

2017/2018 INTERIM REPORT



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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)



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Corporate Information

Executive Directors

Mr. Wong Wai Sing (*Chairman and Chief Executive Officer*)

Mr. Chan Kin Lung

Mr. Lee Chi Shing, Caesar

Mr. Wong Jeffrey

Non-executive Director

Ms. Lin Fang

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

Listing Information

Main Board of

The Stock Exchange of Hong Kong Limited

Stock Code: 1323

Company's Website

www.newtreegroupholdings.com

Headquarters

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Macau Finance Centre

Rua de Pequim

Macau

Registered Office

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Grand Cayman, KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong

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Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

SMP Partners (Cayman) Limited

Royal Bank House

3rd Floor

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P.O. Box 1586

Grand Cayman

KY1-1110, Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited

Level 22, Hopewell Centre

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Hong Kong

Principal Bankers

Bank of China, Macau Branch

Bank of East Asia, Limited

Bank of Communications Co. Ltd. Hong Kong Branch

Auditor

Moore Stephens CPA Limited

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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 2017 (the “Interim Period”).

Business and Financial Review

During the Interim Period, the Group has been engaged in (i) wholesale and retail of household consumables (“Household Consumables Business”); (ii) trading of coal products (“Coal Business”); (iii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); and (v) provision of money lending services (“Money Lending Business”). The Group was also engaged in (i) sales and distribution of jewelries and watches (“Jewelries and Watches Business”); and (ii) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials (“Hygienic Disposables Business”), which were disposed and classified as discontinued operations during the Interim Period.

For the Interim Period, the Group recorded a net profit attributable to the owners of the Company of approximately HK\$55.4 million (six months ended 30 September 2016: loss of approximately HK\$153.1 million).

Continuing Operations

Revenue

The Group’s revenue from continuing operations increased by approximately HK\$9.9 million or 26.2% from approximately HK\$37.9 million for the six months ended 30 September 2016 to approximately HK\$47.8 million for the Interim Period.

The following table sets forth a breakdown of the Group’s revenue from continuing operations by segments and geographical locations 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 2016:

Management Discussion and Analysis

Business and Financial Review (Continued)

Continuing Operations (Continued)

Revenue (Continued)

	Six months ended 30 September			
	2017 HK\$'000 (unaudited)	2017 %	2016 HK\$'000 (unaudited) (restated)	2016 %
By segment:				
Household Consumables Business	26,952	56	29,743	78
Coal Business	–	–	–	–
Digital Technology Business	2,813	6	261	1
Education Business	8,561	18	7,882	21
Money Lending Business	9,496	20	–	–
Total	47,822	100	37,886	100
By geographical location:				
United Kingdom	26,952	56	29,743	78
Hong Kong	13,356	28	4,031	11
The People's Republic of China (the "PRC")	7,490	16	3,994	11
Macau	24	–	118	–
Total	47,822	100	37,886	100

The Group's revenue from Household Consumables Business decreased by approximately HK\$2.8 million or 9.4% from approximately HK\$29.7 million for the six months ended 30 September 2016 to approximately HK\$27.0 million for the Interim Period was mainly due to the Great British Pound ("GBP") continuous weaken after Brexit referendum in June 2016. The GBP currency rate during the Interim Period has been dropped sharply by approximately 4% compared with the corresponding period in 2016. No revenue was generated from Coal Business for both the Interim Period and the six months ended 30 September 2016. During the Interim Period, the trading transactions were still under suspension whereas the long outstanding trade receivables from the sole customer were under repayment steadily. The Directors are expected that once the respective trade receivable being lessen to an acceptable level, the trading is expected to be resumed. The revenue from Digital Technology Business increased by approximately HK\$2.6 million from approximately HK\$0.3 million for the six months ended 30 September 2016 to approximately HK\$2.8 million during the Interim Period was mainly due to the positive results from the change in its sales mix which re-gain the competitiveness in the market especially in the PRC and sales order increased accordingly.

Management Discussion and Analysis

Business and Financial Review (Continued)

Continuing Operations (Continued)

Revenue (Continued)

Revenue from Education Business increased by approximately HK\$0.7 million or 8.6% from approximately HK\$7.9 million for the six months ended 30 September 2016 to approximately HK\$8.6 million during the Interim Period was mainly due to the increase in revenue from the provision of English language proficiency tests in both Hong Kong and the PRC. During the Interim Period, Money Lending Business generated significant revenue by providing loan financing services in Hong Kong. Approximately HK\$9.5 million loan interest income was generated. Since Money Lending Business was acquired in December 2016, no comparative information for this business is shown.

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 2016.

	Six months ended 30 September			
	2017 HK\$'000 (unaudited)	2017 GP%	2016 HK\$'000 (unaudited) (restated)	2016 GP%
By segment:				
Household Consumables Business	5,225	19.4	5,531	18.6
Coal Business	–	–	–	–
Digital Technology Business	2,118	75.3	(1,369)	–
Education Business	5,228	61.1	4,909	62.3
Money Lending Business	9,496	100.0	–	–
Overall	22,067	46.1	9,071	23.9

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

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

Gross profit from continuing operations increased by approximately HK\$13.0 million or 1.4 times from approximately HK\$9.1 million for the six months ended 30 September 2016 to approximately HK\$22.1 million for the Interim Period. The Group's gross profit margin for Household Consumables Business increased from approximately 18.6% for the six months ended 30 September 2016 to approximately 19.4% for the Interim Period was due to focus in trading higher profit margin contribution products. No gross profit margin for Coal Business for both the Interim Period and the six months ended 30 September 2016 as resulted from the temporary suspension of trading transactions in this segment. Gross profit margin for Digital Technology Business turnaround from a gross loss margin for the six months ended 30 September 2016 to a gross profit margin of approximately 75.3% for the Interim Period primarily due to increase in sales volume while cost of labour remains constant over the sales volume. The gross profit margin for Education Business decreased slightly from approximately 62.3% for the six months ended 30 September 2016 to approximately 61.1% 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. Since Money Lending Business was acquired during December 2016, no comparative information for this business is shown. The gross profit margin for Money Lending Business is 100% for the six months ended 30 September 2017 which contributed a positive impact to the Group's gross profit margin since its acquisition.

Other income

Other income from continuing operations mainly consists of bank interest income, interest income from bond receivable and dividend income from investment in available-for-sale financial assets. Other income increased by approximately HK\$3.2 million for the Interim Period as (i) dividend income from the Group's unlisted equity investment in Goldbell Holdings Limited ("Goldbell") of approximately HK\$2.0 million; and (ii) bond interest income of approximately HK\$1.2 million were recognised during the Interim Period, while no such income was recorded for the corresponding period in 2016.

Other gains and losses

For the Interim Period, the other gains and losses from continuing operations mainly comprise of fair value gains on of financial assets at fair value through profit or loss of approximately HK\$1.0 million, while for the corresponding period in 2016, the other gains and losses mainly comprise of impairment loss on trade receivables, net of reversal of impairment loss on trade receivables of approximately HK\$26.4 million due to certain customers with prolonged delay in repayment which casts doubts on their abilities to make repayments and impairment loss on goodwill of approximately HK\$49.3 million arising from Digital Technology Business.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

Selling and distribution expenses

Selling and distribution expenses from continuing operations mainly consist of transportation expenses and commission paid to sales agents. Approximately HK\$0.6 million was recognised during the Interim Period which remains similar compared with the corresponding period in 2016.

Administrative expenses

Administrative expenses from continuing operations mainly consist of staff costs (including directors' remuneration), legal and professional fee, consultancy fee and rental expenses. Administrative expenses decreased by approximately HK\$10.2 million or 27.7% from approximately HK\$36.8 million for the six months ended 30 September 2016 to approximately HK\$26.6 million for the Interim Period mainly due to decrease in total staff costs of approximately HK\$7.7 million.

Finance costs

Finance costs from continuing operations mainly represent interest expenses on convertible bonds. The finance costs decreased by approximately HK\$4.3 million or 48.6% from approximately HK\$8.9 million for the six months ended 30 September 2016 to approximately HK\$4.6 million for the Interim Period as new convertible bonds were issued in August 2017, only approximately 2-months interest expenses were accounted for the six months ended 30 September 2017, while for the corresponding period in 2016, approximately 5-months interest expenses arising from the convertible bonds which was fully redeemed in August 2016.

Loss before income tax

The Group recorded a loss before income tax from continuing operations of approximately HK\$5.6 million for the Interim Period as compared to approximately HK\$112.9 million during the six months ended 30 September 2016. The decrease in loss for the Interim Period compared to the corresponding period in 2016 mainly due to the increase in gross profit of approximately HK\$13.0 million primarily arising from Money Lending Business which was acquired in December 2016 and contributed a positive gross profit to the Group since its acquisition and the decrease in impairment losses on trade receivables and goodwill from continuing operations amounting to approximately HK\$75.7 million totally.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

Income tax expense

The Group recorded income tax expense of approximately HK\$2.5 million during the Interim Period as compared to approximately HK\$0.5 million during the six months ended 30 September 2016. There was no significant change in applicable tax rates of the Company's subsidiaries during the Interim Period. The subsidiaries operating in Hong Kong were subject to Hong Kong Profits Tax at a rate of 16.5% (six months ended 30 September 2016: 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 majority subsidiaries operating in the PRC was subject to a tax rate of 25% (six months ended 30 September 2016: 25%) except for a subsidiary which was recognised as a high and new technology enterprise is subject to a preferential tax rate of 15% (six months ended 30 September 2016: 15%). For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both periods.

The increase in income tax expense was mainly due to income tax provision for Money Lending Business which was acquired in December 2016.

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 amounted to approximately HK\$44.7 million for the Interim Period as compared to a loss of approximately HK\$159.5 million for the six months ended 30 September 2016.

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, no impairment loss on goodwill was recognised. The management assessed the recoverable amount of each of the individual business units based on a value-in-use/fair-value-less-costs-of-disposal calculation with reference to professional valuation performed by independent professional appraisal firms. Details of the impairment testing on other intangible assets and goodwill are set out in Note 16 to the unaudited condensed consolidated financial statements of this report.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Discontinued Operations

Jewelries and Watches Business

On 28 March 2017, the Group entered into a disposal agreement to dispose of its entire equity interest of Tiger Global Group Limited (“Tiger Global”, together with its subsidiary and associate are referred to as the “Tiger Global Group”), to an independent third party at a consideration of HK\$30.0 million. The Tiger Global Group carried out all of the Group’s Jewelries and Watches Business operation. Accordingly, the Group’s Jewelries and Watches Business operation was classified as discontinued operation, and the disposal was completed on 30 June 2017. A gain on disposal of Tiger Global Group of approximately HK\$0.5 million was recognised in the Interim Period.

Gross loss margin and net loss were resulted for the Interim Period and the six months ended 30 September 2016. In view of the unsatisfactory performance of Tiger Global Group over the past years, the Board considered that the disposal of Tiger Global Group is expected to allow the Group to realise its investment in Tiger Global Group, eliminate the uncertainty of future performance of the sales and distribution of jewelries and watches from the Group, reallocate its resources to other business segments and strengthen the capital base of the Group.

Details of the disposal are set out in the announcements of the Company dated 28 March 2017, 29 March 2017 and 30 June 2017 and Notes 11, 23 and 29(a) to the unaudited condensed consolidated financial statements of this report.

Hygienic Disposables Business

On 5 May 2017, the Group also entered into a disposal agreement to dispose of its entire equity interest of Brighten Tree Limited, together with its subsidiary (the “Brighten Tree Group”) and the aggregate advance owned by the Brighten Tree Group (the “Brighten Tree Group Shareholders’ Loan”), to independent third parties at a consideration of HK\$85.0 million. Brighten Tree Group held the manufacturing arm of the Group’s Hygienic Disposables Business. Accordingly, the Group’s Hygienic Disposables Business would then be classified as discontinued operation, and the disposal was completed on 25 May 2017. A gain on disposal of approximately HK\$64.7 million was recognised in the Interim Period.

During the Interim Period, gross profit generated from Hygienic Disposables Business decreased by approximately HK\$1.8 million, or 70.5% to approximately HK\$0.8 million (30 September 2016: approximately HK\$2.5 million), which was insufficient to cover its expenses, resulting in a net loss from its operation of approximately HK\$1.3 million (30 September 2016: approximately HK\$2.0 million). In view of Hygienic Disposables Business has been making losses for the past three years, the Board considered that it is appropriate and in the interests of the Group and the shareholders of the Group to terminate this loss-making business and to reallocate more resources to other business segments of the Group.

Details of the disposal are set out in the announcements of the Company dated 5 May 2017 and 25 May 2017 and Notes 11 and 29(b) to the unaudited condensed consolidated financial statements of this report.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Liquidity, Financial Resources and Gearing

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 and convertible bonds. As at 30 September 2017, the Group held cash and bank balances of approximately HK\$46.4 million (31 March 2017: approximately HK\$25.6 million). The Group's current ratio as at 30 September 2017 was 1.4 (as at 31 March 2017: 1.4). The gearing ratio as at 30 September 2017 was 46.2% (as at 31 March 2017: nil), calculated as total borrowings (including the Convertible Bonds 2019 (as defined below)) over equity attributable to owners of the Company.

Capital Structure

(A) Share Capital

As at 30 September 2017 and 31 March 2017, the Company has 2,378,783,201 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK\$424.6 million (31 March 2017: HK\$371.3 million). There was no change in the share capital structure of the Company during the Interim Period.

(B) Share Option

On 29 August 2016, the Company granted 57,900,000 share options under the share option scheme of the Company adopted on 26 February 2015 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK\$0.48 per share, which were vested immediately on the date of grant (i.e. 29 August 2016) and will expire on 28 August 2019, of which 52,500,000 share options were outstanding as at 30 September 2017. Further details of the Share Option Scheme and movement of share options are set out in section "Share Option Scheme" under Other Information in this report.

(C) Convertible Bonds

On 4 August 2017, the Company, as issuer, and Lead Thrive Investments Limited, as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK\$200 million with an initial conversion price at HK\$0.46 per share due on 10 August 2019 (the "Convertible Bonds 2019"). The Convertible Bonds 2019 was issued on 11 August 2017.

The actual net proceeds from the Convertible Bonds 2019 were approximately HK\$199.7 million. As at 30 September 2017, the net proceeds were used as to (i) HK\$47.0 million as the refundable deposit as part of the consideration for the acquisition of 20% equity interest in Alpha Youth Limited (together with its subsidiaries, the "Alpha Youth Group") as disclosed in the announcement of the Company dated 21 September 2017; (ii) approximately HK\$134.7 million temporarily applied as to the working capital of the Money Lending Business; and (iii) approximately HK\$18.0 million remain unused.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Capital Structure *(Continued)*

(C) Convertible Bonds *(Continued)*

During the Interim Period, no Convertible Bonds 2019 has been converted into shares of the Company. As at 30 September 2017, the aggregate outstanding principal amount of the Convertible Bonds 2019 was HK\$200.0 million.

Further details are set out in the announcements of the Company dated 4 August 2017, 11 August 2017 and 21 September 2017.

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 2017. 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.

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

Charge on Assets

As at 30 September 2017, the Group did not have any assets under charged/pledged while as at 31 March 2017, certain buildings and leasehold land with carrying value of approximately HK\$10.2 million had been pledged as securities for certain banking facilities granted to the Group.

Management Discussion and Analysis

Contingent Liabilities

As at 31 March 2017, 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. Such corporate guarantee is ceased upon the completion of disposal of Tiger Global Group on 30 June 2017. Saved as aforesaid or otherwise mentioned herein, the Group did not have any other material contingent liabilities as at 30 September 2017.

Operating Lease Commitments

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

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Within one year	4,278	4,391
In the second to fifth years, inclusive	2,594	4,076
	6,872	8,467

Significant Events, Acquisition and Material Disposals

Save as the Convertible Bonds 2019 as disclosed in the paragraph headed "Capital Structure" under "Business and Financial Review", disposal of the Tiger Global Group and the Brighten Tree Group as disclosed in the paragraph headed "Discontinued Operations" under "Business and Financial Review" in this report, the Group has also involved in the following proposed acquisition:

Management Discussion and Analysis

Significant Events, Acquisition and Material Disposals *(Continued)*

Proposed acquisition of 20% equity interest in Alpha Youth Limited

On 21 September 2017, Bright World Investment Limited, a wholly-owned subsidiary of the Company, entered into a conditional acquisition agreement (as amended and supplemented by the supplemental agreement dated 6 October 2017, the "Acquisition Agreement") with an independent vendor relating to the acquisition of 20% equity interest in Alpha Youth Limited (together with its subsidiaries are referred as "Alpha Youth Group") as at the date of completion at a consideration of HK\$119.0 million (subjected to adjustments) (the "Alpha Youth Acquisition"). The consideration would be settled in (i) HK\$47.0 million paid in cash by the Company as a refundable deposit upon signing the Acquisition Agreement; (ii) HK\$48.0 million in cash paid upon completion; and (iii) HK\$24.0 million by the issue of the promissory notes at completion which should be held in escrow by an escrow agent jointly appointed by the Group and the vendor as a security for the profit guarantee from the vendor.

The Alpha Youth Group is principally engaged in the production and sale of concrete in Hainan Province, the PRC. The Directors believe there would be strong demand for concrete in Hainan Province in coming years and are optimistic about the growth and prospect of the concrete industry in Hainan Province. The Directors are also considering that the Alpha Youth Acquisition represents an attractive investment opportunity for the Group to tap into the concrete industry in the PRC. Upon completion, the Alpha Youth Group will become an associate of the Group.

The cash portion of the consideration would be funded by the proceeds from the issue of the Convertible Bonds 2019. Refundable deposit of HK\$47.0 million had been paid as at 30 September 2017.

The Alpha Youth Acquisition has not been completed as at the date of this report.

Upon completion, the Group and the independent vendor shall enter into an option deed, pursuant to which the independent vendor will grant the Group a right to acquire all but not part of the remaining 80% of the issued share capital of the Alpha Youth Limited within two years from the date of completion.

Further details are set out in the announcements of the Company dated 21 September 2017, 6 October 2017 and 7 November 2017.

Human Resources

The number of employees of the Group as at 30 September 2017 was 84 (30 September 2016: 137) 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.

Management Discussion and Analysis

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.

Household Consumables Business

The Group's Household Consumables Business primarily targets the wholesale and retail customers in the Europe region. Despite the ever-changing macroeconomic dynamics in the Europe region which may hinder our Household Consumables Business, the Directors are still optimistic in its potential growth. Through product mix optimisation and strategic marketing orientation, the profit margin in this segment has been improving in recent years. The Group continue to identify new customers with an aim to increase its market shares, trading volume and distribution channel.

Coal Business

The overdue account receivable by our customer has been repaying at a steady rate during the Interim Period. 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.

Digital Technology Business

Persistent demand 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.

Management Discussion and Analysis

Prospects *(Continued)*

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 would ride on such industry expansion.

Money Lending Business

Money Lending Business was acquired by the Group in December 2016. Base on its current financial performance, the Board is confident that Money Lending Business will continue to contribute a stable and favorable income stream to the Group in future years. The Board believes that Money Lending Business will provide an excellent platform for the Group to explore and capitalise this business market. The Group will continue to develop this business by retaining prudent credit control procedures and strategies to balance between business growth and risk management.

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 “Stock Exchange”) (the “Listing Rules”). 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 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 board should attend the annual general meeting.

Mr. Wong Wai Sing, being the chairman of the Board, was unable to attend the annual general meeting of the Company held on 15 August 2017 (the “2017 AGM”) due to other commitment and Mr. Wong Wai Sing appointed Mr. Wong Jeffrey, an executive Director, to act as his representative at the 2017 AGM and to take the chair of the 2017 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 a code of conduct regarding directors’ securities transactions with terms no less exacting than those set out in 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 2017, 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 and underlying shares of the Company

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	415,532,000	–	17.46%
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:

- Mr. Wong Wai Sing holds 22,294,000 shares in personal capacity, he also beneficially owned the entire issued share capital of Twin Star Global Limited, which is interested in 393,238,000 shares of the Company.
- All are options granted by the Company on 29 August 2016 under the Share Option Scheme adopted by the Company on 26 February 2015.

Save as disclosed above, as at 30 September 2017, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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.

Substantial Shareholders

As at 30 September 2017, 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 positions in the Shares and underlying shares

Name	Nature of interest	Total number of shares or underlying shares held	Approximate percentage of interest in the Company
Twin Star Global Limited (<i>Note 1</i>)	Beneficial owner	393,238,000 shares	16.53%
Lead Thrive Investments Limited (<i>Note 2</i>)	Beneficial owner	434,782,608 underlying shares	18.27%
Mr. Fu Sze Shing (<i>Note 2</i>)	Beneficial owner	18,000,000 shares	19.03%
	Interest of a controlled corporation	434,782,608 underlying shares	

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong Wai Sing, the chairman of the Board and an executive Director. Accordingly, Mr. Wong Wai Sing is deemed to be interested in the shares held by Twin Star Global Limited.
2. These underlying shares of the Company represent a maximum of 434,782,608 new shares that may be issued upon full conversion of the Convertible Bonds 2019 which are beneficially owned by Lead Thrive Investments Limited whose entire issued share capital is beneficially owned by Mr. Fu Sze Shing. By virtue of the SFO, Mr. Fu Sze Shing is deemed to be interested in the underlying shares held by Lead Thrive Investments 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 2017.

Other Information

Share Option Scheme

The Company has adopted a Share Option Scheme on 26 February 2015 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.

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 30% of the shares of the Company in issue 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 shares of the Company in issue 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 shares of the Company in issue 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 9.87% of the shares of the Company in issue as at the date of this report.

Other Information

Share Option Scheme *(Continued)*

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 shares of the Company in issue. 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.

Pursuant to the Share Option Scheme, HK\$1.00 per offer of grant is payable by the grantee to the Company on acceptance of the option offer as consideration for the grant. The option must be accepted within 10 days from the date on which an offer of option is made to a grantee.

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 shares of the Company in issue 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 30.09.2017
				Balance as at 01.04.2017	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
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				32,400,000	–	–	–	–	32,400,000
Employees									
In aggregate	29/08/2016 (Note 1)	HK\$0.48	29/08/2016 – 28/08/2019	20,100,000	–	–	–	–	20,100,000
Sub-Total				20,100,000	–	–	–	–	20,100,000
Total				52,500,000	–	–	–	–	52,500,000

Notes:

- The closing price of the shares immediately before 29 August 2016, on which those options were granted, was HK\$0.40 per share.
- 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

Save as those disclosed in this report, 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 2016: 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, there was no change in the information of the Directors and chief executive of the Company.

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

Hong Kong, 29 November 2017

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	4	47,822	37,886
Cost of sales		(25,755)	(28,815)
Gross profit		22,067	9,071
Other income	5	3,167	1
Other gains and losses	6	940	(75,675)
Selling and distribution expenses		(584)	(598)
Administrative expenses		(26,616)	(36,792)
Finance costs	7	(4,585)	(8,922)
Loss before income tax from continuing operations		(5,611)	(112,915)
Income tax expense	8	(2,479)	(470)
Loss for the period from continuing operations	9	(8,090)	(113,385)
Discontinued operations			
Profit (loss) for the period from discontinued operations	11	63,401	(42,423)
Profit (loss) for the period		55,311	(155,808)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation		2,048	(2,468)
– Fair value loss on available-for-sale financial assets		–	(4,000)
		2,048	(6,468)
Item that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries		(12,693)	–
		(12,693)	–
Other comprehensive income for the period, net of income tax		(10,645)	(6,468)
Total comprehensive income for the period, net of income tax		44,666	(162,276)
Profit (loss) for the period attributable to:			
Owners of the Company		55,389	(153,079)
Non-controlling interests		(78)	(2,729)
		55,311	(155,808)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2017

		Six months ended 30 September	
	Notes	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Total comprehensive income for the period attributable to:			
Owners of the Company		44,727	(159,547)
Non-controlling interests		(61)	(2,729)
		44,666	(162,276)
Profit (loss) per share attributable to owners of the Company			
	12		
From continuing and discontinued operations			
Basic and diluted (HK cents)		2.33	(10.24)
From continuing operations			
Basic and diluted (HK cents)		(0.34)	(7.40)
From discontinued operations			
Basic and diluted (HK cents)		2.67	(2.84)

Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2017

	Notes	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,386	9,408
Prepaid lease payments		–	5,049
Other intangible assets	14	49,691	49,818
Goodwill	15	84,285	84,285
Available-for-sale financial assets	17	156,200	156,200
Loan receivables	19	–	8,000
		291,562	312,760
CURRENT ASSETS			
Inventories		4,530	12,423
Prepaid lease payments		–	164
Loan receivables	19	236,893	19,260
Trade and other receivables and prepayments	20	79,072	124,274
Refundable deposit	20	47,000	–
Bond receivable		10,245	10,842
Financial assets at fair value through profit or loss	18	20,676	–
Bank balances and cash		46,358	25,636
		444,774	192,599
Assets held for sale	23	–	33,558
		444,774	226,157
CURRENT LIABILITIES			
Trade and other payables and accruals	21	112,007	155,995
Tax payable		2,355	6,623
Convertible bonds	22	196,049	–
		310,411	162,618
Liabilities directly associated with assets held for sale	23	–	3,558
		310,411	166,176
NET CURRENT ASSETS		134,363	59,981
TOTAL ASSETS LESS CURRENT LIABILITIES		425,925	372,741
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,302	8,319
NET ASSETS		417,623	364,422
CAPITAL AND RESERVES			
Share capital	25	23,788	23,788
Reserves		400,772	347,510
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		424,560	371,298
Non-controlling interests		(6,937)	(6,876)
TOTAL EQUITY		417,623	364,422

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	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 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 25(i))	14,055	216,450	–	–	–
Transaction cost attributable to issue of open offer shares (Note 25(i))	–	(11,079)	–	–	–
Recognition of equity-settled share-based payments (Note 24(b))	–	–	–	–	9,004
Issue of shares upon exercise of share options (Note 25(ii))	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
At 1 April 2017 (audited)	23,788	1,112,811	49	–	8,127
Profit (loss) for the period	–	–	–	–	–
Other comprehensive income, net of income tax:					
– Exchange differences arising on translation	–	–	–	–	–
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries (Note 29(b))	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–
Issue of convertible bond (Note 22)	–	–	–	8,535	–
Transaction with owners	–	–	–	8,535	–
At 30 September 2017 (unaudited)	23,788	1,112,811	49	8,535	8,127

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 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.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

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 equity HK\$'000
(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
-	678	8,490	(6,000)	(776,645)	371,298	(6,876)	364,422
-	-	-	-	55,389	55,389	(78)	55,311
-	-	2,031	-	-	2,031	17	2,048
-	-	(12,693)	-	-	(12,693)	-	(12,693)
-	-	(10,662)	-	55,389	44,727	(61)	44,666
-	-	-	-	-	8,535	-	8,535
-	-	-	-	-	8,535	-	8,535
-	678	(2,172)	(6,000)	(721,256)	424,560	(6,937)	417,623

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Cash used in operating activities		(254,661)	(42,663)
Income taxes paid		(2,192)	(1,399)
NET CASH USED IN OPERATING ACTIVITIES		(256,853)	(44,062)
INVESTING ACTIVITIES			
Net cash inflow on disposal of subsidiaries and an associate		96,849	–
Purchase of property, plant and equipment		(9)	(474)
Purchase of financial assets at fair value through profit or loss		(46,712)	–
Proceeds from disposal of financial assets at fair value through profit or loss		27,016	–
Decrease in pledged bank deposit		–	7,809
Proceeds from disposal of property, plant and equipment		187	–
Dividend income from available-for-sale financial assets		955	–
Interest received		1,808	4
NET CASH GENERATED FROM INVESTING ACTIVITIES		80,094	7,339
FINANCING ACTIVITIES			
Proceed from placing of open offer shares	25(i)	–	230,505
Issuance cost attributable to issue of open offer shares		–	(11,079)
Proceed from exercise of share options	25(ii)	–	2,400
Proceed from issuance of convertible bonds	22	200,000	–
Repayment of convertible bonds	22	–	(100,000)
Trust receipt loan repaid		–	(752)
Advance (to) from related parties		(3,031)	3,079
Interest paid		(1)	(31,271)
NET CASH GENERATED FROM FINANCING ACTIVITIES		196,968	92,882
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,209	56,159
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
Effect of foreign exchange rate changes		509	(327)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
represented by bank balances and cash		46,358	83,643
Analysis of cash and cash equivalents			
Bank balances and cash		46,358	83,643

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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 2804-07, 28/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are (i) wholesale and retail of household consumables ("Household Consumables Business"); (ii) trading of coal products ("Coal Business"); (iii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application ("Digital Technology Business"); (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests ("Education Business"); and (v) provision of money lending services ("Money Lending Business"). The Group was also engaged in the business of (i) sales and distribution of jewelries and watches ("Jewelries and Watches Business") which was discontinued during the year ended 31 March 2017; and (ii) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials ("Hygienic Disposables Business") which was discontinued during the Interim Period, 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 2017, 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 2017 (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 2017

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 and financial assets at fair value through profit or loss 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 2017.

Certain figures in the financial statements for six months ended 30 September 2016 related to discontinued operations have been reclassified and restated to conform with the current Interim Period presentations and accounting treatment.

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 results of operations and financial position.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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:

- Coal Business – Trading of coal products
- Household Consumables Business – Wholesale and retail of household consumables
- Digital Technology Business – Design and development of three-dimensional animations, augmented reality technology application and e-learning web application
- Education Business – Provision of educational technology solutions through online education programs and provision of English language proficiency tests
- Money Lending Business – Provision of money lending services
- Hygienic Disposables Business – Manufacture and trading of clinical and household hygienic disposables and trading of related raw materials¹ (discontinued operation)
- Jewelries and Watches Business – Sales and distribution of jewelries and watches² (discontinued operation)

¹ The Group completed the disposal of the Hygienic Disposables Business on 25 May 2017. Accordingly, the Hygienic Disposables Business segment was classified as a discontinued operation, details of which are set out in Note 11.

² The Group completed the disposal of the entire equity interest of Tiger Global Group, which carried out the whole Group's Jewelries and Watches Business, on 30 June 2017. Accordingly, the Jewelries and Watches Business segment was classified as a discontinued operation. Details of which are set out in Note 11.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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 from continuing operations:

	Continuing operations					Total HK\$'000 (unaudited)
	Coal Business HK\$'000 (unaudited)	Household Consumables Business HK\$'000 (unaudited)	Digital Technology Business HK\$'000 (unaudited)	Education Business HK\$'000 (unaudited)	Money Lending Business HK\$'000 (unaudited)	
For the six months ended 30 September 2017						
Revenue from external customers	–	26,952	2,813	8,561	9,496	47,822
Segment profit (loss)	(785)	2,394	91	(309)	8,975	10,366
Bank interest income						9
Dividend income from investment in available-for-sale financial assets						1,955
Interest income from bond receivable						1,203
Exchange differences						3
Amortisation of other intangible assets						(413)
Fair value gains on financial assets at fair value through profit or loss						980
Central administration costs						(19,714)
Loss before income tax from continuing operations						(5,611)
For the six months ended 30 September 2016						
						(restated)
Revenue from external customers	–	29,743	261	7,882	–	37,886
Segment (loss) profit	(27,298)	2,305	(2,538)	(3,170)	–	(30,701)
Bank interest income						1
Exchange differences						10
Amortisation of other intangible assets						(430)
Impairment loss on goodwill						(49,303)
Central administration costs						(32,492)
Loss before income tax from continuing operations						(112,915)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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) from continuing operations represent the profit earned by (loss from) each segment without allocation of central administration costs, amortisation of other intangible assets, impairment loss on goodwill, dividend income from investment in available-for-sale financial assets, interest income from bond receivable, fair value gains on financial assets at fair value through profit or loss, 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 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited) (restated)
Continuing operations		
Coal Business	38,347	78,833
Household Consumables Business	12,991	13,783
Digital Technology Business	2,193	2,337
Education Business	3,420	3,575
Money Lending Business	237,026	27,853
Discontinued operations		
Hygienic Disposables Business	–	47,206
Jewelries and Watches Business	–	33,558
Total segment assets	293,977	207,145
Goodwill	84,285	84,285
Other intangible assets	49,691	49,818
Available-for-sale financial assets	156,200	156,200
Bond receivable	10,245	10,842
Financial assets at fair value through profit or loss	20,676	–
Refundable deposit	47,000	–
Amounts due from related companies	1,206	364
Bank balances and cash	46,358	25,636
Unallocated corporate assets	26,698	4,627
Consolidated total assets	736,336	538,917

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For the six months ended 30 September 2017

4. Revenue and Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited) (restated)
Continuing operations		
Coal Business	91,812	134,783
Household Consumables Business	3,792	3,407
Digital Technology Business	349	301
Education Business	7,560	4,386
Money Lending Business	4	43
Discontinued operations		
Hygienic Disposables Business	–	9,675
Jewelries and Watches Business	–	3,558
Total segment liabilities	103,517	156,153
Tax payable	2,355	6,623
Convertible bonds	196,049	–
Deferred tax liabilities	8,302	8,319
Unallocated corporate liabilities	8,490	3,400
Consolidated total liabilities	318,713	174,495

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, bond receivable, financial assets at fair value through profit or loss, amounts due from related companies, refundable 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.

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For the six months ended 30 September 2017

4. Revenue and Segment Information (Continued)

Other segment information

The following is an analysis of other segment information from continuing operations:

	Continuing operations						Total HK\$'000 (unaudited)
	Household		Digital	Money		Unallocated	
	Coal	Consumables	Technology	Education	Lending		
	Business	Business	Business	Business	Business		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
For the six months ended 30 September 2017							
Capital additions	-	9	-	-	-	-	9
Depreciation of property, plant and equipment	-	88	-	13	-	106	207
Impairment loss on trade receivables	-	10	-	-	-	-	10
Written-off of trade receivables	-	11	-	-	-	-	11
Reversal of impairment loss on trade receivables	-	(5)	-	-	-	-	(5)
For the six months ended 30 September 2016							
							(restated)
Capital additions	-	-	-	15	-	-	15
Depreciation of property, plant and equipment	-	38	-	13	-	681	732
Equity-settled share-based payments expenses	-	-	-	-	-	9,004	9,004
Impairment loss on goodwill	-	-	49,303	-	-	-	49,303
Impairment loss on trade receivables	26,405	-	-	-	-	-	26,405
Reversal of impairment loss on trade receivables	-	-	-	(23)	-	-	(23)

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For the six months ended 30 September 2017

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 from continuing operations:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations		
Sales of goods from Household Consumables Business	26,952	29,743
Services income from		
– Digital Technology Business	2,813	261
– Education Business	8,561	7,882
Interest income from Money Lending Business	9,496	–
	47,822	37,886

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For the six months ended 30 September 2017

4. Revenue and Segment Information (Continued)

Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
United Kingdom	26,952	29,743
Hong Kong	13,356	4,031
The People's Republic of China (the "PRC")	7,490	3,994
Macau	24	118
	47,822	37,886

As at 30 September 2017, approximately HK\$44,000, HK\$14,133,000 and HK\$121,185,000 of the non-financial assets classified as non-current under continuing operations are located in the PRC, United Kingdom and Hong Kong respectively.

As at 31 March 2017, approximately HK\$12,917,000, HK\$14,286,000, HK\$120,972,000 and HK\$385,000 of the non-financial assets classified as non-current under continuing operations 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 2017

4. Revenue and Segment Information (Continued)

Information about major customer

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Customer A ¹	8,702	9,246

¹ Revenue from Household Consumables Business

5. Other Income

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations		
Bank interest income	9	1
Dividend income from investment in available-for-sale financial assets	1,955	–
Interest income from bond receivable	1,203	–
	3,167	1

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For the six months ended 30 September 2017

6. Other Gains and Losses

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations		
Exchange differences	3	10
Fair value gains on financial assets at fair value through profit or loss	980	–
Impairment loss on trade receivables	(10)	(26,405)
Impairment loss on goodwill	–	(49,303)
Others	(27)	–
Written-off of trade receivables	(11)	–
Reversal of impairment loss on trade receivables (Note)	5	23
	940	(75,675)

Note: Trade receivables of approximately HK\$5,000 (30 September 2016: approximately HK\$23,000) previously impaired was subsequently received from the debtors during the Interim Period.

7. Finance Costs

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations		
Interests on other borrowings:		
– Interest expenses on other borrowings	1	–
– Effective interest expenses on convertible bonds	4,584	8,922
	4,585	8,922

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For the six months ended 30 September 2017

8. Income Tax Expense

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations		
Income tax expense represents:		
Current tax:		
– Hong Kong Profits Tax	1,413	46
– PRC Enterprise Income Tax (“PRC EIT”)	634	–
– Other jurisdictions	504	499
	2,551	545
Deferred taxation	(72)	(75)
	2,479	470

(i) Hong Kong

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

During the Interim Period, the Hong Kong Inland Revenue Department (“HKIRD”) was in the process of auditing the tax affairs of certain subsidiaries of the Group. In prior years, HKIRD 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 2016: HK\$53,585,000). The Group lodged the relevant objections with the HKIRD against these additional and estimated assessments. The HKIRD granted holdover of the taxes being assessed in the additional and estimated assessments (conditionally and unconditionally) as a result of the objections. Up to 30 September 2017, Mr. Chum Tung Hang, the then-shareholder, purchased tax reserve certificates of HK\$4,287,000 (31 March 2017: HK\$4,287,000) on behalf of the Group. For 2009/10, Mr. Chum Tung Hang and the Group did not purchased any tax reserve certificate pursuant to the conditional holdover notice granted by the HKIRD. The purchased tax reserve certificates were accounted for as taxes recoverable included in trade and other receivables and prepayments of the Group as at 30 September 2017.

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 was considered necessary as the possibility of payment for these assessments is not probable. In addition, upon the listing of the Company on the Stock Exchange, Mr. Chum Tung Hang, the then-shareholder, gave 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.

On 13 November 2017, revised notice of assessment for the above mentioned years of assessments have been finalised in which no additional Hong Kong Profits Tax is charged over the subsidiaries by HKIRD. All the tax reserves certificates purchased by the Group was transferred to the then-shareholder Mr. Chum Tung Hang accordingly.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

8. Income Tax Expense (Continued)

(ii) PRC EIT

PRC EIT is calculated at 25% (30 September 2016: 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Continuing operations		
The Group's loss for the period has been arrived at after charging:		
Directors' remuneration	4,392	3,978
Other staff costs	8,846	8,335
Retirement benefit scheme contributions	916	501
Equity-settled share-based payment expenses		
– Directors	–	6,138
– Other staff	–	2,866
Total staff costs	14,154	21,818
Cost of inventories sold	21,273	23,773
Depreciation of property, plant and equipment	207	732
Amortisation of other intangible assets (included in cost of sales)	413	430

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

10. Dividends

The Directors do not recommend for payment of a dividend for the Interim Period (30 September 2016: Nil).

11. Discontinued Operations

(a) Jewelries and Watches Business

On 28 March 2017, the Group had through its indirectly wholly-owned subsidiary, Star Guardian Holdings Limited (“Star Guardian”), entered into a disposal agreement with an independent third party in relation to the disposal of entire equity interest in the Tiger Global Group at a total consideration of HK\$30,000,000 (the “Tiger Global Disposal”). Tiger Global Group represents the whole Jewelries and Watches Business segment of the Group in the business of sales and distribution of jewelries and watches, a separate major line of business which was classified as discontinued operation. As results, as at 31 March 2017, all assets and liabilities under the Tiger Global Group were classified as assets held for sale and liabilities directly associated with assets held for sale (See Note 23).

The Tiger Global Disposal was completed on 30 June 2017. Details of assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 29(a).

In view of the unsatisfactory performance of Tiger Global Group over the past years which had been affected by intensified competition in the market, the Directors had considered that the Tiger Global Disposal is expected to allow the Group to realise its investment in Tiger Global Group, eliminate from the Group the uncertainty of future performance of the sales and distribution of jewelries and watches, reallocate its resources to other business segments and strengthen the capital base of the Group. Details of the disposal are set out in the announcements of the Company dated 28 March 2017, 29 March 2017 and 30 June 2017.

(b) Hygienic Disposables Business

On 5 May 2017, the Group had, through its indirectly wholly-owned subsidiaries, Tary Limited and Ramber Industrial Limited (“Ramber”), entered into a disposal agreement with independent third parties to dispose of its entire equity interest in Brighten Tree Limited and the Brighten Tree Group Shareholders’ Loan; at a cash consideration of HK\$85,000,000 (the “Brighten Tree Disposal”). Brighten Tree Group held the manufacturing arm of Hygienic Disposables Business of the Group. Upon completion of the Brighten Tree Disposal, the Group’s Hygienic Disposables Business would be discontinued. The Brighten Tree Disposal was completed on 25 May 2017.

The disposal of Hygienic Disposables Business enable the Group to free up the resources, terminate the loss-making business and redirect it to other businesses segment 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 announcements of the Company dated 5 May 2017 and 25 May 2017.

Details of asset and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 29(b).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

11. Discontinued Operations (Continued)

The comparative financial performance and cash flows from the above discontinued operations have been re-presented as part of discontinued operations for the six months ended 30 September 2016.

The results of Jewelries and Watches Business and Hygienic Disposables Business for the period from 1 April 2017 up to their respective dates of disposal and the six months ended 30 September 2016 have been presented separately as a single line item in the unaudited condensed consolidated statement of comprehensive income, details of which are as follows:

	Six months ended 30 September					
	2017			2016		
	Jewelries and Watches Business HK\$'000 (unaudited)	Hygienic Disposables Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Jewelries and Watches Business HK\$'000 (unaudited)	Hygienic Disposables Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited) (restated)
Revenue	1	12,069	12,070	274	23,788	24,062
Cost of sales	(172)	(11,318)	(11,490)	(427)	(21,246)	(21,673)
Gross (loss) profit	(171)	751	580	(153)	2,542	2,389
Other income	-	-	-	228	3	231
Other gains and losses	-	2,773	2,773	(40,094)	1,685	(38,409)
Selling and distribution expenses	-	(261)	(261)	(7)	(1,010)	(1,017)
Administrative expenses	(155)	(4,583)	(4,738)	(619)	(5,237)	(5,856)
Finance costs	-	-	-	-	(9)	(9)
Share of (loss) profit of an associate	(227)	-	(227)	191	-	191
Loss before income tax from discontinued operations	(553)	(1,320)	(1,873)	(40,454)	(2,026)	(42,480)
Income tax credit	28	-	28	57	-	57
Loss after income tax from discontinued operations	(525)	(1,320)	(1,845)	(40,397)	(2,026)	(42,423)
Gain on disposal of subsidiaries and an associate (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	525	64,721	65,246	-	-	-
Profit (loss) for the period from discontinued operations	-	63,401	63,401	(40,397)	(2,026)	(42,423)
Profit (loss) from discontinued operations attributable to:						
- Owners of the Company	-	63,401	63,401	(40,397)	(2,026)	(42,423)
Cash flows from discontinued operations						
Net cash generated from (used in) operating activities	15	3,876	3,891	(8)	(859)	(867)
Net increase (decrease) in bank balances and cash	15	3,876	3,891	(8)	(859)	(867)

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

12. Profit (Loss) per Share

The calculations of basic profit (loss) per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the profit (loss) for the period attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the period.

The calculations of diluted profit (loss) per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the respective profit (loss) for the period attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 September 2017, the Company has outstanding share options and convertible bonds (30 September 2016: outstanding share options). For the outstanding share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect.

As the Company's outstanding share options and convertible bonds (30 September 2016: outstanding share options) had an anti-dilutive effect to the basic profit (loss) per share calculation for the six months ended 30 September 2017, the exercise or conversion of the above potential ordinary shares is not assumed in the computation of diluted profit (loss) per share.

(i) From continuing and discontinued operations

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

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company	55,389	(153,079)
Weighted average number of ordinary shares for the purpose of basic and diluted profit (loss) per share	2,378,783,201	1,494,639,725

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For the six months ended 30 September 2017

12. Profit (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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Loss for the period from continuing operations attributable to owners of the Company	(8,012)	(110,656)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,378,783,201	1,494,639,725

(iii) Discontinued operations

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited) (restated)
Profit (loss) for the period from discontinued operations attributable to owners of the Company	63,401	(42,423)
Weighted average number of ordinary shares for the purpose of basic and diluted profit (loss) per share	2,378,783,201	1,494,639,725

13. Property, Plant and Equipment

During the Interim Period, the Group incurred expenditures on property, plant and equipment of approximately HK\$9,000 (30 September 2016: approximately HK\$474,000).

During the Interim Period, property, plant and equipment with a net carrying value amounting to approximately HK\$7,747,000 was disposed of upon the disposal of Hygienic Disposables Business, which is set out in Note 29(b).

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14. Other Intangible Assets

	Coal Sales Contract HK\$'000	Customer Network HK\$'000	Exclusive License HK\$'000	License Agreements HK\$'000	Total HK\$'000
COST					
At 1 April 2016 (audited)	57,346	9,061	9,800	55,006	131,213
Reclassification to assets held for sale (Note 23)	–	–	(9,800)	–	(9,800)
Exchange realignment	–	(1,183)	–	–	(1,183)
At 31 March 2017 (audited)	57,346	7,878	–	55,006	120,230
Exchange realignment	–	615	–	–	615
At 30 September 2017 (unaudited)	57,346	8,493	–	55,006	120,845
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 April 2016 (audited)	57,346	3,775	1,040	8,996	71,157
Charge for the year	–	821	686	–	1,507
Reclassification to assets held for sale (Note 23)	–	–	(1,726)	–	(1,726)
Exchange realignment	–	(526)	–	–	(526)
At 31 March 2017 (audited)	57,346	4,070	–	8,996	70,412
Charge for the period	–	413	–	–	413
Exchange realignment	–	329	–	–	329
At 30 September 2017 (unaudited)	57,346	4,812	–	8,996	71,154
NET CARRYING VALUES					
At 30 September 2017 (unaudited)	–	3,681	–	46,010	49,691
At 31 March 2017 (audited)	–	3,808	–	46,010	49,818

The Coal Sales Contract represented 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 year and has been allocated to the Coal Business cash generating unit ("CGU"). The Coal Sales Contract was fully impaired in prior years.

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14. Other Intangible Assets (Continued)

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 in prior year and has been allocated to the Jewellery and Watches Business CGU. A disposal agreement for the disposal of the entire equity interest in Tiger Global was entered on 28 March 2017 and the Exclusive License was reclassified to assets held for sale as at 31 March 2017. Further details are set out in Note 23. The disposal of Tiger Global Group was completed on 30 June 2017.

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 year 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. Based on historical records, the Group is able to renew the License Agreements with the license owner without any additional cost.

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

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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	Money Lending Business CGU HK\$'000	Total HK\$'000
COST						
At 1 April 2016 (audited)	9,774	43,072	113,633	61,319	–	227,798
Acquisition of a subsidiary	–	–	–	–	21,795	21,795
Reclassification to assets held for sale (Note 23)	–	(43,072)	–	–	–	(43,072)
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	9,774	–	113,633	61,319	21,795	206,521
ACCUMULATED IMPAIRMENT LOSSES						
At 1 April 2016 (audited)	–	–	7,762	61,319	–	69,081
Impairment	–	43,072	53,155	–	–	96,227
Reclassification to assets held for sale (Note 23)	–	(43,072)	–	–	–	(43,072)
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	–	–	60,917	61,319	–	122,236
NET CARRYING VALUES						
At 30 September 2017 (unaudited)	9,774	–	52,716	–	21,795	84,285
At 31 March 2017 (audited)	9,774	–	52,716	–	21,795	84,285

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; (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; and (iv) the acquisition of Chengxin Finance Limited ("Chengxin") and has been allocated to the Money Lending Business CGU.

A disposal agreement for the disposal of the entire equity interest in Tiger Global was entered on 28 March 2017 and goodwill allocated to the Jewelries and Watches Business CGU was reclassified to assets held for sale as at 31 March 2017. Further details are set out in Note 23. The disposal of Tiger Global Group was completed on 30 June 2017.

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

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16. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing, 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, subsidiaries in Digital Technology Business, subsidiaries in Education Business and a subsidiary in Money Lending Business. For other intangible assets allocated to Coal Business and goodwill allocated to Education Business were fully impaired in prior years. Goodwill and other intangible assets allocated to Jewelries and Watches Business have been reclassified under the assets held for sale as at 31 March 2017 after the impairment testing and disposed together with Tiger Global Group during the Interim Period.

During the Interim Period, the Group determines that there is no impairment of other intangible assets or goodwill in respect of the above four individual CGUs.

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 2017: fair-value-less-costs-of-disposal) calculation with reference to a professional valuation performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers for the Interim Period. 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 2017: a 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2017: 3%). The post-tax rate used to discount the forecast cash flows is 15.00% (31 March 2017: 15.07%).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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

Jewelries and Watches Business CGU

The recoverable amount of this unit as at 31 March 2017 has been determined based on its fair value less cost of disposal of approximately HK\$30,000,000 which is the consideration for the Tiger Global Disposal. As a result, the goodwill allocated to Jewelries and Watches Business CGU is fully impaired by approximately HK\$43,072,000 which is charged to profit or loss and presented as discontinued operation during the year ended 31 March 2017.

Save as disclosed elsewhere in this report, the Jewelries and Watches Business was classified as discontinued operation and the respective goodwill and other intangible assets, the Exclusive License under the Jewelries and Watches Business CGU was reclassified to the assets held for sale as at 31 March 2017 and was disposed during the Interim Period.

Digital Technology Business CGU

The recoverable amount of this unit as at 30 September 2017 has been determined based on a value-in-use (31 March 2017: value-in-use) calculation with reference to a professional valuation performed by Asset Appraisal Limited ("AAL"), an independent firm of professionally qualified valuers for the Interim Period. 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 2017: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2017: 3%). The pre-tax rate used to discount the forecast cash flows is 16.34% (31 March 2017: 14.82%).

Based on the impairment assessment of the Digital Technology Business CGU, no impairment loss on goodwill was recognised for Digital Technology Business during the Interim Period (30 September 2016: HK\$49,303,000 was charged to profit or loss under other gains and losses).

As at 31 March 2017, the Group was of the opinion, based on the impairment assessment of the Digital Technology Business CGU, the recoverable amount of this unit has been determined to be approximately HK\$53,000,000 and the goodwill allocated to Digital Technology Business CGU was partially impaired by approximately HK\$53,155,000 which was charged to profit or loss under other gains and losses. The above impairment loss was mainly attributable to the unfavorable 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 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 2017

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 2017: value-in-use) calculation with reference to a professional valuation performed by AAL 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 2017: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (31 March 2017: 3%). The pre-tax rate used to discount the forecast cash flows is 17.58% (31 March 2017: 15.46%).

Money Lending Business CGU

The recoverable amount of this unit as at 30 September 2017 has been determined based on a value-in-use (31 March 2017: value-in-use) calculation with reference to a professional valuation performed by AAL. 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 2017: a 5-year period). Cash flows beyond the projection period are extrapolated using zero growth rate (31 March 2017: zero growth rate). The pre-tax rate used to discount the forecast cash flow is 14.30% (31 March 2017: 14.38%).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

17. Available-for-sale Financial Assets

Available-for-sale financial assets represent 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”).

Available-for-sale financial assets are measured at fair value at the end of the reporting period.

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Net carrying value at beginning of the period/year	156,200	154,000
Change in fair value	–	2,200
Net carrying value at end of the period/year	156,200	156,200

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 2017 and 31 March 2017.

Details of the fair value measurement are set out in Note 28.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

18. Financial Assets at Fair Value through Profit or Loss

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Listed investments		
– Equity securities listed in Hong Kong	20,676	–

Changes in fair values of financial assets at fair value through profit or loss are recognised in other gains and losses in the condensed consolidated statement of comprehensive income.

The fair value of all equity securities is based on their current bid prices in an active market.

19. Loan Receivables

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Loan receivables		
– Collateralised	126,930	3,000
– Non-collateralised	105,970	24,200
	232,900	27,200
Accrued interest receivables	3,993	60
	236,893	27,260
Analysed for reporting purposes as:		
Non-current assets	–	8,000
Current assets	236,893	19,260
	236,893	27,260

The loan receivables in the Group's Money Lending Business are all denominated in Hong Kong Dollar. The loan periods granted to customers are mainly ranging from three months to two years (31 March 2017: one year to two years).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

19. Loan Receivables (Continued)

The loans provided to customers bore fixed monthly interest rate ranging from 12% to 45% (31 March 2017: 12% to 36%) per annum as at 30 September 2017. The effective interest rates of the above loan receivables ranging from 13% to 42% (31 March 2017: 13% to 36%) per annum as at 30 September 2017.

As at 30 September 2017, no impairment provisions are recognised for the financial reporting purpose based on individually assessment (31 March 2017: Nil).

Ageing analysis of loan receivables prepared based on loan commencement or renewal date as set out in the relevant contracts is as follows:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
0-90 days	119,080	3,500
91-180 days	104,950	15,000
181-365 days	5,000	8,000
Over 365 days	3,870	700
	232,900	27,200

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

20. Trade and Other Receivables and Prepayments and Refundable Deposit

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Trade receivables	224,743	264,172
Less: Impairment loss recognised	(159,298)	(159,284)
	65,445	104,888
Bills receivables	–	2,227
Prepayments and deposits	4,644	7,344
Other receivables	2,728	2,709
Taxes recoverable	4,291	4,760
Amount due from a non-controlling owner of a subsidiary (Note i)	88	88
Amounts due from related companies (Note ii)	1,206	2,128
Amounts due from related parties (Note iii)	670	130
	79,072	124,274

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 companies which directors of certain subsidiaries have direct equity interest. The amounts due are unsecured, interest-free and repayable on demand.
- iii. The balance represents amounts due from the directors of the subsidiaries, which are unsecured, interest-free and repayable on demand.

The Group generally allows an average credit period of 30 to 90 days (31 March 2017: 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

20. Trade and Other Receivables and Prepayments and Refundable Deposit (Continued)

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 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Trade and bills receivables:		
0-30 days	4,924	9,229
31-60 days	2,857	2,266
61-90 days	135	426
Over 90 days	57,529	95,194
	65,445	107,115

As at 30 September 2017, the refundable deposit amounted to HK\$47,000,000 (31 March 2017: Nil) was paid to the vendor, an independent third party, for the acquisition of 20% of the issued share capital of Alpha Youth Limited upon the signing of the acquisition agreement on 21 September 2017. This deposit is refundable in the event that the conditions precedents in the acquisition agreement could not be waived or fulfilled on or before 29 December 2017. The acquisition is yet to be complete as at 30 September 2017 and up to the date of this report. Details of which are set out in the announcements of the Company dated 21 September 2017, 6 October 2017 and 7 November 2017.

21. Trade and Other Payables and Accruals

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Trade payables	95,360	141,711
Customer deposits	1,697	1,081
Other payables and accruals	13,146	8,908
Amount due to a related party (Note)	1,804	4,295
	112,007	155,995

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

21. Trade and Other Payables and Accruals (Continued)

Note:

As at 30 September 2017, the balance represents amount due from a director of a subsidiary (31 March 2017: the balance represent amount due from 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 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
0-30 days	2,759	3,919
31-60 days	–	2,271
61-90 days	1	325
Over 90 days	92,600	135,196
	95,360	141,711

22. Convertible Bonds

(a) Convertible Bonds due on 2019

On 11 August 2017, the Company issued HK\$200,000,000 8% guaranteed convertible bonds with an aggregate principal amount of HK\$200,000,000, the Convertible Bonds 2019.

The Convertible Bonds 2019 mature two years from the date of issue at 116% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds 2019 at 100% of the principal amount plus a premium of 8% per annum after the first anniversary of the date of issue (i.e. 11 August 2018); or can be converted into shares of the Company on and after 11 August 2017 to 10 August 2019 at the holder's option at the conversion price of HK\$0.46 per share, which is subject to certain adjustments prescribed in the convertible bonds subscription agreement. Interest of 8% per annum is payable per repayment schedule is paid on 30 June and 31 December 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 2019 with reference to a professional valuation performed by AAL.

The fair value of the liability component, included in current liabilities, as the holders had an early redemption option effective on 11 August 2018, was calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortised cost. The residual amount of approximately HK\$8,535,000, representing the value of the equity conversion component, was included in convertible bonds equity reserve.

There was no conversion of Convertible Bonds 2019 during the Interim Period.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

22. Convertible Bonds (Continued)

(b) Convertible Bonds due on 2016

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 2016").

The Convertible Bonds 2016 mature two years from the date of issue at 124% of its principal amount; or can be early redeemed by the Company or the holders at amount equal to all outstanding Convertible Bonds 2016 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 holders' 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.

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 2016, among others (i) to extend the maturity date of the Convertible Bonds 2016 to 31 August 2016; and (ii) unless previously redeemed, converted or purchased and cancelled under the terms of the Convertible Bonds 2016, the Company will redeem all the outstanding Convertible Bonds 2016 at 100% of the outstanding principal amount of the Convertible Bonds 2016 plus a premium of 12% per annum on 31 August 2016. The amendments became effective on the same date.

On 16 August 2016, all the Convertible Bonds 2016 was redeemed in full by the Company. Upon the settlement of the Convertible Bonds 2016, the remaining value of the convertible bonds equity reserve of approximately HK\$5,947,000 was released to accumulated losses.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

22. Convertible Bonds (Continued)

The Convertible Bonds 2019 and the Convertible Bonds 2016 recognised at the end of the period/year were calculated as follows:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Equity component		
Proceeds at the date of issuance	200,000	100,000
Liability component, at the date of issuance	(191,465)	(94,053)
Equity component, at the date of issuance	8,535	5,947
Transfer to accumulated losses upon redemption	–	(5,947)
At the end of the period/year	8,535	–
Liability component		
At the beginning of the period/year	–	122,340
Issuance during the period	191,465	–
Effective interest expenses (Note 7)	4,584	8,922
Interest paid	–	(31,262)
Redemption	–	(100,000)
At the end of the period/year	196,049	–

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the Convertible Bonds 2019 and the Convertible Bonds 2016 were calculated using effective interest rate of 17.67% per annum and 23.24% per annum respectively.

The Convertible Bonds 2019 and the Convertible Bonds 2016 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 2019 and the Convertible Bonds 2016 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 2019 and the Convertible Bonds 2016 holders. Upon the settlement of the Convertible Bonds 2016, the guarantee in relation to the Convertible Bonds 2016 was released.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

23. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

On 28 March 2017, the Group had through its wholly-owned subsidiary, Star Guardian entered into a disposal agreement with an independent third party to dispose of its entire equity interest in Tiger Global, at a cash consideration of HK\$30,000,000. As at results, the assets and liabilities of Tiger Global Group had been presented as assets classified as assets held for sale and liabilities directly associated with assets held for sale respectively in the consolidated statement of financial position as at 31 March 2017 in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Tiger Global Disposal was completed on 30 June 2017. Further details of the Tiger Global Disposal are set out in Notes 11 and 29(a).

	At 31 March 2017 HK\$'000 (audited)
Assets	
Other intangible asset (Note 14)	8,074
Goodwill (Note 15)	–
Interest in an associate	12,374
Inventories	3,576
Trade and other receivables and prepayments	9,530
Bank balances and cash	4
Total assets held for sale	33,558
Liabilities	
Trade and other payables and accruals	71
Tax payable	2,155
Deferred tax liabilities	1,332
Total liabilities directly associated with assets held for sale	3,558
Total net assets classified as assets held for sale	30,000

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

24. 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 2017

24. Share-based Payment Transactions (Continued)

- (a) The terms and conditions of the share options that existed as at 30 September 2017 and 31 March 2017 are as follows:–

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of option	Number of outstanding options	
					At 30 September 2017	At 31 March 2017
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	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	20,100,000	20,100,000

As at 30 September 2017, the Company had 52,500,000 (31 March 2017: 52,500,000) share options outstanding under the Share Option Scheme, which represented approximately 2.21% (31 March 2017: 2.21%) 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 52,500,000 (31 March 2017: 52,500,000) additional ordinary shares of the Company and additional share capital of HK\$525,000 (31 March 2017: HK\$525,000) and share premium of HK\$24,675,000 (31 March 2017: HK\$24,675,000) (before deducting any issue expenses).

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

	30 September 2017		30 September 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	0.48	52,500,000	N/A	–
Granted (Note (i))	N/A	–	0.48	57,900,000
Exercised	N/A	–	0.48	(5,000,000)
At the end of the period	0.48	52,500,000	0.48	52,900,000

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

24. Share-based Payment Transactions (Continued)

(b) (Continued)

Notes:

- (i) The closing price of the Shares as stated in Stock Exchange's daily quotations sheets on 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 Appraisals Limited, an independent firm of professionally qualified valuers.

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 in the profit or loss, in relation to the options granted by the Company to Directors and certain employees of the Group during the six months ended 30 September 2016. As there is no options granted by the Group during the Interim Period, no expenses was recognised by the Group during the Interim Period.

- (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 2017 have a weighted average remaining contractual life of approximately 1.9 years (31 March 2017: 2.4 years).

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For the six months ended 30 September 2017

25. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2016 (audited), 31 March 2017 (audited) and 30 September 2017 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2016 (audited)	937,013,281	9,370
Issue of shares pursuant to open offer (Note (i))	1,405,519,920	14,055
Issue of shares upon to exercise of share options (Note (ii))	5,000,000	50
Shares issued in consideration for the acquisition of a subsidiary (Note (iii))	31,250,000	313
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	2,378,783,201	23,788

Notes:

- (i) Pursuant to the Underwriting Agreement entered between the Company and Cheong Lee Securities 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 22 July 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.
- (ii) During the year ended 31 March 2017, 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.
- (iii) Pursuant to the sales and purchase agreement dated 15 December 2016 in relation to the acquisition of the entire equity interest in Chengxin, the Company had issued 31,250,000 new shares at a market price of HK\$0.45 at the date of issuance for settlement of the partial of the consideration. The fair value of issued shares of HK\$14,063,000 over the nominal value of HK\$313,000 was credited to the share premium account. Further details are set out in the announcements of the Company dated 15 December 2016 and 29 December 2016.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

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26. 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	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
廣州帝琴錶帶有限公司 (Note (a))	Purchase of goods	–	512
Kwan Lun Precision Jewelry Limited	License fee	–	13
("Kwan Lun") (Note (b))	Purchase of goods	–	4,489
	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 which was disposed of together with Tiger Global Group during the Interim Period.

(b) The license fee is paid to, financial guarantee income is received from and goods are purchased from the Group's associate which was disposed of together with Tiger Global Group during the Interim Period.

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 Interim Period was as follows:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Fees, salaries and other allowances	5,172	5,297
Retirement benefit scheme contributions	54	48
Equity-settled share-based payment expenses	–	7,536
	5,226	12,881

(III) Guarantees provided to a related party

At 31 March 2017, the Group issued corporate financial guarantees of an aggregate amount of HK\$9,100,000 to a bank in respect of banking facilities granted to an associate of the Group, Kwan Lun. At 30 September 2017, such corporate financial guarantees were released after the completion of Tiger Global Disposal during the Interim Period.

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27. Contingent Liabilities

Financial guarantee issued

As at 31 March 2017, the Group 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 as at 31 March 2017 under the guarantee issued represents the amount drawn down by the associate of approximately HK\$8,855,000.

At 30 September 2017, such corporate financial guarantees are all released after the completion of Tiger Global Disposal during the Interim Period.

28. 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 2017 (unaudited)				
Assets				
Available-for-sale financial assets				
– Unlisted equity securities	–	–	156,200	156,200
Financial assets at fair values through profit or loss				
– Listed equity securities	20,676	–	–	20,676
	20,676	–	156,200	176,876
At 31 March 2017 (audited)				
Assets				
Available-for-sale financial assets				
– Unlisted equity securities	–	–	156,200	156,200

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For the six months ended 30 September 2017

28. Fair Value Measurement of Financial Instruments (Continued)

Fair Value Estimation (Continued)

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

As at 31 March 2017, 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 5 years, and adjusted for the lack of control and lack of marketability. The directors of the Company considered that the fair value of the 10% of Goldbell as at 30 September 2017 approximate to the fair value of that as at 31 March 2017, therefore, the fair value as at 30 September 2017 relied on the valuation for the fair value as at 31 March 2017. The post-tax discount rate applied to discount the forecast cash flow is 12.86% (31 March 2017: 12.86%). The discounts for lack of control and lack of marketability are 22.00% (31 March 2017: 22.00%) and zero (31 March 2017: zero) respectively. Should the discount rate increase or decrease by 1% (31 March 2017: 1%), the fair value of 10% of Goldbell would be decreased or increased by approximately HK\$4,600,000 to HK\$4,900,000 (31 March 2017: HK\$4,600,000 to HK\$4,900,000). Should the discounts for lack of control and lack of marketability increase or decrease by 10% (31 March 2017: 10%) respectively, the fair value of 10% of Goldbell would be decreased or increased by approximately HK\$20,000,000 to HK\$20,100,000 (31 March 2017: HK\$20,000,000 to HK\$20,100,000) respectively.

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

	Available-for-sale financial assets
	HK\$'000
At 1 April 2016 (audited)	154,000
Total gains for the year	
– included in other comprehensive income	2,200
At 31 March 2017 (audited) and 30 September 2017 (unaudited)	156,200

During the Interim Period, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2017: 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.

Financial assets at fair values through profit or loss

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

29. Disposals of Subsidiaries

(a) Disposal of Tiger Global Group on 30 June 2017

The disposal of Tiger Global Group was completed on 30 June 2017 at consideration of approximately HK\$30,000,000. Upon completion, Tiger Global ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Tiger Global Group were ceased to be consolidated with those of the Group.

Details of the disposal of Tiger Global Group were set out in the announcements of the Company dated 28 March 2017, 29 March 2017 and 30 June 2017.

The net assets of Tiger Global Group as at the date of disposal were as follows:

	HK\$'000 (unaudited)
Other intangible asset	7,902
Interest in an associate	12,147
Inventories	3,576
Trade and other receivables and prepayments	9,404
Bank balances and cash	19
Other payables and accruals	(127)
Tax payable	(2,142)
Deferred tax liabilities	(1,304)
Net assets disposal of	29,475
Gain on disposal of subsidiaries and an associate	525
Total cash consideration received	30,000
Net cash inflow arising on disposal:	
Cash consideration	30,000
Bank balances and cash disposed of	(19)
	29,981

The gain on the disposal of Tiger Global Group was included in the profit for the period from discontinued operations (Note 11) in the unaudited condensed consolidated statement of comprehensive income.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

29. Disposals of Subsidiaries (Continued)

(b) Disposal of Brighten Tree Group on 25 May 2017

During the Interim Period, Tary Limited and Ramber, both are indirectly wholly-owned subsidiaries of the Company, entered into a disposal agreement with independent third parties to dispose of the entire equity interest in Brighten Tree Limited and the Brighten Tree Group Shareholders' Loan. Brighten Tree Group carried out the manufacturing arm of Hygienic Disposables Business operation of the Group.

The disposal of Brighten Tree Group was completed on 25 May 2017 at a consideration of approximately HK\$85,000,000. Upon completion, Brighten Tree Limited ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Brighten Tree Group were ceased to be consolidated with those of the Group.

Details of the disposal of Brighten Tree Group were set out in the announcements of the Company dated 5 May 2017 and 25 May 2017.

The net assets of Brighten Tree Group as at the date of disposal were as follows:

	HK\$'000 (unaudited)
Property, plant and equipment (Note 13)	7,747
Prepaid lease payments	5,228
Inventories	6,649
Other receivables and prepayments	888
Bank balances and cash	5,668
Trade and other payables and accruals	(743)
Tax payable	(4,928)
Brighten Tree Group Shareholders' Loan	(39,165)
Net liabilities disposal of	(18,656)
Assignment of the Brighten Tree Group Shareholders' Loan	39,165
Reclassification adjustment of exchange reserve on disposal of Brighten Tree Limited	(12,693)
Direct cost incurred for the disposal	12,463
Gain on disposal of subsidiaries	64,721
Total cash consideration received	85,000
Net cash inflow arising on disposal:	
Cash consideration	85,000
Cost directly attributable to the disposal	(12,463)
Bank balances and cash disposed of	(5,668)
	66,869

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

29. Disposals of Subsidiaries *(Continued)*

(b) Disposal of Brighten Tree Group on 25 May 2017 *(Continued)*

The gain on the disposal of Brighten Tree Group was included in the profit for the period from discontinued operations (Note 11) in the unaudited condensed consolidated statement of comprehensive income.