



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)

2019/2020  
Interim Report





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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

## 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. Chan Chiu Wing

## Company Secretary

Ms. Chan Chiu Wing

## Listing Information

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

## Company's Website

[www.newtreegroupholdings.com](http://www.newtreegroupholdings.com)

## Registered Office

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

## Principal Place of Business in Hong Kong

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

## Principal Share Registrar and Transfer Office in Cayman Islands

SMP Partners (Cayman) Limited  
Royal Bank House  
3rd Floor, 24 Shedden Road  
P.O. Box 1586, Grand Cayman  
KY1-1110, Cayman Islands

## Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong

## Principal Bankers

Bank of China, Macau Branch  
Bank of East Asia, Limited  
Bank of Communications Co. Ltd.  
Hong Kong Branch

## Auditor

ZHONGHUI ANDA CPA Limited  
Unit 701, 7/F  
Citicorp Centre  
18 Whitfield Road  
Causeway Bay, 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 2019 (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) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); (iii) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); and (iv) provision of money lending services (“Money Lending Business”). Besides, the Group has suspended the operations of its coal trading business due to the uncertainty in the recovery of the trade receivables due from its sole customer (“Coal Business”).

For the Interim Period, the Group recorded a net profit attributable to the owners of the Company of approximately HK\$13.5 million (six months ended 30 September 2018: a net loss of approximately HK\$6.5 million (restated)).

Results for the six months ended 30 September 2018 had been restated to conform with the results for the financial year ended 31 March 2019 in which taken up the prior year adjustments. Please refer to Note 4 to the consolidated financial statements in this report for details.

## Revenue

The Group’s revenue slightly increased by approximately HK\$0.8 million or 1.3% from approximately HK\$59.8 million for the six months ended 30 September 2018 to approximately HK\$60.6 million for the Interim Period.

The following table sets forth a breakdown of the Group’s revenue by segments and geographical locations and as a percentage of the Group’s total revenue for the Interim Period, with comparative figures for the corresponding period in 2018:

	<b>Six months ended 30 September</b>			
	<b>2019</b> <b>HK\$’000</b> <b>(unaudited)</b>	<b>2019</b> <b>%</b>	2018 HK\$’000 (unaudited)	2018 %
By segment:				
Household Consumables Business	24,630	41	22,818	38
Digital Technology Business	553	1	1,110	2
Coal Business	–	–	–	–
Education Business	4,797	8	9,609	16
Money Lending Business	30,611	50	26,301	44
<b>Total</b>	<b>60,591</b>	<b>100</b>	59,838	100
By geographical location:				
United Kingdom (the “UK”)	24,630	41	22,818	38
Hong Kong	34,935	58	30,893	52
The People’s Republic of China (the “PRC”)	1,026	1	6,127	10
<b>Total</b>	<b>60,591</b>	<b>100</b>	59,838	100

# Management Discussion and Analysis

## Business and Financial Review (Continued)

### Revenue (Continued)

The Group's revenue from Household Consumables Business increased by approximately HK\$1.8 million or 7.9% from approximately HK\$22.8 million for the six months ended 30 September 2018 to approximately HK\$24.6 million for the Interim Period was mainly due to increase in sales volume resulted from a returned customer and double up their orders compared with same period of last year.

No revenue was generated from Coal Business for both the Interim Period and the six months ended 30 September 2018. During the Interim Period, the trading transactions were still under suspension due to the uncertainty in the recovery of the long outstanding trade receivables from the sole customer. The Directors are expected that once the respective trade receivable being lessen to an acceptable level, the trading is expected to be resumed.

Revenue from Digital Technology Business decreased by approximately HK\$0.6 million or 50.2% from approximately HK\$1.1 million for the six months ended 30 September 2018 to approximately HK\$0.6 million during the Interim Period was mainly due to intense competition among the industry that involved many large-scale, well-funded and experienced participants, especially in the PRC which resulted in a significant decrease in sales volume.

Revenue from Education Business decreased by approximately HK\$4.8 million or 50.1% from approximately HK\$9.6 million for the six months ended 30 September 2018 to approximately HK\$4.8 million during the Interim Period was mainly due to decrease in number of participants enrolled in English language proficiency tests especially held in the PRC.

During the Interim Period, Money Lending Business generated significant revenue by providing loan financing services in Hong Kong. Approximately HK\$30.6 million loan interest income was generated representing an increase of approximately HK\$4.3 million or 16.4% from approximately HK\$26.3 million for the six months ended 30 September 2018. The increase in revenue was due to increase in average loan to customers from approximately HK\$278.6 million for the six months ended 30 September 2018 to approximately HK\$314.0 million for the Interim Period.

### Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and the gross profit margin by business segment for the Interim Period, with comparative figures for the corresponding period in 2018:

	Six months ended 30 September			
	2019 HK\$'000 (unaudited)	2019 %	2018 HK\$'000 (unaudited)	2018 %
By segment:				
Household Consumables Business	4,856	19.7	4,430	19.4
Coal Business	—	—	—	—
Digital Technology Business	188	34.0	483	43.5
Education Business	3,761	78.4	7,635	79.5
Money Lending Business	30,611	100.0	26,301	100.0
Overall	39,416	65.1	38,849	64.9

# Management Discussion and Analysis

## **Business and Financial Review** *(Continued)*

### **Gross Profit and Gross Profit Margin** *(Continued)*

Gross profit increased by approximately HK\$0.6 million or 1.5% from approximately HK\$38.8 million for the six months ended 30 September 2018 to approximately HK\$39.4 million for the Interim Period.

The Group's gross profit margin for Household Consumables Business remained constant at approximately 19% for both the Interim Period and the six months ended 30 September 2018.

No gross profit margin for Coal Business for both the Interim Period and the six months ended 30 September 2018 as resulted from the suspension of trading transactions in this segment.

Gross profit margin for Digital Technology Business decreased from approximately 43.5% for the six months ended 30 September 2018 to approximately 34.0% for the Interim Period primarily due to decrease in sales volume resulted from keen competition in the PRC while cost of services which primarily comprised of labour cost remains constant.

The gross profit margin for Education Business remained similar at approximately 79% for both the Interim Period and the six months ended 30 September 2018.

The gross profit margin for Money Lending Business is 100% for the Interim Period and the six months ended 30 September 2018 which contributed a positive impact to the Group's gross profit margin.

### **Other Income**

For the Interim Period, other income mainly consists of bank interest income and rental income which remain similar for both periods.

### **Other Gains and Losses, Net**

Other gains and losses, net for the Interim Period mainly comprise of fair value loss on investments at fair value through profit and loss ("FVTPL") of approximately HK\$6.9 million, loss on early redemption of promissory notes of approximately HK\$1.7 million, reversal of impairment loss on trade and other receivables and loan receivables of approximately HK\$10.2 million and HK\$13.0 million respectively.

For the corresponding period in 2018, the other gains and losses, net mainly comprise of fair value gain on investments at FVTPL of approximately HK\$9.4 million and reversal of impairment loss trade and other receivables and loan receivables in aggregate amount of approximately HK\$8.8 million. Such gain was partially set off by fair value loss on derivative financial asset of approximately HK\$6.1 million, net impairment loss on loan receivables of approximately HK\$2.7 million and loss on early redemption of promissory notes of approximately HK\$2.0 million.

### **Selling and Distribution Expenses**

Selling and distribution expenses mainly consist of transportation expenses and commission paid to sales agents. Selling and distribution expenses increased by approximately 24.4% for the Interim Period due to the increase in sales volume from Household Consumables Business.

# Management Discussion and Analysis

## Business and Financial Review *(Continued)*

### Administrative Expenses

Administrative expenses mainly consist of staff costs (including directors' remuneration), legal and professional fee, consultancy fee and depreciation of right-of-use assets. Administrative expenses decreased by approximately HK\$3.2 million or 10.3% from approximately HK\$31.0 million for the six months ended 30 September 2018 to approximately HK\$27.8 million for the Interim Period mainly due to the combined effects of the increase in depreciation of right-to-use assets of approximately HK\$5.2 million and legal and professional fee of approximately HK\$3.1 million, whereas netting off the decrease in total staff costs of approximately HK\$6.0 million.

### Finance Costs

Finance costs mainly consist of interest expenses on convertible bonds, unsecured interest-bearing bonds and lease liabilities. The finance cost decreased by approximately HK\$4.5 million or 20.8% from approximately HK\$21.8 million (restated) for the six months ended 30 September 2018 to approximately HK\$17.3 million for the Interim Period mainly due to early redemption of convertible bond at principal amount of HK\$50.0 million during the Interim Period and HK\$50.0 million during the fourth quarter of the financial year ended 31 March 2019.

### Profit (loss) before Income Tax

The Group recorded a profit before income tax of approximately HK\$17.5 million for the Interim Period as compared to the loss before income tax of approximately HK\$1.3 million (restated) during the six months ended 30 September 2018. The result of turnaround performance during the Interim Period was mainly due to increase in gross profit of approximately HK\$0.6 million primarily arising from Money Lending Business; increase in share of profit of associates by approximately HK\$1.9 million; increase in other gains and losses, net by approximately HK\$8.8 million; and a decrease in finance costs by approximately HK\$4.5 million.

### Income Tax Expense

The Group recorded income tax expense of approximately HK\$4.1 million during the Interim Period as compared to approximately HK\$4.4 million during the six months ended 30 September 2018. 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 subjected to Hong Kong Profits Tax at two-tiered profits tax rates regime for the Interim Period. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of the qualifying group entity is calculated at 8.25%, and for profits above HK\$2.0 million is taxed at 16.5% (Six months ended 30 September 2018: 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 subjected to a tax rate of 25% (six months ended 30 September 2018: 25%) except for a subsidiary which was recognised as a high and new technology enterprise is subjected to a preferential tax rate of 15% (six months ended 30 September 2018: 15%). For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both periods.

The slight decrease in income tax expense was mainly resulted from the overprovision of estimate Hong Kong Profits Tax of approximately HK\$2.2 million, which is not yet confirmed by Inland Revenue Department of Hong Kong, from Money Lending Business as compared with the last corresponding period.

# Management Discussion and Analysis

## Business and Financial Review *(Continued)*

### Impairments

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 and other intangible assets was recognised. The management assessed the recoverable amount of each of the individual business unit 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 18 to the unaudited condensed consolidated financial statements of this report.

### Total Comprehensive income (loss) 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\$9.4 million for the Interim Period as compared to a loss of approximately HK\$9.0 million (restated) for the six months ended 30 September 2018.

### Liquidity, Financial Resources and Gearing

The Group's principal source of working capital was cash generated from business operations and fund raising by placing of shares, issue of convertible bonds and unsecured interest-bearing bonds. As at 30 September 2019, the Group held cash and bank balances of approximately HK\$15.8 million (31 March 2019: approximately HK\$45.4 million).

On 25 July 2019, the Company, as issuer, entered into a subscription agreement with an independent third party, as subscriber, to issue a one-year 10% per annum coupon unsecured bonds with a principal amount of HK\$12.5 million. The unsecured bonds shall be redeemed at 102% of its principal amount upon maturity. The bonds were issued on 7 August 2019.

The Group's current ratio as at 30 September 2019 was 1.9 (as at 31 March 2019: 1.7). The gearing ratio as at 30 September 2019 was 34.8% (as at 31 March 2019: 48.0%), calculated as total debts (including the Convertible Bonds 2019 (as defined below), promissory notes and interest-bearing borrowings) over equity attributable to owners of the Company.

### Capital Structure

#### (A) Share Capital

As at 30 September 2019, the Company has 2,509,883,201 ordinary shares (31 March 2019: 2,423,783,201) in issue with total shareholders' equity of the Group amounted to approximately HK\$449.1 million (31 March 2019: HK\$395.2 million). During Interim Period, the Company issued total of 86,100,000 ordinary shares in which 84,500,000 ordinary shares by way of placing and 1,600,000 ordinary shares through exercise of share options. Further details of the movement of the share capital are set out in Note 28 to the unaudited condensed consolidated financial statements of this report.

#### (B) Share Options

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). All outstanding share options were lapsed on 28 August 2019. 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.



# Management Discussion and Analysis

## Business and Financial Review (Continued)

### Capital Structure (Continued)

#### (C) Convertible Bonds

On 4 August 2017, the Company, as issuer, Mr. Wong Wai Sing, as guarantor, and Lead Thrive Investments Limited (“Lead Thrive”), 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.

On 9 August 2019, the Company, Mr. Wong Wai Sing and Lead Thrive entered into the deed of amendment (as amended and restated by the amended and restated deed of amendment dated 23 August 2019) to amend certain terms and conditions of the Convertible Bonds 2019 such that, among other things, (i) the maturity date be extended to 10 November 2019; (ii) the conversion price be revised from HK\$0.46 per share to HK\$0.52 per share (subject to adjustments); and (iii) the interest rate of the Convertible Bonds 2019 be revised from 8% per annum to 12% per annum with effect from 11 August 2019. The above amendment provided flexibility to the Company’s working capital management and it took effect on 27 August 2019.

The Company shall redeem the Convertible Bonds 2019 at 100% of its outstanding principal amount plus 8% premium per annum on maturity.

During the six months ended 30 September 2019, no Convertible Bonds 2019 has been converted into shares of the Company. As at 30 September 2019, the outstanding principal amount of the Convertible Bonds 2019 was HK\$100 million, representing a maximum of 192,307,692 new shares may be issued upon full conversion.

Further details are set out in the announcements of the Company dated 4 August 2017, 11 August 2017, 29 March 2019, 9 August 2019, 23 August 2019 and 28 August 2019 and paragraphs headed “Further amendment of the terms of the Convertible Bonds 2019” below.

#### 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 2019. 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.

The Directors consider the Group’s exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The Directors monitor the Group’s exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

#### Charge on Assets

As at 30 September 2019, the Group did not have any assets under charge/pledged (31 March 2019: Nil).

# Management Discussion and Analysis

## Business and Financial Review (Continued)

### Contingent Liabilities

As at 30 September 2019, the Group did not have any contingent liabilities or guarantee that would have a material impact on the financial position or results of operations (31 March 2019: Nil).

### Operating Lease Commitments

#### The Group as Lessee

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 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Within one year	-	11,520
In the second to fifth years, inclusive	-	14,945
	-	26,465

Upon the initial application of HKFRS 16 as at 1 April 2019, operating lease commitments was remeasured and recognised as adjustments to the lease liabilities immediately after the date of initial application. Hence, there was no operating lease commitments as at 30 September 2019.

#### The Group as Lessor

As at 30 September 2019, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Within one year	122	-
In the second to fifth years, inclusive	-	-
	122	-

### Fund Raising Activity

#### Placing of 84,500,000 ordinary shares under general mandate

Pursuant to the placing agreement dated 15 April 2019, the Company issued and allotted 84,500,000 new ordinary shares at placing price of HK\$0.53 per share to not less than six placees, who and whose ultimate beneficial owners (if applicable) were independent third parties as defined under the rules governing the listing of securities on the Stock Exchange on 29 April 2019 (the "Placing"). The closing market price was HK\$0.57 per share of the Company on the date of the placing agreement. The gross proceeds from the Placing was approximately HK\$44.8 million, and the net proceeds (after deducting the placing commission and other costs and expenses) was approximately HK\$43.7 million (approximately HK\$0.517 per share).

# Management Discussion and Analysis

## Fund Raising Activity *(Continued)*

### Placing of 84,500,000 ordinary shares under general mandate *(Continued)*

The Directors considered that the Placing represented an opportunity to raise additional funding for the business operations of the Group and would strengthen the Group's financial position, and enlarged shareholders' base of the Company which might in turn enhanced the liquidity of the shares and provided working capital to the Group to meet any financial obligations.

Details of the use of proceeds are set out as below:

<b>Net proceeds raised</b>	<b>Intended use of proceeds as disclosed in the announcement of the Company dated 29 April 2019</b>	<b>Actual use of net proceeds during the Interim Period</b>
Approximately HK\$43.65 million	(i) approximately HK\$30.0 million for business development of Money Lending Business; and  (ii) approximately HK\$13.65 million for general working capital of the Group	(i) approximately HK\$30.0 million for business development of Money Lending Business; and  (ii) approximately HK\$13.65 million for general working capital of the Group, of which approximately HK\$10.5 million being used for partial repayment of promissory notes of the Company.

As at the date of this report, the net proceeds raised from the Placing have been fully utilised, and they were used according to the intentions previously disclosed in the announcement of the Company dated 29 April 2019.

Further details are set out in the announcements of the Company dated 15 April 2019 and 29 April 2019.

## Significant Investment and Material Acquisition

The Group completed the acquisition of 40 ordinary shares which represents 20% of the issued share capital of Alpha Youth Limited ("Alpha Youth", together with its subsidiaries are referred as "Alpha Youth Group") at the total consideration of HK\$119 million in February 2018 and it became an associate of the Group. Alpha Youth Group is principally engaged in the production and sale of concrete business in Hainan Province, the PRC.

As at 30 September 2019, total assets of Alpha Youth Group was approximately HK\$110 million, representing 16.2% to the Group's total assets. During the Interim Period, Alpha Youth Group contributed profit of approximately HK\$9.8 million to the Group.

On 27 September 2019, Bright World Investment Limited, a wholly-owned subsidiary of the Company, exercised the call option and, as purchaser, entered into the acquisition agreement with Mr. Zhou Feng Tang, as vendor, in relation to the acquisition of the remaining 80% of the issued share capital of Alpha Youth (the "Acquisition") at consideration of RMB368,074,000 (equivalent to HK\$408,562,584) (subject to adjustment). The consideration was determined based on a preliminary valuation on the entire equity interest of Alpha Youth Group and is subject to adjustment based on the final valuation to be disclosed in the circular in relation to the Acquisition.

# Management Discussion and Analysis

## **Significant Investment and Material Acquisition** *(Continued)*

Considering the positive historical financial performance of Alpha Youth Group and the achievement of the profit guarantee for the years 2017 and 2018, the Company believes that the Acquisition would enable the Group to engage in a business and entered into an industry with promising prospects of organic growth which may help overturning the loss making situation of the Group in the past few years. Upon completion, Alpha Youth Group will become a subsidiary of the Group.

Completion is subject to fulfillment of the conditions precedent set out in the acquisition agreement. As at the date of this report, the Acquisition is not completed. Further details are set out in the announcement of the Company dated 27 September 2019.

Save as aforesaid or as otherwise disclosed herein, there was no other significant investment made during the six months period ended 30 September 2019.

## **Significant Events after Reporting Period**

### **Placing of 152,800,000 ordinary shares under general mandate**

The Company entered into a placing agreement date 21 October 2019 with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place up to 250,000,000 placing shares of the Company on a best effort basis to not less than six placees who are independent third parties at the placing price of HK\$0.46 per placing share. The placing was completed on 11 November 2019 and a total of 152,800,000 placing shares was issued and allotted.

The net proceeds from the placing were approximately HK\$68.0 million and were intended to be used for payment of interest of convertible bonds of the Company and funding the Acquisition. Up to the date of this report, approximately HK\$28.0 million of the net proceeds had been used for payment of interest of convertible bonds and approximately HK\$40.0 million is not being utilised. Further details are set out in the Company's announcements dated 21 October 2019 and 11 November 2019.

### **Further amendment of the terms of the Convertible Bonds 2019**

On 11 November 2019, the Company, Mr. Wong Wai Sing and Lead Thrive entered into the deed of amendment to amend certain terms of the Convertible Bonds 2019 such that (i) the maturity date be extended to 10 May 2020; and (ii) the conversion price be revised from HK\$0.52 per share to HK\$0.53 per share (subject to adjustments). The above amendment provided flexibility to the Company's working capital management and it took effect on 14 November 2019. Further details are set out in the announcements of the Company dated 11 November 2019 and 14 November 2019.

## **Employee and Remuneration Policy**

As at 30 September 2019, the Group employed a total of 67 employees (30 September 2018: 77). During the six months ended 30 September 2019, staff costs, including directors' emoluments amounted to approximately HK\$12.2 million (30 September 2018: approximately HK\$18.2 million).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The Company adopted the share option scheme on 26 February 2015, where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group.

# 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

During the Interim Period, there was a slight increase in revenue and the gross profit margin remained constant. Although the business environment is affected by the Brexit-related uncertainty, the Company is still optimistic in its potential growth and aims to enhance the efficiency in utilisation of resources to increase its profit margin.

The Group purchased two warehouses in the United Kingdom in around June 2019 for future expansion of Household Consumable Business, which provides more storage space for the Group to cater more variety of products for wholesaling and retailing. As the expansion plan of Household Consumable Business has yet to commence, the Group leased one of the warehouses to generate rental income to the Group during such period. Also with the expansion of the sales team, new business opportunities and new product mix will continue to be further explored. Furthermore, with the increased number of business from the returning customers, the Group expects the revenue of this business segment would increase in the near future.

## Digital Technology Business

The rapid changing demand of mobile users and netizens, advancement of innovation information technology and intense competition had put very high pressure on the profitability of the business. The Group is exploring opportunities and in the process of identifying potential partners, through cooperation and collaboration of the Group's resources and the partners' expertise, to seize new markets in the industry.

## Education Business

The never ending demand for education-related products and services in Hong Kong and the PRC drives the continuous growth in this industry as a whole. The Company believes that the positive industry outlook will attract more entrants, which could induce more intense competition. Market researches on talent education and early childhood education has been conducted to analyse the feasibility and profitability in order to expand the business scale.

## Money Lending Business

Money Lending Business continues to contribute a stable and favorable income stream to the Group. Money Lending Business is one of the third-tier licensed money lenders in Hong Kong, with the growing money lender market in Hong Kong, the Group is a small but resilient market player in the industry relying on the stringent and continuous risk assessment procedures. With the continual growth in the money lending business market in Hong Kong, the Board believes that Money Lending Business will provide an excellent platform for the Group to expand, explore and capitalise this business market. The Group will continue to develop this business under prudent credit control procedures and strategies to balance between business growth and risk management.

## Coal Business (currently under suspension)

Due to the uncertainty in the recovery of the trade receivable, due from its sole customer, coal trading business remain suspended during the Interim Period. The resumption of the business will only be considered when the respective account receivable being lessen to an acceptable level. The Group will take into account the recent market development, its profitability and the Group's operating and strategic position when considering its resumption.

## 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

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 (“Mr. Wong”) 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 to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

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

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, being the chairman of the Board, was unable to attend the annual general meeting of the Company held on 30 August 2019 (the “2019 AGM”) due to other commitment and Mr. Wong appointed Mr. Wong Jeffrey, an executive Director, to act as his representative at the 2019 AGM and take the chair of the 2019 AGM 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.

## Other Information

### 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.

### 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 2019, 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 Ordinance (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 of the Company

Name of Directors	Capacity	Total number of shares held	Approximate percentage of shareholding in the Company (Note 2)
Mr. Wong Wai Sing (Note 1)	Beneficial owner and interest of a controlled corporation	483,500,000	19.94%
Mr. Chan Kin Lung	Beneficial owner	10,000,000	0.41%
Mr. Lee Chi Shing, Caesar	Beneficial owner	5,000,000	0.21%
Mr. Kwok Kam Tim	Beneficial owner	800,000	0.03%
Mr. Tso Ping Cheong, Brian	Beneficial owner	800,000	0.03%

#### Notes:

1. 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 460,806,000 shares of the Company.
2. As at 30 September 2019, the number of issued shares was 2,509,883,201.

Save as disclosed above, as at 30 September 2019, 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.

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

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

## Other Information

### Substantial Shareholders

As at 30 September 2019, the following persons (not being a Director or 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 of the Company

Name	Nature of interest	Total number of shares or underlying shares held	Approximate percentage of interest in the Company (Note 4)
Twin Star Global Limited (Note 1)	Beneficial owner	460,806,000 shares	19.01%
Mr. Zhou Feng Tang ("Mr. Zhou") (Note 2)	Beneficial owner	320,000,000 shares and 132,075,471 underlying shares	18.01%
Lead Thrive Investments Limited (Note 3)	Beneficial owner	192,307,692 underlying shares	7.66%
Mr. Fu Sze Shing (Note 3)	Beneficial owner	18,000,000 shares	8.37%
	Interest of a controlled corporation	192,307,692 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. Pursuant to the acquisition agreement dated 27 September 2019, part of the consideration will be settled by the issue of (i) a total of 320,000,000 shares of the Company at the issue price of HK\$0.50 per share; and (ii) a three year-old zero coupon convertible bonds of an aggregate principal amount of HK\$70,000,000 to Mr. Zhou (or his nominees) upon completion. The convertible bond is convertible to a maximum of 132,075,471 shares of the Company at an initial conversion price of HK\$0.53. Completion of the acquisition is subject to fulfillment of the conditions precedent set out in the acquisition agreement. For details please refer to the announcement of the Company dated 27 September 2019.
3. These underlying shares of the Company represent a maximum of 192,307,692 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.
4. As at 30 September 2019, the number of issued shares was 2,509,883,201.

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 2019.



# 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. Detailed terms of the Share Option Scheme were disclosed in the annual report 2018/19 of the Company.

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 01.04.2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30.09.2019		
<b>Directors</b>											
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)	-	-	-	-	
<b>Sub-Total</b>				<b>2,400,000</b>	<b>-</b>	<b>(1,600,000)</b>	<b>(800,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Employees</b>											
In aggregate	29/08/2016 (Note 1)	HK\$0.48	29/08/2016 – 28/08/2019	4,900,000	-	-	(4,900,000)	-	-	-	
<b>Sub-Total</b>				<b>4,900,000</b>	<b>-</b>	<b>-</b>	<b>(4,900,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total</b>				<b>7,300,000</b>	<b>-</b>	<b>(1,600,000)</b>	<b>(5,700,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

### Notes:

1. The closing price of the shares immediately before 29 August 2016, on which those options were granted, was HK\$0.40 per share.
2. The exercise period of the share options is 29 August 2016 to 28 August 2019 (both days inclusive).

## Purchase, Sales or Redemption of Listed Securities

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 27 November 2018 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 (the chairman of the Audit Committee), 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 Group.

### Interim Dividend

The Board does not recommend the payment of interim dividends for the Interim Period (six months ended 30 September 2018: 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, information of the following Director has changed:

Mr. Tso Ping Cheong, Brian resigned as an independent non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on GEM of the Stock Exchange, with effect from 1 September 2019. He was appointed as an independent non-executive director of EFT Solutions Holdings Limited (stock code: 8062), a company listed on GEM of the Stock Exchange, with effect from 11 September 2019.

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

Hong Kong, 28 November 2019

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited) (restated)
Revenue	6	<b>60,591</b>	59,838
Cost of sales		<b>(21,175)</b>	(20,989)
Gross profit		<b>39,416</b>	38,849
Other income	7	<b>33</b>	27
Other gains and losses, net	8	<b>13,752</b>	5,009
Selling and distribution expenses		<b>(337)</b>	(271)
Administrative expenses		<b>(27,813)</b>	(30,995)
Finance costs	9	<b>(17,269)</b>	(21,802)
Share of profit of associates		<b>9,766</b>	7,858
Profit (loss) before income tax		<b>17,548</b>	(1,325)
Income tax expense	10	<b>(4,058)</b>	(4,400)
Profit (loss) for the period	11	<b>13,490</b>	(5,725)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation		<b>(4,085)</b>	(2,463)
Other comprehensive loss for the period, net of income tax		<b>(4,085)</b>	(2,463)
Total comprehensive income (loss) for the period, net of income tax		<b>9,405</b>	(8,188)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>13,494</b>	(6,452)
Non-controlling interests		<b>(4)</b>	727
		<b>13,490</b>	(5,725)
Total comprehensive income (loss) for the period attributable to:			
Owners of the Company		<b>9,409</b>	(8,982)
Non-controlling interests		<b>(4)</b>	794
		<b>9,405</b>	(8,188)
<b>Earnings (loss) per share attributable to owners of the Company</b>	<b>13</b>		
Basic (HK cents)		<b>0.541</b>	(0.271)
Diluted (HK cents)		<b>0.541</b>	(0.270)

# Unaudited Condensed Consolidated Statement of Financial Position

At 30 September 2019

	Notes	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	840	1,068
Right-of-use assets		19,127	–
Investment properties	15	4,750	–
Other intangible assets	16	47,837	48,362
Goodwill	17	72,446	72,446
Interests in associates	19	109,837	102,655
Deposit	21	10,000	–
		<b>264,837</b>	224,531
<b>CURRENT ASSETS</b>			
Inventories		6,009	5,765
Loan receivables	20	364,419	328,792
Trade and other receivables and prepayments	21	27,814	15,465
Derivative financial asset	22	–	222
Investments at fair value through profit or loss	22	–	17,029
Bank balances and cash		15,768	45,383
		<b>414,010</b>	412,656
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	23	43,698	37,158
Lease liabilities		10,575	–
Interest-bearing borrowings	24	12,688	–
Promissory notes	25	–	13,589
Convertible bonds	26	143,604	176,038
Tax payable		6,833	10,908
		<b>217,398</b>	237,693
<b>NET CURRENT ASSETS</b>		<b>196,612</b>	174,963
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>461,449</b>	399,494
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		8,186	–
Deferred tax liabilities		7,947	8,040
		<b>16,133</b>	8,040
<b>NET ASSETS</b>		<b>445,316</b>	391,454
<b>CAPITAL AND RESERVES</b>			
Share capital	28	25,099	24,238
Reserves		423,953	370,948
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Non-controlling interests		449,052	395,186
		(3,736)	(3,732)
<b>TOTAL EQUITY</b>		<b>445,316</b>	391,454

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	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 31 March 2018 as previously reported	23,788	1,112,811	49	7,127	8,127
Effect of prior year adjustments	-	-	-	58,047	-
At 31 March 2018 as restated	23,788	1,112,811	49	65,174	8,127
Impact on initial application of HKFRS 9	-	-	-	-	-
At 1 April 2018 (restated)	23,788	1,112,811	49	65,174	8,127
(Loss) profit for the period	-	-	-	-	-
Other comprehensive (loss) income, net of income tax:					
– Exchange differences arising on translation	-	-	-	-	-
Total comprehensive (loss) income for the period	-	-	-	-	-
Lapse of share options	-	-	-	-	(28)
Transaction with owners	-	-	-	-	(28)
At 30 September 2018 (restated and unaudited)	23,788	1,112,811	49	65,174	8,099
At 1 April 2019 (audited)	<b>24,238</b>	<b>1,140,981</b>	<b>49</b>	<b>64,692</b>	<b>1,079</b>
Profit (loss) for the period	-	-	-	-	-
Other comprehensive income, net of income tax:					
– Exchange differences arising on translation	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	-	-
Issue of shares upon exercise of share options	<b>16</b>	<b>1,015</b>	-	-	<b>(263)</b>
Redemption of convertible bonds	-	-	-	<b>(425)</b>	-
Extinguishment of the Convertible Bonds 2019 (As defined in Note 26)	-	-	-	<b>(64,267)</b>	-
Recognition of the Extended Convertible Bonds 2019 (As defined in Note 26)	-	-	-	<b>225</b>	-
Issue of shares pursuant to placing agreement	<b>845</b>	<b>43,940</b>	-	-	-
Transaction cost attributable to issue of placing shares	-	<b>(896)</b>	-	-	-
Lapse of share options	-	-	-	-	<b>(816)</b>
Transactions with owners	<b>861</b>	<b>44,059</b>	-	<b>(64,467)</b>	<b>(1,079)</b>
At 30 September 2019 (unaudited)	<b>25,099</b>	<b>1,185,040</b>	<b>49</b>	<b>225</b>	-

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, an ex-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 2019

## Attributable to owners of the Company

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
678	(380)	(6,000)	(761,941)	384,259	(7,287)	376,972
-	-	-	(46,021)	12,026	-	12,026
678	(380)	(6,000)	(807,962)	396,285	(7,287)	388,998
-	-	-	(18,566)	(18,566)	-	(18,566)
678	(380)	(6,000)	(826,528)	377,719	(7,287)	370,432
-	-	-	(6,452)	(6,452)	727	(5,725)
-	(2,530)	-	-	(2,530)	67	(2,463)
-	(2,530)	-	(6,452)	(8,982)	794	(8,188)
-	-	-	28	-	-	-
-	-	-	28	-	-	-
678	(2,910)	(6,000)	(832,952)	368,737	(6,493)	362,244
<b>678</b>	<b>(5,762)</b>	<b>(6,000)</b>	<b>(824,769)</b>	<b>395,186</b>	<b>(3,732)</b>	<b>391,454</b>
-	-	-	<b>13,494</b>	<b>13,494</b>	<b>(4)</b>	<b>13,490</b>
-	<b>(4,085)</b>	-	-	<b>(4,085)</b>	-	<b>(4,085)</b>
-	<b>(4,085)</b>	-	<b>13,494</b>	<b>9,409</b>	<b>(4)</b>	<b>9,405</b>
-	-	-	-	<b>768</b>	-	<b>768</b>
-	-	-	-	<b>(425)</b>	-	<b>(425)</b>
-	-	-	<b>64,267</b>	-	-	-
-	-	-	-	<b>225</b>	-	<b>225</b>
-	-	-	-	<b>44,785</b>	-	<b>44,785</b>
-	-	-	-	<b>(896)</b>	-	<b>(896)</b>
-	-	-	<b>816</b>	-	-	-
-	-	-	<b>65,083</b>	<b>44,457</b>	-	<b>44,457</b>
<b>678</b>	<b>(9,847)</b>	<b>(6,000)</b>	<b>(746,192)</b>	<b>449,052</b>	<b>(3,736)</b>	<b>445,316</b>

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>OPERATING ACTIVITIES</b>		
Cash generated from operating activities	2,465	46,611
Income taxes paid	(8,202)	(534)
<b>NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	<b>(5,737)</b>	46,077
<b>INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of a subsidiary	–	(146,219)
Deposit paid for potential acquisition of a subsidiary	(10,000)	–
Purchase of property, plant and equipment	–	(210)
Purchase of investment properties	(4,884)	–
Interest received	9	14
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(14,875)</b>	(146,415)
<b>FINANCING ACTIVITIES</b>		
Proceed from borrowings	12,500	73,160
Proceed from exercise of share options	768	–
Repayment of convertible bonds	(50,000)	–
Proceed from placing of shares	44,785	–
Share issuing expenses	(896)	–
Repayment of promissory note	(15,500)	(8,500)
Advance to related parties	(985)	(3,254)
Interest paid	–	(8,126)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>	<b>(9,328)</b>	53,280
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,940)</b>	(47,058)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>45,383</b>	67,013
Effect of foreign exchange rate changes	325	(1,252)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
represented by bank balances and cash	15,768	18,703
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	15,768	18,703

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 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) design and development of three-dimensional animations, augmented reality technology application and e-learning web application (“Digital Technology Business”); (iii) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); and (iv) provision of money lending services (“Money Lending Business”). Besides, the Group has suspended the operations of its coal trading business due to the uncertainty in the recovery of the trade receivables due from its sole customer (“Coal Business”).

This unaudited condensed consolidated financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

## 2. Basis of Preparation

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 have been prepared on the historical cost basis except for investment properties, derivative financial asset and investments at fair value through profit or loss (“FVTPL”) which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those followed in the presentation of the Group’s annual financial statement for the year ended 31 March 2019 (“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 2019

## 3. Principal Accounting Policies

### Application of new and amendments to HKFRSs

In the Interim Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of new and amendments to HKFRSs in the Interim Period had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the Interim Period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract, is or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16, at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

(Continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on straight-line basis over the lease term.

##### Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at commencement date of the lease (i.e. the date the underlying asset is available for use) Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group present right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

(Continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

##### Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustment to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivables;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

(Continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

(Continued)

As a lessee (Continued)

##### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount at the effective date of the modification.

##### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

##### *As a lessor*

The lessor accounting largely remains unchanged.

#### 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

(Continued)

#### 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

(Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$24,355,000 and right-of-use assets of HK\$24,355,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.5%.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

(Continued)

#### 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

(Continued)

As a lessee (Continued)

	<b>At 1 April 2019</b> HK\$'000
Operating lease commitments disclosed as at 31 March 2019	26,465
Lease liabilities discounted at relevant incremental borrowing rates	24,805
Less: Recognition exemption – short-term leases	(228)
Less: Recognition exemption – low-value assets	(222)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	24,355
Analysis as	
Current	10,910
Non-current	13,445
	24,355

The carrying amount of right-of-use assets as at 1 April 2019 comprises the followings:

	<b>Right-of- use assets</b> HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	24,355
By class:	
Buildings	24,355

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-to-use asset of the underlying assets and were adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 April 2019.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

(Continued)

#### 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

(Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not be included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
<b>Non-current assets</b>			
Right-of-use assets	–	24,355	24,355
<b>Current liabilities</b>			
Lease liabilities	–	10,910	10,910
<b>Non-current liabilities</b>			
Lease liabilities	–	13,445	13,445

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 3. Principal Accounting Policies (Continued)

### 3.2 Significant changes in significant judgements and key sources of estimation uncertainty

- Lease or service
- Determination of lease term of contracts with renewal options

The Group applies judgement to determine the lease terms for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonable certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

## 4. Comparative Amounts

Results for the six months ended 30 September 2018 had been reclassified to conform with the presentation of the results for the financial year ended 31 March 2019 in which taken up the prior year adjustments.

During the year ended 31 March 2019, the Group requires restatements mainly in relation to adjustments on interest expenses and carrying amounts of liability and equity components of the convertible bonds. The carrying value of the convertible bonds and convertible bonds equity reserve as at 31 March 2019 was determined to be approximately HK\$176,038,000 and HK\$64,692,000, comparative figure for the related interest expenses on convertible bonds and deferred taxation for the six months ended 30 September 2018 has been restated accordingly.

The following tables disclose the restatements that have been made in order to reflect the above corrections to each of the line items in the unaudited condensed consolidated statement of comprehensive income as previously reported for the six months period ended 30 September 2018. Line items that were not affected by the changes have not been included.



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 4. Comparative Amounts (Continued)

Unaudited Condensed Consolidated Statement of Comprehensive Income	Six months ended 30 September 2018		
	As previously reported HK\$'000 (unaudited)	Restatement HK\$'000 (unaudited) (Note)	As restated HK\$'000 (unaudited)
Finance costs	(18,167)	(3,635)	(21,802)
(Loss) Profit before income tax	2,310	(3,635)	(1,325)
Income tax expense	(4,067)	(333)	(4,400)
Loss for the period	(1,757)	(3,968)	(5,725)
(Loss) Profit for the period attributable to			
– Owners of the Company	(2,484)	(3,968)	(6,452)
– Non-controlling interests	727	–	727
	(1,757)	(3,968)	(5,725)
Total comprehensive (loss) income for the period attributable to:			
– Owners of the Company	(5,014)	(3,968)	(8,982)
– Non-controlling interests	794	–	794
	(4,220)	(3,968)	(8,188)
Loss per share			
– Basic (HK cents)	(0.1044)		(0.271)
– Diluted (HK Cents)	(0.1040)		(0.270)

Note: The restatement represented the understatement of interest expense of convertible bonds and its related effect on deferred taxation arising from the correction in initial recognition of liability and equity component of convertible bonds at date of issuance, which leading to restatement existed as at 30 September 2018.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 4. Comparative Amounts (Continued)

Apart from the restatement disclosed above, the following statement of financial position items as at 30 September 2018 disclosed as comparatives in the unaudited condensed consolidated statement of change in equity are restated as follows:-

	<b>As previously reported</b> HK\$'000 (unaudited)	<b>Restatement</b> HK\$'000 (unaudited) (Note)	<b>As restated</b> HK\$'000 (unaudited)
Convertible bonds equity reserve	7,127	58,047	65,174
Accumulated losses	(782,963)	(49,989)	(832,952)
Non-controlling interests	(6,493)	–	(6,493)
Total equity	354,186	8,058	362,244

## 5. Estimates

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report.

## 6. 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

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. Revenue and Segment Information (Continued)

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers:		
Sales of goods from Household Consumables Business	24,630	22,818
Services income from Digital Technology Business	553	1,110
Services income from Education Business	4,797	9,609
	<b>29,980</b>	33,537
Interest income from Money Lending Business	30,611	26,301
	<b>60,591</b>	59,838
Timing of revenue recognition:		
At point in time	28,360	31,341
Over time	1,620	2,196
Revenue from contracts with customers	<b>29,980</b>	33,537
Geographical market:		
The People's Republic of China (the "PRC")	1,026	6,127
United Kingdom (the "UK")	24,630	22,818
Hong Kong	34,935	30,893
Revenue from contracts with customers	<b>60,591</b>	59,838

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other services income are recognised when services are provided.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. 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:

	Coal Business	Household Consumables Business	Digital Technology Business	Education Business	Money Lending Business	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>For the six months ended 30 September 2019</b>						
Revenue from external customers	-	24,630	553	4,797	30,611	60,591
Segment profit (loss)	(43)	1,992	(716)	136	42,783	44,152
Bank interest income						9
Exchange differences						(8)
Amortisation of other intangible assets						(357)
Fair value loss on investments at FVTPL and derivative financial assets						(7,110)
Loss on redemption of convertible bonds						(373)
Fair value loss on promissory notes						(193)
Loss on early redemption of promissory notes						(1,718)
Share of profit of associates						9,766
Central administration costs						(26,620)
Profit before income tax						17,548
<b>For the six months ended 30 September 2018</b>						
Revenue from external customers	-	22,818	1,110	9,609	26,301	59,838 (restated)
Segment profit (loss)	6,957	1,534	(928)	2,294	22,618	32,475
Bank interest income						14
Exchange differences						(81)
Amortisation of other intangible assets						(421)
Fair value gains on investments at FVTPL and derivative financial assets, net						3,335
Fair value loss on contingent consideration receivable						(1,335)
Fair value loss on promissory notes						(962)
Loss on early redemption of promissory notes						(2,033)
Share of profit of associates						7,858
Central administration costs						(40,175)
Loss before income tax						(1,325)

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. 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) represent the profit earned by (loss from) each segment without allocation of central administration costs, amortisation of other intangible assets, loss on redemption of convertible bonds, fair value loss on promissory notes, loss on early redemption of promissory notes, net fair value gain (loss) on investments at FVTPL and derivative financial asset, bank interest income, exchange differences, share of profit of associates 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 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Coal Business	–	–
Household Consumables Business	20,772	14,014
Digital Technology Business	532	863
Education Business	2,823	2,169
Money Lending Business	364,559	328,925
Total segment assets	388,686	345,971
Other intangible assets	47,837	48,362
Goodwill	72,446	72,446
Deposit	10,000	–
Interests in associates	109,837	102,655
Amounts due from related parties	2,569	1,585
Derivative financial asset	–	222
Investments at FVTPL	–	17,029
Bank balances and cash	15,768	45,383
Unallocated corporate assets	31,704	3,534
Consolidated total assets	678,847	637,187

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. Revenue and Segment Information (Continued)

### Segment assets and liabilities (Continued)

#### Segment liabilities

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Coal Business	18,119	19,767
Household Consumables Business	4,162	3,471
Digital Technology Business	915	1,016
Education Business	3,556	4,424
Money Lending Business	78	168
Total segment liabilities	26,830	28,846
Tax payable	6,833	10,908
Interest-bearing borrowings	12,688	–
Convertible bonds	143,604	176,038
Promissory notes	–	13,589
Deferred tax liabilities	7,947	8,040
Unallocated corporate liabilities	35,629	8,312
Consolidated total liabilities	233,531	245,733

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, deposit, interests in associates, derivative financial asset, investments at FVTPL, amounts due from related parties, bank balances and cash and unallocated corporate assets.
- All liabilities are allocated to operating segments other than tax payable, interest-bearing borrowings, convertible bonds, promissory notes, deferred tax liabilities and unallocated corporate liabilities.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. Revenue and Segment Information (Continued)

### Other segment information

The following is an analysis of other segment information:

	<b>Coal Business</b>	<b>Household Consumables Business</b>	<b>Digital Technology Business</b>	<b>Education Business</b>	<b>Money Lending Business</b>	<b>Unallocated</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>For the six months ended 30 September 2019</b>							
Capital additions	-	-	-	-	-	-	-
Depreciation of property, plant and equipment	-	78	-	64	-	59	201
Reversal of impairment loss on trade and other receivables	-	(14)	-	-	-	(10,140)	(10,154)
Reversal of impairment loss on loan receivables	-	-	-	-	(13,000)	-	(13,000)
<b>For the six months ended 30 September 2018</b>							
Capital additions	-	10	-	200	-	-	210
Depreciation of property, plant and equipment	-	87	-	64	-	80	231
Impairment loss on trade receivables	-	-	-	-	4,413	-	4,413
Reversal of impairment loss on trade receivables	(8,761)	(2)	-	-	-	-	(8,763)
Reversal of impairment loss on loan receivables	-	-	-	-	(1,735)	-	(1,735)

These segment information has been included in the measures of segment results or assets.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. 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:

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited)
Sales of goods from Household Consumables Business	<b>24,630</b>	22,818
Services income from		
– Digital Technology Business	<b>553</b>	1,110
– Education Business	<b>4,797</b>	9,609
Interest income from Money Lending Business	<b>30,611</b>	26,301
	<b>60,591</b>	59,838

### Information about geographical areas

In determining the Group's information about geographical areas, revenue is allocated to the segments based on the locations of the customers.

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

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited)
UK	<b>24,630</b>	22,818
Hong Kong	<b>34,935</b>	30,893
The PRC	<b>1,026</b>	6,127
	<b>60,591</b>	59,838

As at 30 September 2019, approximately HK\$109,888,000, HK\$17,774,000, HK\$136,871,000 and HK\$304,000 of the non-financial assets classified as non-current are located in the PRC, the UK, Hong Kong and Macau respectively.

As at 31 March 2019, approximately HK\$102,723,000, HK\$12,553,000, HK\$108,946,000 and HK\$309,000 of the non-financial assets classified as non-current under continuing operations are located in the PRC, the UK, Hong Kong and Macau respectively.



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 6. Revenue and Segment Information (Continued) Information about major customer

Revenue from customer for six months ended 30 September 2019 contributing over 10% of the total sales of the Group and respective comparative figure during Interim Period are as follows:

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Customer A <sup>1</sup>	6,297	3,968*

<sup>1</sup> Revenue from Household Consumables Business

\* Contributed to less than 10% of the Group's total revenue for the relevant period.

## 7. Other Income

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Bank interest income	9	14
Rental income	24	13
	33	27

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 8. Other Gains and Losses, Net

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited)
Exchange differences	(8)	(81)
Fair value loss on contingent consideration receivable	–	(1,335)
Fair value (loss) gain on investments at FVTPL	<b>(6,888)</b>	9,433
Fair value loss on promissory notes	<b>(193)</b>	(962)
Fair value loss on derivative financial asset	<b>(222)</b>	(6,098)
Impairment loss on loan receivables	–	(4,413)
Reversal of impairment loss on trade and other receivables	<b>10,154</b>	8,763
Reversal of impairment loss on loan receivables	<b>13,000</b>	1,735
Loss on early redemption of promissory notes	<b>(1,718)</b>	(2,033)
Loss on redemption of convertible bonds	<b>(373)</b>	–
	<b>13,752</b>	5,009

## 9. Finance Costs

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited) (restated)
Interest expenses on unsecured bonds	<b>188</b>	192
Effective interest expenses on convertible bonds	<b>16,995</b>	21,610
Interest on lease liabilities	<b>86</b>	–
	<b>17,269</b>	21,802

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 10. Income Tax Expense

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
Income tax expense represents:		
Current tax:		
– Hong Kong Profits Tax	5,858	3,318
– PRC Enterprise Income Tax (“PRC EIT”)	6	244
– Other jurisdictions	433	324
	<b>6,297</b>	3,886
(Over) under-provision in respect of prior years:		
– Hong Kong Profits Tax	<b>(2,170)</b>	588
Deferred taxation	<b>(69)</b>	(74)
	<b>4,058</b>	4,400

### (i) Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Accordingly, starting from the financial year ended 31 March 2019, the Hong Kong profits tax for a selected subsidiary of the Group is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

### (ii) PRC EIT

PRC EIT is calculated at 25% (30 September 2018: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company which was recognised as a high and new technology enterprise (“HNTE”) and in accordance with relevant laws and regulations in the PRC, the subsidiary is entitled to the preferential tax rate of 15% corporate income tax rate for HNTE for both periods ended 30 September 2019 and 2018.

### (iii) Macau

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

### (iv) Other jurisdictions

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 11. Profit (Loss) for the Period

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
The Group's profit (loss) for the period has been arrived at after charging:		
Directors' remuneration ( <i>Note</i> )	3,607	7,512
Other staff costs	8,318	10,180
Retirement benefit scheme contributions	306	528
Total staff costs	12,231	18,220
Cost of inventories sold	19,280	17,953
Depreciation of property, plant and equipment	201	231
Depreciation of right-of-use assets	5,151	–
Amortisation of other intangible assets (included in cost of sales)	357	421

*Note:*

During the six months ended 30 September 2019, the Group provided rent-free quarter to a director. The total rental value of HK\$3,480,000 is not included in directors' remuneration.

## 12. Dividends

The Directors do not recommend for payment of a dividend for the Interim Period (30 September 2018: Nil).

## 13. Earnings (Loss) per Share

The calculations of basic earnings (loss) per share is 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 earnings (loss) per share is 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.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 13. Earnings (Loss) per Share (Continued)

As at 30 September 2019, the Company has outstanding convertible bonds (30 September 2018: outstanding share options and convertible bonds). 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 (loss) profit is adjusted to eliminate the interest expenses less the tax effect.

For the six months ended 30 September 2019, the Company's outstanding convertible bonds had an anti-dilutive effect to the basic earnings per share calculation. The conversion of the above potential ordinary shares is not assumed in the computation of the diluted earnings per share.

For the six months ended 30 September 2018, the Company's outstanding share options had dilutive effect to the basic loss per share calculation. The potential ordinary shares are assumed to have been exercised into ordinary shares. For the Company's outstanding convertible bonds, it had an anti-dilutive effect to the basic loss per share calculation and thus no conversion of respective potential ordinary shares is assumed in the computation of the diluted loss per share.

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

	<b>Six months ended 30 September</b>	
	<b>2019 HK\$'000 (unaudited)</b>	2018 HK\$'000 (unaudited)
Profit (loss) for the period attributable to owners of the Company	<b>13,494</b>	(6,452) (restated)
Weighted average number of ordinary shares in issue during the period	<b>2,495,189,758</b>	2,378,783,201
Effect of dilutive potential ordinary shares – Share options	<b>N/A</b>	8,373,803
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<b>2,495,189,758</b>	2,387,157,004

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 14. Property, Plant and Equipment

During the Interim Period, the Group did not incur any expenditures on property, plant and equipment (30 September 2018: approximately HK\$210,000).

## 15. Investment Properties

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
At beginning of the period/year	–	–
Acquisitions	4,884	146,320
Disposal	–	(146,320)
Exchange realignment	(134)	–
At end of the period/year	4,750	–

As at 30 September 2019, the investment properties are located in UK. During financial year ended 31 March 2019, the Group acquired the investment properties which located in Hong Kong through acquisition of entire share capital of a subsidiary (*Note 31*) which is principally engaged in property investment in Hong Kong and is the sole legal and beneficial owner of the investment properties. The subsidiary was subsequently disposed during the same year.

The investment properties held under operating lease to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the investment properties as at 30 September 2019 have been arrived based on reference to market evidence of transaction prices for similar properties which is reviewed by management.

As at 30 September 2019, the fair value of the investment properties was measured at level 3 of fair value hierarchy using significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 16. Other Intangible Assets

	<b>Coal Sales Contract</b> HK\$'000	<b>Customer Network</b> HK\$'000	<b>License Agreements</b> HK\$'000	<b>Total</b> HK\$'000
<b>COST</b>				
At 1 April 2018 (audited)	57,346	8,927	55,006	121,279
Exchange realignment	–	(626)	–	(626)
At 31 March 2019 (audited)	57,346	8,301	55,006	120,653
Exchange realignment	–	(472)	–	(472)
<b>At 30 September 2019 (unaudited)</b>	<b>57,346</b>	<b>7,829</b>	<b>55,006</b>	<b>120,181</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>				
At 1 April 2018 (audited)	57,346	5,505	8,996	71,847
Charge for the year	–	834	–	834
Exchange realignment	–	(390)	–	(390)
At 31 March 2019 (audited)	57,346	5,949	8,996	72,291
Charge for the period	–	357	–	357
Exchange realignment	–	(304)	–	(304)
<b>At 30 September 2019 (unaudited)</b>	<b>57,346</b>	<b>6,002</b>	<b>8,996</b>	<b>72,344</b>
<b>NET CARRYING VALUES</b>				
<b>At 30 September 2019 (unaudited)</b>	<b>–</b>	<b>1,827</b>	<b>46,010</b>	<b>47,837</b>
At 31 March 2019 (audited)	–	2,352	46,010	48,362

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.

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 Customer Network is amortised on a straight-line basis over 10 years.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 16. Other Intangible Assets (Continued)

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. Base 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 18.

## 17. Goodwill

	Household Consumables Business CGU HK\$'000	Digital Technology Business CGU HK\$'000	Education Business CGU HK\$'000	Money Lending Business CGU HK\$'000	Total HK\$'000
<b>COST</b>					
<b>At 1 April 2018 (audited), 31 March 2019 (audited) and 30 September 2019 (unaudited)</b>	<b>9,774</b>	<b>113,633</b>	<b>61,319</b>	<b>21,795</b>	<b>206,521</b>
<b>ACCUMULATED IMPAIRMENT LOSSES</b>					
At 1 April 2018 (audited)	-	65,737	61,319	-	127,056
Impairment	-	7,019	-	-	7,019
<b>At 31 March 2019 (audited) and 30 September 2019 (unaudited)</b>	<b>-</b>	<b>72,756</b>	<b>61,319</b>	<b>-</b>	<b>134,075</b>
<b>NET CARRYING VALUES</b>					
<b>At 30 September 2019 (unaudited)</b>	<b>9,774</b>	<b>40,877</b>	<b>-</b>	<b>21,795</b>	<b>72,446</b>
At 31 March 2019 (audited)	9,774	40,877	-	21,795	72,446



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 17. Goodwill (Continued)

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 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 (iii) the acquisition of Chengxin Finance Limited (“Chengxin”) and has been allocated to the Money Lending Business CGU.

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

Particulars regarding impairment testing on goodwill are set out in Note 18.

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

For the purpose of impairment testing, other intangible assets and goodwill set out in Notes 16 and 17 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.

During the Interim Period, the Group determines that there is no impairment of other intangible assets and goodwill in respect of the above four individual CGUs. There is no impairment of goodwill in respect of the Household Consumable Business CGU, Digital Technology Business CGU and Money Lending Business CGU as at 30 September 2019.

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 2019: 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 2019: a 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (31 March 2019: 2%). The post-tax rate used to discount the forecast cash flows is 13.44% (31 March 2019: 13.59%).

### Digital Technology Business CGU

The recoverable amount of this unit as at 30 September 2019 based on a value-in-use (31 March 2019: 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 2019: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (31 March 2019: 2%). The pre-tax rate used to discount the forecast cash flows is 15.30% (31 March 2019: 14.54%).

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 18. Impairment Testing on Other Intangible Assets and Goodwill (Continued) Digital Technology Business CGU (Continued)

Based on the impairment assessment of Digital Technology Business CGU, no impairment loss on goodwill was recognised for Digital Technology during Interim Period.

As at 31 March 2019, 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\$40,877,000 and the goodwill allocated to Digital Technology Business CGU was partially impaired by approximately HK\$7,019,000 which was charged to the profit or loss under other gains and losses, net. The above impairment loss was mainly attributable to a fall in annual growth rate over the 5-year forecast period due to the increase in competition among other market participants, loss of competitiveness and the change in customers' needs.

### Education Business CGU

The recoverable amount of this unit as at 30 September 2019 has been determined based on a value-in-use (31 March 2019: 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 2019: 5-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (31 March 2019: 2%). The pre-tax rate used to discount the forecast cash flows is 16.85% (31 March 2019: 16.70%).

### Money Lending Business CGU

The recoverable amount of this unit as at 30 September 2019 has been determined based on a value-in-use (31 March 2019: 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 2019: a 5-year period). Cash flows beyond the projection period are extrapolated using zero growth rate (31 March 2019: zero growth rate). The pre-tax rate used to discount the forecast cash flow is 12.83% (31 March 2019: 18.29%).

The recoverable amount of Household Consumables Business CGU were based on the fair value less costs of disposal calculation determined by income approach using discounted cash flow projections for the six months ended 30 September 2019 and year ended 31 March 2019. It is classified as a level 3 fair value measurement.

For Digital Technology Business CGU, Education Business CGU and Money Lending Business CGU, for which no impairment loss was recognised during the six months ended 30 September 2019, reasonably possible changes in key assumptions on which the management had based its determination of the CGUs' recoverable amounts would not cause the CGUs' carrying amounts to exceed their respective recoverable amount.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 19. Interests in Associates

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Share of net assets	63,779	56,597
Goodwill	46,058	46,058
	<b>109,837</b>	102,655

On 15 February 2018, the Group acquired 20% equity interest in Alpha Youth Limited and its subsidiaries ("Alpha Youth Group") with at an agreed consideration of HK\$119,000,000. The consideration was settled by cash of HK\$95,000,000 and promissory notes with principal amount of HK\$24,000,000. Alpha Youth Group is principally engaged in the production and sales of concrete in Hainan province, the PRC.

As part of the acquisition, the vendor has irrevocably warranted and guaranteed to the Purchaser that:

- (i) the audited net profit after tax (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) of the 海南華盛混凝土有限公司 (Hainan Huasheng Concrete Company Limited\*)("Hainan Huasheng"), a wholly-owned subsidiary of Alpha Youth Limited, for the year ended 31 December 2017 shall not be less than RMB42,000,000 (equivalent to approximately HK\$46,620,000) (the "2017 Guaranteed Profit"); and
- (ii) the audited net profit after tax (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) of the Hainan Huasheng for the year ended 31 December 2018 shall not be less than RMB47,000,000 (equivalent to approximately HK\$52,170,000) (the "2018 Guaranteed Profit").

\* The English name of Hainan Huasheng represent management's best effort at translating the Chinese name of Hainan Huasheng as no English name has been registered.

In addition, as part of the acquisition, the Group and the vendor entered into an option deed, pursuant to which the vendor granted the Group the right to acquire all of the remaining 80% equity interest in Alpha Youth Group at the sole discretion of the Group within two years from the completion date (the "Call Option"). The exercise price of the Call Option is determined with reference to 80% of the valuation of Alpha Youth Group at the time of exercise of the Call Option and is capped to RMB481,066,000. If the exercise price is below RMB320,710,000, the vendor has the right to refuse the exercise of the Call Option by the Group.

As disclosed in the announcement of the Company dated 18 April 2018, it was confirmed that the amount of the audited net profit after tax of the Hainan Huasheng for the year ended 31 December 2017 exceeded the 2017 Guaranteed Profit. It was further disclosed in the announcement of the Company dated 18 April 2019 that the amount of the audited net profit after tax of the Hainan Huasheng for the year ended 31 December 2018 exceeded the 2018 Guaranteed Profit.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 19. Interests in Associates (Continued)

As a result of the achievement of the 2017 Guaranteed Profit and the 2018 Guaranteed Profit by the Hainan Huasheng, on 27 September 2019 (after trading hours of the Stock Exchange), the Bright World Investment Limited, a wholly-owned subsidiary of the Company (the "Purchaser") issued an option notice to the vendor to exercise the Call Option to acquire the remaining 80% of the issued share capital of the Alpha Youth Group.

Upon the exercise of the Call Option, the Purchaser and the vendor entered into the Acquisition Agreement, pursuant to which among other things, the Purchaser conditionally agreed to acquire, and the vendor conditionally agreed to procure South Sunrise Limited to sell, the Sales Shares, which represent 80% of the issued share capital of the Alpha Youth Group as at the completion date, at a consideration of approximately RMB368,074,000 (equivalent to approximately HK\$408,563,000)(subject to adjustment). The consideration would be settled in (i) HK\$20,000,000 in cash as the a refundable deposit within 10 business days upon signing the Acquisition Agreement; (ii) HK\$50,000,000 in cash upon completion; (iii) HK\$70,000,000 by issue of convertible bond at conversion price of HK\$0.53 per conversion share by the Company to the vendor upon completion; and (iv) remaining of approximately HK\$108,600,000 by issue of three promissory notes in respective principal amount of HK\$36,000,000, HK\$36,000,000 and HK\$36,600,000 by the Company upon completion.

As at 30 September 2019, HK\$10,000,000 refundable deposit had been paid to vendor. Up to the date of this report, the acquisition of the remaining 80% of the issued share capital of the Alpha Youth Group has not been completed, whereas HK\$20,000,000 refundable deposit had been fully paid to the vendor according to the Acquisition Agreement.

Further details are set out in the Company's circular dated 25 January 2018 and announcements dated 21 September 2017, 6 October 2017, 7 November 2017, 7 December 2017, 14 February 2018, 15 February 2018, 18 April 2018 and 27 September 2019 respectively.

Particulars of the associates as at 30 September 2019 are set out below, of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Place and date of incorporation/ establishment	Issued and fully paid share capital/paid up capital	Attributable equity interest held by the Group as at		Principal activities and place of operation
			30.09.2019	31.03.2019	
			%	%	
Alpha Youth Limited	The British Virgin Islands (the "BVI") 10 May 2016	USD200	20	20	Investment holding
Grace Wisdom Holdings Limited	Hong Kong 12 April 2016	HK\$100	20	20	Investment holding
Hainan Huasheng	The PRC 23 May 2006	RMB20,000,000	20	20	Production and sales of concrete in the PRC

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 20. Loan Receivables

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Loan receivables		
– Collateralised	82,000	87,000
– Non-collateralised	251,790	207,270
	<b>333,790</b>	294,270
Accrued interest receivables	30,629	47,522
	<b>364,419</b>	341,792
Less: Impairment loss recognised	–	(13,000)
	<b>364,419</b>	328,792

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 within one year.

The loans provided to customers bore fixed monthly interest rate ranging from 8% to 36% (31 March 2019: 8% to 39%) per annum as at 30 September 2019. The effective interest rates of the above loan receivables ranging from 8% to 43% (31 March 2019: 8% to 46%) per annum as at 30 September 2019.

Ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement as set out in the relevant contracts is as follows:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
0 – 90 days	–	25,050
91 – 180 days	50,900	5,200
181 – 365 days	30,000	27,400
Over 365 days	252,890	223,620
	<b>333,790</b>	281,270

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 20. Loan Receivables (Continued)

The movement of allowance for doubtful debts in respect of loan receivables was as follows:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
At beginning of the period/year	13,000	21,583
Reversal of impairment loss recognised	(13,000)	(8,583)
At end of the reporting period/year	–	13,000

The Group's allowance for expected credit losses ("ECLs") on loan to customers take into account the subsequent settlement, forward-looking information and the management's judgement on the marketability of the collateral properties and customers' capability of payment.

The Group has not recognise any allowance for ECLs against all loans to customers as at 30 September 2019 (31 March 2019: approximately 4.42%) while a reversal of impairment loss amounted HK\$13,000,000 was recognised as at 30 September 2019. Certain loan receivables amounting to HK\$11,268,000 (31 March 2019: HK\$11,791,000) are guaranteed by a related party.

Loan receivables that were past due but not impaired related to customers that have made regular payments to the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

Set out below is the information about the credit risk exposure on the Group's loan receivables based on contractual due date:

	Current HK\$'000	1-90 days past due HK\$'000	91-180 days past due HK\$'000	181-365 days past due HK\$'000	Over 365 days past due HK\$'000	Total HK\$'000
<b>At 30 September 2019</b>						
Weighted average expected loss rate	0%	0%	0%	0%	0%	
Receivable amount	132,700	111,600	89,420	–	70	333,790
Loss allowance	–	–	–	–	–	–
<b>At 31 March 2019</b>						
Weighted average expected loss rate	0%	0%	0%	0%	99.2%	
Receivable amount	275,070	–	2,900	3,200	13,100	294,270
Loss allowance	–	–	–	–	(13,000)	(13,000)

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 21. Trade and Other Receivables and Prepayments, and Deposit

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
<b>Non-current assets</b>		
Deposit for acquisition of subsidiary	10,000	–
<b>Current assets</b>		
Trade receivables	118,190	116,815
Less: Impairment loss recognised	(108,535)	(108,619)
	9,655	8,196
Prepayments and deposits	5,449	5,144
Other receivables	10,141	540
Amounts due from related parties ( <i>Note</i> )	2,569	1,585
	27,814	15,465

*Note:*

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

The Group generally allows an average credit period of 30 to 90 days (31 March 2019: 30 to 90 days) to its trade customers. The Group does not hold any collateral and other credit enhancements over its trade receivable balances as at 30 September 2019.

The ageing analysis of the Group's trade receivables (net of allowance for doubtful debts) based on the invoice date at the end of the reporting period is as follows:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Trade receivables:		
0 – 30 days	4,497	4,642
31 – 60 days	2,900	2,103
61 – 90 days	1,624	1,135
Over 90 days	634	316
	9,655	8,196

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 21. Trade and Other Receivables and Prepayments, and Deposit (Continued)

### Deposit for acquisition of a subsidiary

On 27 September 2019, the Group entered in the Acquisition Agreement with the vendor in related to acquisition of the remaining 80% of the issued share capital of the Alpha Youth Limited at consideration of RMB368,074,400 (equivalent to approximately HK\$408,563,000) (subject to adjustment).

As at 30 September 2019, a deposit amounting HK\$10,000,000 has been paid to the vendor. The deposit is refundable upon the event in the conditions attached to the Acquisition Agreement are not fulfilled by the vendor on or before 31 January 2020.

## 22. Investments at FVTPL and Derivative Financial Asset

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Investments at FVTPL		
– Equity securities listed in Hong Kong (Note (i))	–	17,029
Derivative financial asset		
– Call Option (Note (ii))	–	222
	–	17,251

Notes:

- (i) The fair value of all equity securities is based on their current bid prices in an active market.
- (ii) The Call Option in relation to the acquisition of Alpha Youth Group which was exercised on 27 September 2019.

For details of the fair value measurement are set out in Note 30.

Changes in fair values of investments at FVTPL are recognised in other gains and losses, net in the condensed consolidated statement of comprehensive income. These investments at FVTPL are classified as held for trading.



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 22. Investments at FVTPL and Derivative Financial Asset (Continued)

	Investments at FVTPL HK\$'000	Derivative financial asset HK\$'000	Total HK\$'000
At 1 April 2018 (audited)	23,655	28,854	52,509
Purchase	54,583	–	54,583
Changes in fair value (Note 8)	12,416	(28,632)	(16,216)
Disposal	(73,625)	–	(73,625)
At 31 March 2019 (audited)	17,029	222	17,251
Purchase	684	–	684
Changes in fair value (Note 8)	(6,889)	(222)	(7,111)
Disposal	(10,824)	–	(10,824)
<b>At 30 September 2019 (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>

The fair value of Call Option as at 31 March 2019 was calculated using Monte-Carlo Simulator Analysis by GW Financial Advisory Services Limited, an independent firm of professionally qualified valuers. For details of the assumptions and significant unobservable inputs, please refer to Note 25 of the Annual Report.

## 23. Trade and Other Payables and Accruals

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Trade payables	19,083	19,597
Customer deposits	2,101	1,319
Other payables and accruals	22,514	16,242
	<b>43,698</b>	<b>37,158</b>

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 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
0 – 30 days	3,187	3,567
31 – 60 days	–	118
Over 90 days	15,896	15,912
	<b>19,083</b>	<b>19,597</b>

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 24. Interest-bearing Borrowings

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Interest-bearing bond – unsecured and repayable within one year	12,688	–

On 25 July 2019, the Company entered a bond subscription agreement with an independent third party to issue 10% coupon bond of principal amount of HK\$12,500,000 (the “Bond”).

The Bond is denominated in Hong Kong dollar and issued on 7 August 2019 at par. The Bond is unsecured and mature one year from the date of issue at 102% of its principal amount. Interest is payable at the maturity date. The effective interest rate of the Bond is 12%. During the six months period ended 30 September 2019, interest expense for the Bond is approximately HK\$188,000.

The Bond represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate on the initial date applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms. The interest charged on the Bond for the period is calculated by applying effective interest rate of approximately 12% per annum to the Bond since the Bond was issued.

The Director consider that the effective interest rate of the Bond on initial recognition would be similar to at the end of each reporting period.

## 25. Promissory Notes

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
At the beginning of the period/year	13,589	18,118
Redemption during the period/year	(15,500)	(8,500)
Loss on early redemption ( <i>Note 8</i> )	1,718	2,033
Fair value loss recognised in profit of loss ( <i>Note 8</i> )	193	1,938
At the end of the period/year	–	13,589
Analysed for reporting purposes as:		
Current liabilities	–	13,589

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 25. Promissory Notes (Continued)

On 15 February 2018, the Group completed the acquisition of 20% equity interest in Alpha Youth Group, for a nominal consideration of HK\$119,000,000. Part of the consideration was satisfied by the Company's issue of promissory notes in principal amount of HK\$8,500,000 (the "Promissory Note 1") and HK\$15,500,000 (the "Promissory Note 2") in favour of Mr. Zhou Fengtang, the ultimate controlling shareholder of Alpha Youth Group. The promissory notes are unsecured, interest-free and repayable on the date falling two years after the date of issue. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

The Promissory Note 1 was early redeemed by the Company in full in a loss on early redemption of approximately HK\$2,033,000 during year ended 31 March 2019.

The Promissory Note 2 was early redeemed in full resulting in a loss on settlement of approximately HK\$1,718,000 during the six months period ended 30 September 2019.

## 26. Convertible Bonds

On 11 August 2017, the Company issued 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 Convertible Bonds 2019 was 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 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 holders.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 26. Convertible Bonds (Continued)

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 liability component was calculated using a market interest rate for an equivalent non-convertible bond and netting off the fair values of issuer callable redemption and holder puttable redemption options and subsequently measure at amortised cost. The residual amount of approximately HK\$65,174,000 representing the fair value of the equity conversion component was included in the convertible bonds equity reserve at initial date.

During the Interim Period, the Company made early redemption on part of the outstanding Convertible Bonds 2019 at the principal amount of HK\$50,000,000 (31 March 2019: HK\$50,000,000). Upon the partial redemption of the Convertible Bonds 2019, the respective value of the convertible bonds equity reserve of approximately HK\$425,000 (31 March 2019: approximately HK\$482,000) was released during the Interim Period.

On 9 August 2019, the Company, the Guarantor and the Convertible Bonds 2019 holder entered into a deed of amendment (the “Deed of Amendment”) to extend the maturity date of the outstanding HK\$100,000,000 principal amount of Convertible Bonds 2019 from 10 August 2019 to 10 November 2019 (“Extended Convertible Bonds 2019”). Save for the aforesaid extension of maturity date, all other terms and conditions of the Convertible Bonds 2019 and Extended Convertible Bonds 2019 shall remain unchanged.

On 23 August 2019, the Company, the Guarantor and Convertible Bonds 2019 holder entered into the amended and restated deed of amendment to amend certain terms and conditions in the Deed of Amendment. The terms and conditions of the amended and restated deed of amendment are the same as the Deed of Amendment save and except that, among other things, (1) the conversion price be revised from HK\$0.46 per share to HK\$0.52 per share (subject to adjustments); and (2) the interest rate fixed of the convertible bonds be revised from 8% per annum to 12% per annum with effect from the date immediately after the expiry of the original maturity date, being 11 August 2019 (the “Alteration”). The Company has obtained the approval of the Alteration from the Stock Exchange on 28 August 2019.

The Alteration constituted modification and was accounted for as an extinguishment of the Convertible Bonds 2019 and the recognition of the Extended Convertible Bonds 2019. In light of the terms of the Extended Convertible Bonds 2019 set out above, the Company reassessed, as at the date of the Alteration, convertible bonds equity reserve of HK\$225,000 was recognised.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on Extended Convertible Bonds 2019 is calculated using effective interest rate 9.86% (31 March 2019: N/A) per annum.

The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the Convertible Bonds 2019 was calculated using effective interest rate of 22.51% (31 March 2019: 22.51%) per annum.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 26. Convertible Bonds (Continued)

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

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
<b>Equity component</b>		
At the beginning of the period/year	64,692	65,174
Redemption	(425)	(482)
Extinguishment of the Convertible Bonds 2019	(64,267)	–
Recognition of the Extended Convertible Bonds 2019	225	–
At the end of the period/year	225	64,692
<b>Liability component</b>		
At the beginning of the period/year	176,038	195,331
Effective interest expenses	16,995	44,632
Interest paid	–	(7,934)
Redemption	(49,575)	(57,014)
Loss on redemption	373	1,023
Deemed capital contribution	(227)	–
<b>At the end of the period/year</b>	<b>143,604</b>	<b>176,038</b>

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 27. 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.

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.

The Share Option Scheme was expired on 28 September 2019. All the Outstanding share options were lapsed.

For details of the share option scheme, please refer to Note 33 of the Annual Report.

(a) The terms and conditions of the share options that existed are as follows:–

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of option	Number of outstanding options	
					At 30 September 2019	At 31 March 2019
<b>Option granted to Directors</b>						
29 August 2016	Immediately from the date of grant	29 August 2016 to 28 August 2019	HK\$0.48	3 years	–	2,400,000
<b>Option granted to employees</b>						
29 August 2016	Immediately from the date of grant	29 August 2016 to 28 August 2019	HK\$0.48	3 years	–	4,900,000

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 27. Share-based Payment Transactions (Continued)

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

	30 September 2019		30 September 2018	
	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	7,300,000	0.48	52,500,000
Granted	N/A	–	N/A	–
Exercised	0.48	(1,600,000)	N/A	–
Lapsed (Note)	0.48	(5,700,000)	0.48	(200,000)
<b>At the end of the period</b>	<b>N/A</b>	<b>–</b>	<b>0.48</b>	<b>52,300,000</b>

Note:

All the outstanding share options under the Share Option Scheme were lapsed on expiry date (i.e. 28 August 2019).

## 28. Share Capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018 (audited), 31 March 2019 (audited) and 30 September 2019 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2018 (audited)	2,378,783,201	23,788
Issue of shares upon exercise of share options	45,000,000	450
As 31 March 2019 (audited)	2,423,783,201	24,238
Issue of shares pursuant to placing agreement (Note (i))	84,500,000	845
Issue of shares upon exercise of share options (Note (ii))	1,600,000	16
At 30 September 2019 (unaudited)	2,509,883,201	25,099

Notes:

- (i) Pursuant to the placing agreement entered into on 15 April 2019, the Company had issued 84,500,000 new shares at a placing price of HK\$0.53 on 29 April 2019.
- (ii) During the six months period ended 30 September 2019, 1,600,000 share options were exercised at the exercise price of HK\$0.48 per share. The total cash consideration received from the issuance of 1,600,000 shares was approximately HK\$768,000, of which HK\$16,000 was credited to the issued share capital and the remaining balance of HK\$752,000 was credited to the share premium account. In addition and amount attributable to the related share options of approximately HK\$263,000 has been transferred from share option reserve to the share premium account.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 29. 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	
		2019 HK\$'000	2018 HK\$'000
北京啓元榮華廣告 有限公司 (Note)	Services fee	88	–

Note: Services fee paid to a company which a director of a subsidiary has direct equity interest.

The Directors are of the opinion that the above related parties transactions were conducted on normal commercial terms 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Fees, salaries and other allowances (Note)	4,352	9,120
Retirement benefit scheme contributions	45	54
	4,397	9,174

Note:

During the six months ended 30 September 2019, the Group provided rent-free quarter to director. The total rental value of HK\$3,480,000 is not included in directors' remuneration.



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 30. 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 31 March 2019 (audited)				
Assets				
Financial assets at FVTPL				
– Listed equity securities	17,029	–	–	17,029
– Derivative financial asset	–	–	222	222
	17,029	–	222	17,251
Liabilities				
Financial liabilities at FVTPL				
– Promissory notes	–	–	(13,589)	(13,589)
	17,029	–	(13,367)	3,662

### Financial assets at FVTPL – Derivative financial asset

The fair value of the derivative financial asset as at 31 March 2019 was estimated by applying Monte-Carlo Simulator Analysis. The expected volatility and normalised net profit of Hainan Huasheng applied to estimate the fair value is 10.40% and RMB56,073,000 respectively. Should the expected volatility increase or decrease by 3%, the fair value of derivative financial asset would be increased by approximately HK\$53,000 or decreased by approximately HK\$45,000. Should the normalised net profit increase or decrease by 3%, the fair value of derivative financial asset would be increased by approximately HK\$294,000 or decreased by approximately HK\$136,000.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

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

### Fair Value Estimation (Continued)

#### Financial liabilities at FVTPL – promissory notes

The fair value of the promissory notes as at 31 March 2019 was estimated by discounting the principal amount of HK\$24,000,000 by effective interest rate of 16.13% per annum. Should the effective interest rate increase or decrease by 1%, the fair value of the promissory notes would be decreased by approximately HK\$289,000 or increased by approximately HK\$298,000.

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

	Derivative financial asset HK\$'000	Promissory notes HK\$'000	Total HK\$'000
At 31 March 2019 (audited)	222	(13,589)	(13,367)
Redemption	–	15,500	15,500
Loss on early redemption	–	(1,718)	(1,718)
Total (losses) gains			
– included in profit or loss			
(included in other gains and losses)	(222)	(193)	(415)
<b>At 30 September 2019</b>	<b>–</b>	<b>–</b>	<b>–</b>

During the Interim Period, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (31 March 2019: 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.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 31. Acquisition of a Subsidiary

On 28 September 2018, the Group acquired the entire equity interest of Treasure Profit Limited, with a cash consideration of HK\$146,320,000. Treasure Profit Limited held a commercial property in Hong Kong and it is principally engaged in property investment in Hong Kong. The Board believes that the acquisition provide a long term investment return for the Group.

The following table summaries the consideration paid for the acquisition of Treasure Profit Limited and the fair value of assets and liabilities recognised at the acquisition date:

	HK\$'000
Consideration	
Cash paid	146,320
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Investment properties	146,320
Prepayments, deposits and other receivables	486
Bank balance and cash	101
Other payables and accruals	(587)
Shareholder's loan	(63,299)
	83,021
Add: Assignment of the shareholder's loan	63,299
	146,320
Acquisition related costs (included in administrative expenses)	436
Cash consideration	146,320
Cash and bank in subsidiary acquired	(101)
Cash outflows on acquisition	146,219

The acquired business contributed revenue of approximately HK\$13,200 and net profit of approximately HK\$12,600 for the period from 28 September 2018 to 30 September 2018. If the acquisition had occurred on 1 April 2018, total revenue and profit for the period ended 30 September 2018 would have been approximately HK\$1,455,000 and HK\$1,283,000 respectively.

## 32. Significant Event After Reporting Period

The Group had the following event subsequent to 30 September 2019:

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

Please refer to the section headed "Management Discussion and Analysis" and paragraph headed "Significant events after reporting period" in this report for details of the event.

### (ii) Proposed amendment of the terms of the convertible bonds

On 11 November 2019, the Company, the guarantor and the Extended Convertible Bonds 2019 holder entered into the deed of amendment to amend the terms of the Extended Convertible Bonds 2019 such that (i) the maturity date be extended for a further term of six months, being 10 May 2020; and (ii) the conversion price be revised from HK\$0.52 per share to HK\$0.53 per share (subject to adjustments). The Company has obtained the approval for the listing from the Stock Exchange on 14 November 2019.