i) | 88 | 88 |
| Amounts due from related companies (Note ii) | 2,414 | 2,490 |
| Amounts due from related parties (Note iii) | – | 1,506 |
| Amount due from an associate (Note iv) | 3,371 | 3,703 |
| | 141,452 | 162,907 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

20. Trade and Other Receivables and Prepayments (Continued)

Notes:

- i. The amount due from a non-controlling owner of a subsidiary is unsecured, interest-free and repayable on demand.
- ii. The amounts are due from China Energy, one of the available-for-sale financial assets and a company which a director of a subsidiary has direct equity interest. The amounts due from related companies are unsecured, interest-free and repayable on demand.
- iii. The balance represented amounts due from the directors of the subsidiaries, which were unsecured, interest-free and repayable on demand.
- iv. The amount due from an associate is unsecured, interest-free and repayable on demand.

The Group generally allows an average credit period of 30 to 90 days to its trade customers. All bills receivables of the Group were aged within 90 days at the end of the reporting period.

The ageing 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 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|------------------------------|---|---|
| Trade and bills receivables: | | |
| 0–30 days | 8,326 | 10,493 |
| 31–60 days | 6,860 | 3,584 |
| 61–90 days | 2,953 | 4,526 |
| Over 90 days | 97,669 | 120,500 |
| | 115,808 | 139,103 |

21. Trade and Other Payables and Accruals

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|--------------------------------------|---|---|
| Trade payables | 141,747 | 154,005 |
| Customer deposits | 1,544 | 1,259 |
| Other payables and accruals | 5,130 | 7,816 |
| Amount due to a related party (Note) | 5,869 | 4,295 |
| | 154,290 | 167,375 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

21. Trade and Other Payables and Accruals (Continued)

Note:

The related party is a close family member of a director of the Company. The amount due to a related party is unsecured, interest-free and repayable on demand.

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

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|--------------|---|---|
| 0–30 days | 4,724 | 7,247 |
| 31–60 days | 267 | 195 |
| 61–90 days | 35 | 105 |
| Over 90 days | 136,721 | 146,458 |
| | 141,747 | 154,005 |

22. 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 date of issuance of the Convertible Bonds with reference to a professional valuation performed by GCA.

The fair value of the liability component, included in current liabilities, as the holders has an early redemption option effective on 19 June 2015, 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.

On 17 May 2016, the Company and the bondholders entered into the Deed of Amendments which both parties agreed to amend certain terms and conditions of the Convertible Bonds, among others (i) to extend the maturity date of the Convertible Bonds to 31 August 2016; and (ii) unless previously redeemed, converted or purchased and cancelled under the terms of the Convertible Bonds, the Company will redeem all the outstanding Convertible Bonds at 100% of the outstanding principal amount of the Convertible Bonds plus a premium of 12% per annum on 31 August 2016. The amendments became effective on the same date.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

22. Convertible Bonds (Continued)

On 15 August 2016, the Open Offer (as defined in Note 24(ii)) was completed and pursuant to the terms of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK\$3.2 per share to HK\$2.52 per share and accordingly, the number of conversion shares to be issued upon exercise of the conversion rights attached to the outstanding Convertible Bonds should be increased from 31,250,000 shares to 39,682,539 shares.

On 16 August 2016, approximately HK\$131,262,000 was paid to bondholders for the redemption of the Convertible Bonds. Upon the settlement of all convertible bonds, the remaining value of the convertible bonds equity reserve of approximately HK\$5,947,000 was released to accumulated losses.

The Convertible Bonds recognised at the end of the period/year were calculated as follows:

| | At 30 September 2016 HK\$'000 (unaudited) | At 31 March 2016 HK\$'000 (audited) |
|--|---|---|
| Equity component | | |
| Proceeds at the date of issuance | 100,000 | 100,000 |
| Liability component, at the date of issuance | (94,053) | (94,053) |
| Equity component, at the date of issuance | 5,947 | 5,947 |
| Transfer to accumulated losses upon redemption | (5,947) | – |
| At the end of the period/year | – | 5,947 |
| Liability component | | |
| At the beginning of the period/year | 122,340 | 106,479 |
| Effective interest expenses | 8,922 | 23,861 |
| Interest paid | (31,262) | (8,000) |
| Redemption | (100,000) | – |
| At the end of the period/year | – | 122,340 |

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

The Convertible Bonds were guaranteed by Mr. Wong Wai Sing, an executive Director of the Company (the "Guarantor"), who unconditionally and irrevocably guaranteed 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 would pay that sum to or to the order of the Convertible Bonds holder.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

23. Share-based Payment Transactions

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations.

Pursuant to this objective, an ordinary resolution was passed at the annual general meeting of the Company held on 26 February 2015 for approval of adoption of a share option scheme (the "Share Option Scheme"). The life of the Share Option Scheme is 10 years from the date of adoption, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted. The exercise price, vesting period, the exercisable period and the number of shares subject to each option will be determined by the Board at the time of grant.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Share Option Scheme, if earlier.

Under the Share Option Scheme, on 29 August 2016, a total of 57,900,000 shares options were granted, of which 37,400,000 shares options and 20,500,000 shares options were granted to the directors and certain employees of the Group respectively, at a cash consideration of HK\$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK\$0.48 per share. The vesting period for the option is immediate from the date of grant.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

23. Share-based Payment Transactions (Continued)

- (a) The terms and conditions of the share options that existed as at 30 September 2016 are as follows:-

| Date of grant | Vesting period | Exercise period | Contractual exercise price | Contractual life of option | Number of option | |
|------------------------------------|------------------------------------|----------------------------------|----------------------------|----------------------------|----------------------|------------------|
| | | | | | At 30 September 2016 | At 31 March 2016 |
| Option granted to Directors | | | | | | |
| 29 August 2016 | Immediately from the date of grant | 29 August 2016 to 28 August 2019 | HK\$0.48 | 3 years | 32,400,000 | - |
| Option granted to employees | | | | | | |
| 29 August 2016 | Immediately from the date of grant | 29 August 2016 to 28 August 2019 | HK\$0.48 | 3 years | 20,500,000 | - |

As at 30 September 2016, the Company had 52,900,000 (31 March 2016: Nil) share options outstanding under the Share Option Scheme, which represented approximately 2.25% (31 March 2016: Nil) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 52,900,000 (31 March 2016: Nil) additional ordinary shares of the Company and additional share capital of HK\$529,000 (31 March 2016: Nil) and share premium of HK\$24,863,000 (31 March 2016: Nil) (before deducting any issue expenses).

- (b) The number and weighted average exercise price of share options are as follows:-

| | 30 September 2016 | | 31 March 2016 | |
|--------------------------------------|--|---------------------|--|---------------------|
| | Weighted average exercise price (per share) HK\$ | Outstanding options | Weighted average exercise price (per share) HK\$ | Outstanding options |
| At the beginning of the period/year | N/A | - | N/A | - |
| Granted (Note (i)) | 0.48 | 57,900,000 | N/A | - |
| Exercised | 0.48 | (5,000,000) | N/A | - |
| At the end of the period/year | 0.48 | 52,900,000 | N/A | - |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

23. Share-based Payment Transactions (Continued)

(b) (Continued)

Notes:

- (i) The closing price of the Shares as stated in Stock Exchange's daily quotations sheets immediate before 29 August 2016 is HK\$0.48 per Share.
- (ii) The fair value of the share options of approximately HK\$9,004,000 was calculated using the Binomial Model by Roma.

The following assumptions were used to calculate the fair value of share options granted at grant date:

| | |
|-------------------------|-------------------|
| Grant date | 29 August 2016 |
| Valuation date | 29 August 2016 |
| Share price (HK\$) | 0.48 |
| Exercise price (HK\$) | 0.48 |
| Exercise volatility | 62.537% |
| Risk-free rate | 0.52% |
| Early exercise multiple | 220% - 280% |
| Post vesting exit rate | 19.617% - 37.710% |
| Dividend yield | 0% |
| Vesting period | Immediate |

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Yield to maturity in continuous compounding Hong Kong sovereign note with the time to maturity similar to those of the share options is adopted as the risk-free rate.

The options were expected to be exercised when the share price of the underlying security of the options rises to the range of 220% to 280% of the exercise price.

For the past 5 years to the valuation date, no dividend has been declared and paid for the shareholders of the Company. Dividend yield is assumed to be zero in the Binomial Model.

The Group recognised the total expenses of approximately HK\$9,004,000 for the six months ended 30 September 2016 (30 September 2015: Nil), in relation to the options granted by the Company to Directors and certain employees of the Group in the profit or loss.

- (iii) The exercise price of the share options is determinable by the Directors, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares. The options outstanding at 30 September 2016 have a weighted average remaining contractual life of approximately 3 years (31 March 2016: N/A).

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24. Share Capital

| | Number of shares | Nominal value HK\$'000 |
|---|-----------------------|---------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 April 2015 (audited), 31 March 2016 (audited) and 30 September 2016 (unaudited) | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 April 2015 (audited) | 902,649,020 | 9,026 |
| Shares issued in settlement of earn-out consideration (<i>Note (i)</i>) | 34,364,261 | 344 |
| At 31 March 2016 and 1 April 2016 (audited) | 937,013,281 | 9,370 |
| Issue of shares pursuant to open offer (<i>Note (ii)</i>) | 1,405,519,920 | 14,055 |
| Issue of shares upon to exercise of share options (<i>Note (iii)</i>) | 5,000,000 | 50 |
| At 30 September 2016 (unaudited) | 2,347,533,201 | 23,475 |

Notes:

- (i) Pursuant to the acquisition agreement dated 16 October 2014 in relation to the acquisition of DigiSmart Group, the Company had issued 34,364,261 new shares at a market price of HK\$0.38 at the date of issuance for settlement of earn-out consideration payable on 31 March 2016 following the fulfillment of the profit guarantee. The fair value of issued shares of HK\$13,059,000 over the nominal value of HK\$344,000 was credited to the share premium account. Further details are set out in the announcement of the Company dated 29 March 2016.
- (ii) Pursuant to the Underwriting Agreement entered between the Company and Cheong Lee Securities Company Limited on 17 May 2016, the Company had issued 1,405,519,920 new ordinary shares at a subscription price of HK\$0.164 per offer share to the shareholders of the Company on the basis of three offer shares for every two shares held on the record date (the "Open Offer") on 15 August 2016. The net proceeds from the Open Offer, after deducting the related Open Offer commission, professional fees and all related expenses, was approximately HK\$219,426,000, out of which approximately HK\$14,055,000 and HK\$205,371,000 were recorded in share capital and share premium account respectively. Further details are set out in the circular of the Company dated 24 June 2016, prospectus of the Company dated 25 July 2016 and announcements of the Company dated 17 May 2016, 24 June 2016, 15 July 2016 and 15 August 2016 respectively.
- (iii) During the six months ended 30 September 2016, 5,000,000 share options were exercised at the exercise price of HK\$0.48 per share. The total cash consideration received from the issuance 5,000,000 shares was approximately HK\$2,400,000, of which HK\$50,000 was credited to issued share capital and the remaining balance of HK\$2,350,000 was credited to the share premium account. In addition and amount attributable to the related share option of approximately HK\$821,000 has been transferred from share option reserve to the share premium account.

All the shares issued during the Interim Period rank pari passu with the then existing shares in all respects.

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25. Related Party Disclosures

Saved as disclosed elsewhere in this report, details of transactions between the Group and other related parties are disclosed below:

(I) Related Party Transactions

During the Interim Period, the Group entered into following transactions with related parties:

| Name of related parties | Nature of transactions | Six months ended 30 September | |
|-------------------------|----------------------------|----------------------------------|---------------------------------|
| | | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| 廣州帝琴錶帶有限公司(Note (a)) | Purchase of goods | 512 | – |
| Kwan Lun (Note (b)) | License fee | 13 | 143 |
| | Purchase of goods | 4,489 | 3,350 |
| | Financial guarantee income | 228 | – |

Notes: (a) The goods were purchased from a company held by a family member of the director and shareholder of the Group's associate.

(b) The license fee is paid to, financial guarantee income is received from and goods are purchased from the Group's associate.

The Directors are of the opinion that the above related parties transactions were conducted on mutually agreed between the parties and in the ordinary course of business.

(II) Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the six months ended 30 September 2016 was as follows:

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Fees, salaries and other allowances | 5,297 | 27,526 |
| Retirement benefit scheme contributions | 48 | 57 |
| Equity-settled share-based payment expenses | 7,536 | – |
| | 12,881 | 27,583 |

(III) Guarantees provided to a related party

At 30 September 2016 and 31 March 2016, the Group issued corporate financial guarantees of an aggregate amount of HK\$9,100,000 to bank in respect of banking facilities granted to an associate of the Group, Kwan Lun.

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26. Contingent Liabilities

Financial guarantee issued

As at 30 September 2016 and 31 March 2016, the Group has issued a guarantee to a bank in respect of borrowings made by Kwan Lun, an associate of the Group. Under the guarantee, the Group is liable for a maximum of HK\$9,100,000 borrowings of Kwan Lun from the bank. The Directors do not consider it is probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 30 September 2016 under the guarantee issued represents the amount drawn down by the associate of HK\$6,911,000 (31 March 2016: HK\$6,976,000).

27. 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 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| At 30 September 2016 (unaudited) | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – Unlisted equity securities | – | – | 150,000 | 150,000 |
| At 31 March 2016 (audited) | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – Unlisted equity securities | – | – | 154,000 | 154,000 |

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27. Fair Value Measurement of Financial Instruments (Continued)

Fair Value Estimation (Continued)

Available-for-sale financial assets – 10% of China Energy

As at 31 March 2016, the fair value of the available-for-sale financial assets – 10% of China Energy, unlisted equity securities, was determined based on income approach using a cash flow projection according to the financial budgets approved by the management for next 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 0%. The post-tax discount rate applied to discount the forecast cash flow was 20.15%. The discounts for lack of control and lack of marketability were 10% and 15% respectively. Should the perpetuity growth rate increase or decrease by 0.5%; or the discount rate increase or decrease by 1%; and the discounts for lack of control and lack of marketability increase or decrease by 10% respectively, the fair value of 10% of China Energy would be no change.

Available-for-sale financial assets – 10% of Goldbell

The fair value of the available-for-sale financial assets – 10% of Goldbell, unlisted equity securities, is determined based on income approach using a cash flow projection according to the financial budgets approved by the management for next 6 years (31 March 2016: 6 years), and adjusted for the lack of control and lack of marketability. The post-tax discount rate applied to discount the forecast cash flow is 12.58% (31 March 2016: 13.23%). The discounts for lack of control and lack of marketability are 22.00% (31 March 2016: 18.77%) and 14.60% (31 March 2016: 14.70%) respectively. Should the discount rate increase or decrease by 1% (31 March 2016: 1%), the fair value of 10% of Goldbell would be decreased or increased by approximately HK\$4,000,000 (31 March 2016: HK\$5,000,000). Should the discounts for lack of control and lack of marketability increase or decrease by 10% (31 March 2016: 10%) respectively, the fair value of 10% of Goldbell would be decreased or increased by approximately HK\$35,000,000 to HK\$39,000,000 (31 March 2016: approximately HK\$35,000,000 to HK\$40,000,000) respectively.

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27. Fair Value Measurement of Financial Instruments (Continued)

Fair Value Estimation (Continued)

The movements for financial instruments of Level 3 fair value measurement is as follows:

| | Available-for-sale financial assets HK\$'000 | Contingent consideration receivables HK\$'000 | Total HK\$'000 |
|---|--|--|-------------------|
| At 1 April 2015 (audited) | 170,300 | 39,726 | 210,026 |
| Impairment | (2,200) | – | (2,200) |
| Total losses for the year | | | |
| – included in other comprehensive income | (14,100) | – | (14,100) |
| – included in profit or loss (included in other gains and losses) | – | (39,726) | (39,726) |
| At 31 March 2016 (audited) | 154,000 | – | 154,000 |
| Total losses for the period | | | |
| – included in other comprehensive income | (4,000) | – | (4,000) |
| At 30 September 2016 (unaudited) | 150,000 | – | 150,000 |

During the Interim Period, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

28. Significant Event After Reporting Period

On 24 November 2016, the Company announced that to apply HK\$10 million of the unutilised proceeds from the Open Offer to subscribe straight bonds which are to be issued by a Hong Kong listed company with a term of one year (the "Bonds"). The Bonds will bear interest at the rate of 2% per month, payable monthly in arrears. Further details are set out in the announcement of the Company dated 24 November 2016.