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Newtree Group Holdings Limited

友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations decreased by approximately 0.5% to HK\$115.2 million.
- Gross profit from continuing operations increased by approximately 23.0% to HK\$71.0 million.
- Gross profit margin from continuing operations increased from 49.8% to 61.6%, mainly driven by the positive return from Money Lending Business during the year ended 31 March 2019.
- Loss for the year attributable to owners of the Company amounted to approximately HK\$15.5 million.
- Basic and diluted loss per share from continuing and discontinued operations amounted to approximately HK0.65 cents.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Newtree Group Holdings Limited (the “Company”) is pleased to announce the audited annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2019 with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000 (restated)
Continuing operations			
Revenue	4	115,164	115,725
Cost of sales		(44,191)	(58,038)
Gross profit		70,973	57,687
Other income	5	1,455	5,922
Other gains and losses, net	6	22,964	(55,552)
Selling and distribution expenses		(634)	(890)
Administrative expenses		(60,101)	(55,768)
Finance costs	7	(48,141)	(25,371)
Share of profit of associates		9,253	1,436
Loss before income tax from continuing operations		(4,231)	(72,536)
Income tax expense	8	(7,736)	(4,868)
Loss for the year from continuing operations		(11,967)	(77,404)
Discontinued operations			
Profit for the year from discontinued operations	23	–	45,648
Loss for the year	9	(11,967)	(31,756)
Other comprehensive (loss) income:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		(5,399)	3,851
		(5,399)	3,851

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000 (restated)
Item that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries		<u>–</u>	<u>(12,693)</u>
		<u>–</u>	<u>(12,693)</u>
Other comprehensive loss for the year, net of income tax		<u>(5,399)</u>	<u>(8,842)</u>
Total comprehensive loss for the year, net of income tax		<u>(17,366)</u>	<u>(40,598)</u>
(Loss) profit for the year attributable to:			
Owners of the Company			
– Continuing operations		(15,539)	(76,965)
– Discontinued operations		–	45,648
Non-controlling interests			
– Continuing operations		<u>3,572</u>	<u>(439)</u>
		<u>(11,967)</u>	<u>(31,756)</u>
Total comprehensive (loss) income for the year attributable to:			
Owners of the Company		(20,921)	(40,187)
Non-controlling interests		<u>3,555</u>	<u>(411)</u>
		<u>(17,366)</u>	<u>(40,598)</u>
(Loss) earnings per share attributable to owners of the Company	<i>10</i>		
From continuing and discontinued operations			
Basic and diluted (<i>HK cents</i>)		<u>(0.65)</u>	<u>(1.32)</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)		(0.65)	(3.24)
From discontinued operations			
Basic and diluted (<i>HK cents</i>)		<u>N/A</u>	<u>1.92</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,068	1,343
Other intangible assets	13	48,362	49,432
Goodwill	14	72,446	79,465
Interests in associates	16	102,655	97,711
Deposit		–	36,580
		<u>224,531</u>	<u>264,531</u>
CURRENT ASSETS			
Contingent consideration receivable		–	1,335
Inventories		5,765	5,610
Loan receivables	17	328,792	283,136
Trade and other receivables, prepayments and deposits	18	15,465	45,201
Derivative financial asset	19	222	28,854
Investments at fair value through profit or loss	19	17,029	23,655
Bank balances and cash		45,383	67,013
		<u>412,656</u>	<u>454,804</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	20	37,158	104,680
Tax payable		10,908	3,948
Promissory notes	22	13,589	–
Convertible bonds	21	176,038	195,331
		<u>237,693</u>	<u>303,959</u>
NET CURRENT ASSETS		<u>174,963</u>	<u>150,845</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>399,494</u>	<u>415,376</u>

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
NON-CURRENT LIABILITIES			
Promissory notes	22	–	18,118
Deferred tax liabilities		<u>8,040</u>	<u>8,260</u>
		<u>8,040</u>	<u>26,378</u>
NET ASSETS		<u>391,454</u>	<u>388,998</u>
CAPITAL AND RESERVES			
Share capital		24,238	23,788
Reserves		<u>370,948</u>	<u>372,497</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
		395,186	396,285
Non-controlling interests		<u>(3,732)</u>	<u>(7,287)</u>
TOTAL EQUITY		<u>391,454</u>	<u>388,998</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	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	Special reserve HK\$'000 (Note (ii))	Exchange reserve HK\$'000	Other reserves HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Total HK\$'000		
At 1 April 2017	23,788	1,112,811	49	–	8,127	678	8,490	(6,000)	(776,645)	371,298	(6,876)	364,422
Profit for the year	–	–	–	–	–	–	–	–	14,704	14,704	(439)	14,265
Other comprehensive (loss) income, net of income tax:												
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	3,823	–	–	3,823	28	3,851
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries	–	–	–	–	–	–	(12,693)	–	–	(12,693)	–	(12,693)
Total comprehensive (loss) income for the year	–	–	–	–	–	–	(8,870)	–	14,704	5,834	(411)	5,423
Issue of convertible bonds	–	–	–	7,127	–	–	–	–	–	7,127	–	7,127
Transaction with owners	–	–	–	7,127	–	–	–	–	–	7,127	–	7,127
At 31 March 2018 as previously reported	23,788	1,112,811	49	7,127	8,127	678	(380)	(6,000)	(761,941)	384,259	(7,287)	376,972
Effect of prior year adjustments (Note 3)	–	–	–	58,047	–	–	–	–	(46,021)	12,026	–	12,026
At 31 March 2018 as restated	23,788	1,112,811	49	65,174	8,127	678	(380)	(6,000)	(807,962)	396,285	(7,287)	388,998
Impact of initial application of HKFRS 9 (2014) (Note 2)	–	–	–	–	–	–	–	–	(1,296)	(1,296)	–	(1,296)
At 1 April 2018 (restated)	23,788	1,112,811	49	65,174	8,127	678	(380)	(6,000)	(809,258)	394,989	(7,287)	387,702
Loss for the year	–	–	–	–	–	–	–	–	(15,539)	(15,539)	3,572	(11,967)
Other comprehensive loss, net of income tax:												
– Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(5,382)	–	–	(5,382)	(17)	(5,399)
Total comprehensive loss for the year	–	–	–	–	–	–	(5,382)	–	(15,539)	(20,921)	3,555	(17,366)
Issue of shares upon exercise of share options	450	28,170	–	–	(7,020)	–	–	–	–	21,600	–	21,600
Lapse of share options	–	–	–	–	(28)	–	–	–	28	–	–	–
Redemption of convertible bonds	–	–	–	(482)	–	–	–	–	–	(482)	–	(482)
Transactions with owners	450	28,170	–	(482)	(7,048)	–	–	–	28	21,118	–	21,118
At 31 March 2019	24,238	1,140,981	49	64,692	1,079	678	(5,762)	(6,000)	(824,769)	395,186	(3,732)	391,454

Notes:

- (i) In accordance with the provisions of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 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 registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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) trading of coal products (“Coal Business”); (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); and (v) provision of money lending services (“Money Lending Business”). The Group was also engaged in (i) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials (“Hygienic Disposables Business”); and (ii) sales and distribution of jewelries and watches (“Jewelries and Watches Business”), which were discontinued during the year ended 31 March 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2018. The adoption of these new and revised HKFRSs did not result in material impact on the the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except as described below.

HKFRS 9 (2014) “Financial Instruments”

The Group’s associates remeasured the impairment allowance of their financial assets as at 1 April 2018 using expected credit losses (“ECL”) under HKFRS 9 (2014) and applied the simplified approach for the trade receivables.

The following table shows the impact of the application of HKFRS 9 (2014) on the Group's interests in associates and accumulated losses (restated for the prior year adjustment (*Note 3*)) as of 1 April 2018:

	Interests in associates HK\$'000	Accumulated losses HK\$'000
Effect arising from initial application:		
Balance at 31 March 2018 as previously reported	97,711	761,941
Effect of prior year adjustments (<i>Note 3</i>)	—	46,021
At 31 March 2018 as restated	97,711	807,962
– Change on share of results of associates due to the HKFRS 9 (2014) adopted by associates	(1,296)	1,296
Balance at 1 April 2018 as restated	<u>96,415</u>	<u>809,258</u>

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs that have been published are relevant to the Group's operations but have not been early adopted.

HKFRS 16	Leases ¹
HK(IFRC) – Int 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1 January 2019

HKFRS 16 Leases

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK\$26,465,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be required to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

The Group is in the process of assessing the potential impact of the above new/revised HKFRSs upon initial application but is not yet in a position to state whether the above new/revised HKFRSs will have a significant impact on the Group's financial performance and position.

3. PRIOR YEAR ADJUSTMENTS

Accounting treatment for the issue of convertible bonds

The prior year's consolidated financial statements of the Group require restatements mainly in relation to adjustments on interest expenses, share-based payment expenses and carrying amounts of liability and equity components of the convertible bonds.

On 11 August 2017, the Company issued the Convertible Bonds 2019 (as defined in Note 21) with a principal amount of HK\$200,000,000 which will mature in 2 years. On the date of issuance of the Convertible Bonds 2019, the Group recognised the carrying amount of equity component of the Convertible Bonds 2019 by deducting the fair value of the liability component from the issue proceed, rather than from the fair value of the compound financial instrument as a whole of approximately HK\$241,654,000 on the issuance date. In addition, the fair values of the related issuer callable redemption and holder puttable redemption options with a net aggregate amount of approximately HK\$15,053,000 were netting with the equity component instead of netting with the liability component of the Convertible Bonds 2019.

The Group understated interest expenses on the Convertible Bonds 2019 and understated share-based payment expenses for the year ended 31 March 2018 by approximately HK\$3,782,000 and HK\$41,654,000, respectively. In addition, the Group understated the equity component of the Convertible Bonds 2019 as at 31 March 2018 by approximately HK\$58,047,000 and overstated the liability component of the Convertible Bonds 2019 as at 31 March 2018 by approximately HK\$11,453,000.

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 consolidated statement of comprehensive income as previously reported for the year ended 31 March 2018 and consolidated statement of financial position as at 31 March 2018 as previously reported:

Consolidated statement of comprehensive income for the year ended 31 March 2018

	As previously reported HK\$'000	Effect of prior year's adjustments HK\$'000	As restated HK\$'000
Continuing operations			
Revenue	115,725		115,725
Cost of sales	(58,038)		(58,038)
Gross profit	57,687		57,687
Other income	5,922		5,922
Other gains and losses, net	(13,898)	(41,654)	(55,552)
Selling and distribution expenses	(890)		(890)
Administrative expenses	(56,018)	250	(55,768)
Finance costs	(21,589)	(3,782)	(25,371)
Share of profit of associates	1,436	–	1,436
Loss before income tax from continuing operations	(27,350)	(45,186)	(72,536)
Income tax expense	(4,033)	(835)	(4,868)
Loss for the year from continuing operations	(31,383)	(46,021)	(77,404)
Discontinued operations			
Profit for the year from discontinued operations	45,648	–	45,648
Profit (loss) for the year	14,265	(46,021)	(31,756)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations	3,851	–	3,851
Item that was reclassified to profit or loss:			
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries	(12,693)	–	(12,693)

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Other comprehensive loss for the year, net of income tax	<u>(8,842)</u>	<u>–</u>	<u>(8,842)</u>
Total comprehensive income (loss) for the year, net of income tax	<u>5,423</u>	<u>(46,021)</u>	<u>(40,598)</u>
Profit (loss) for the year attributable to:			
Owners of the Company	14,704	(46,021)	(31,317)
Non-controlling interests	<u>(439)</u>	<u>–</u>	<u>(439)</u>
	<u>14,265</u>	<u>(46,021)</u>	<u>(31,756)</u>
Total comprehensive income (loss) for the year attributable to:			
Owners of the Company	5,834	(46,021)	(40,187)
Non-controlling interests	<u>(411)</u>	<u>–</u>	<u>(411)</u>
	<u>5,423</u>	<u>(46,021)</u>	<u>(40,598)</u>
Earnings (loss) per share attributable to owners of the Company			
From continuing and discontinued operations			
Basic and diluted (<i>HK cents</i>)	<u>0.62</u>		<u>(1.32)</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)	(1.30)		(3.24)
From discontinuing operations			
Basic and diluted (<i>HK cents</i>)	<u>1.92</u>		<u>1.92</u>

Consolidated statement of financial position as at 31 March 2018

	As previously reported HK\$'000	Effect of prior year's adjustments HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	1,343	–	1,343
Other intangible assets	49,432	–	49,432
Goodwill	79,465	–	79,465
Interests in associates	97,711	–	97,711
Deposit	36,580	–	36,580
	<u>264,531</u>	<u>–</u>	<u>264,531</u>
CURRENT ASSETS			
Contingent consideration receivable	1,335	–	1,335
Inventories	5,610	–	5,610
Loan receivables	283,136	–	283,136
Trade and other receivables, prepayments and deposits	45,201	–	45,201
Derivative financial asset	28,854	–	28,854
Investments at fair value through profit or loss	23,655	–	23,655
Bank balances and cash	67,013	–	67,013
	<u>454,804</u>	<u>–</u>	<u>454,804</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	104,680	–	104,680
Tax payable	3,948	–	3,948
Convertible bonds	206,784	(11,453)	195,331
	<u>315,412</u>	<u>(11,453)</u>	<u>303,959</u>
NET CURRENT ASSETS	<u>139,392</u>	<u>11,453</u>	<u>150,845</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>403,923</u>	<u>11,453</u>	<u>415,376</u>

	As previously reported <i>HK\$'000</i>	Effect of prior year's adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Promissory notes	18,118	–	18,118
Deferred tax liabilities	<u>8,833</u>	<u>(573)</u>	<u>8,260</u>
	<u>26,951</u>	<u>(573)</u>	<u>26,378</u>
NET ASSETS	<u>376,972</u>	<u>12,026</u>	<u>388,998</u>
CAPITAL AND RESERVES			
Share capital	23,788	–	23,788
Reserves	<u>360,471</u>	<u>12,026</u>	<u>372,497</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>384,259</u>	<u>12,026</u>	<u>396,285</u>
Non-controlling interests	<u>(7,287)</u>	<u>–</u>	<u>(7,287)</u>
TOTAL EQUITY	<u><u>376,972</u></u>	<u><u>12,026</u></u>	<u><u>388,998</u></u>

The amounts disclosed above for the 2018 reporting period and for the financial position as at 31 March 2018 are before restatements for the change in accounting policy disclosed in Note 2.

The restatements have no impact to the Group's consolidated statement of cash flows for the year ended 31 March 2018 as the restatements are non-cash nature.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

1. The Group completed the disposal of Brighten Tree Limited on 25 May 2017, which held the manufacturing arm of Hygienic Disposables Business. Accordingly, the Hygienic Disposables Business segment was classified as a discontinued operation during year ended 31 March 2018, details of which are set out in Note 23(b).
2. The Group completed the disposal of Tiger Global Group Limited, together with its subsidiary and an associate, which carried out the whole Group's Jewelries and Watches Business, on 30 June 2017. Accordingly, the Jewelries and Watches Business segment was classified as a discontinued operation during the year ended 31 March 2018, details of which are set out in Note 23(a).

Revenue

Disaggregation of revenue from contracts with customers from continuing operations:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Revenue from contracts with customers:		
Sales of goods from Household Consumables Business	44,533	52,147
Services income from Digital Technology Business	2,021	6,194
Services income from Education Business	16,722	25,054
	<u>63,276</u>	<u>83,395</u>
Interest income from Money Lending Business	<u>51,888</u>	<u>32,330</u>
	<u>115,164</u>	<u>115,725</u>
Timing of revenue recognition:		
At point in time	58,066	76,316
Over time	<u>5,210</u>	<u>7,079</u>
Revenue from contracts with customers	<u>63,276</u>	<u>83,395</u>
Geographical market:		
The People's Republic of China (the "PRC")	9,791	20,938
United Kingdom (the "UK")	44,533	52,147
Macau	–	38
Hong Kong	<u>8,952</u>	<u>10,272</u>
Revenue from contracts with customers	<u>63,276</u>	<u>83,395</u>

Segment revenues and results

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

	Continuing operations					Total HK\$'000
	Coal Business HK\$'000	Household Consumables Business HK\$'000	Digital Technology Business HK\$'000	Education Business HK\$'000	Money Lending Business HK\$'000	
For the year ended 31 March 2019						
Revenue from external customers	<u>–</u>	<u>44,533</u>	<u>2,021</u>	<u>16,722</u>	<u>51,888</u>	<u>115,164</u>
Segment profit (loss)	<u>36,364</u>	<u>2,166</u>	<u>(1,836)</u>	<u>(402)</u>	<u>58,252</u>	<u>94,544</u>
Bank interest income						58
Exchange differences						(163)
Fair value gain on investments at fair value through profit or loss ("FVTPL")						12,416
Fair value loss on derivative financial asset						(28,632)
Fair value loss on contingent consideration receivable						(1,335)
Fair value loss on promissory notes						(1,938)
Loss on early redemption of promissory note						(2,033)
Loss on redemption of convertible bonds						(1,023)
Amortisation of other intangible assets						(834)
Impairment loss on goodwill						(7,019)
Share of profit of associates						9,253
Central administration costs						<u>(77,525)</u>
Loss before income tax from continuing operations						<u><u>(4,231)</u></u>

For the year ended 31 March 2018	Continuing operations					Total HK\$'000 (restated)
	Coal Business HK\$'000	Household Consumables Business HK\$'000	Digital Technology Business HK\$'000	Education Business HK\$'000	Money Lending Business HK\$'000	
Revenue from external customers	<u>–</u>	<u>52,147</u>	<u>6,194</u>	<u>25,054</u>	<u>32,330</u>	<u>115,725</u>
Segment (loss) profit	<u>(4,403)</u>	<u>3,957</u>	<u>880</u>	<u>(1,039)</u>	<u>8,826</u>	<u>8,221</u>
Bank interest income						21
Exchange differences						83
Dividend income from investment in available-for-sale financial asset						1,995
Fair value gain on investments at FVTPL and derivative financial asset						15,952
Fair value loss on contingent consideration receivable						(1,854)
Fair value loss on promissory notes						(323)
Interest income from bond receivable						1,731
Interest income from other receivables						2,215
Amortisation of other intangible assets						(848)
Gain on disposal of property, plant and equipment						77
Gain on disposal of available-for-sale financial asset						2,800
Impairment loss on goodwill						(4,820)
Share-based payment expenses						(41,654)
Share of profit of associates						1,436
Central administration costs						(57,568)
Loss before income tax from continuing operations						<u>(72,536)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) from continuing operations represents the profit earned by (loss incurred from) each segment without allocation of bank interest income, exchange differences, dividend income from investment in available-for-sale financial asset, fair value gain on investments at FVTPL and derivative financial asset, fair value loss on contingent consideration receivable, fair value loss on promissory notes, loss on redemption of convertible bonds, loss on early redemption of promissory note, interest income from bond receivable and other receivables, amortisation of other intangible assets, gain on disposal of property, plant and equipment, gain on disposal of available-for-sale financial asset, impairment loss on goodwill, share-based payment expenses, share of profit of associates, central administration costs 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

	2019 HK\$'000	2018 HK\$'000
Coal Business	–	28,230
Household Consumables Business	14,014	14,570
Digital Technology Business	863	907
Education Business	2,169	3,033
Money Lending Business	328,925	283,955
Total segment assets	345,971	330,695
Other intangible assets	48,362	49,432
Goodwill	72,446	79,465
Interests in associates	102,655	97,711
Deposit	–	36,580
Contingent consideration receivable	–	1,335
Amounts due from related parties	1,585	1,638
Derivative financial asset	222	28,854
Investments at FVTPL	17,029	23,655
Bank balances and cash	45,383	67,013
Unallocated corporate assets	3,534	2,957
Consolidated total assets	637,187	719,335

Segment liabilities

	2019 HK\$'000	2018 HK\$'000 (restated)
Coal Business	19,767	85,173
Household Consumables Business	3,471	2,639
Digital Technology Business	1,016	1,907
Education Business	4,424	7,756
Money Lending Business	168	127
Total segment liabilities	28,846	97,602
Tax payable	10,908	3,948
Convertible bonds	176,038	195,331
Promissory notes	13,589	18,118
Deferred tax liabilities	8,040	8,260
Unallocated corporate liabilities	8,312	7,078
Consolidated total liabilities	245,733	330,337

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

- All assets are allocated to operating segments other than other intangible assets, goodwill, interests in associates, non-current deposit, contingent consideration receivable, 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, convertible bonds, promissory notes, deferred tax liabilities and unallocated corporate liabilities.

Other segment information

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

	Continuing operations						Total HK\$'000
	Household		Digital		Money	Unallocated	
	Coal	Consumables	Technology	Education	Lending	Corporate	
	Business	Business	Business	Business	Business	Office	
For the year ended 31 March 2019	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	-	19	-	200	-	-	219
Depreciation of property, plant and equipment	-	173	-	116	-	156	445
Impairment loss on trade receivables	-	31	-	41	-	-	72
Impairment loss on goodwill	-	-	7,019	-	-	-	7,019
Written-off of loan receivables	-	-	-	-	50	-	50
Written-off of trade receivables	-	379	-	-	-	-	379
Net gain on sales of trade receivables and payables	(36,374)	-	-	-	-	-	(36,374)
Reversal of impairment loss on loan receivables	-	-	-	-	(8,583)	-	(8,583)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,583)</u>	<u>-</u>	<u>(8,583)</u>
	Continuing operations						Total HK\$'000
	Household		Digital		Money	Unallocated	
	Coal	Consumables	Technology	Education	Lending	Corporate	
	Business	Business	Business	Business	Business	Office	
For the year ended 31 March 2018	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	-	18	-	-	-	120	138
Depreciation of property, plant and equipment	-	183	-	37	-	203	423
Gain on disposal of property, plant and equipment	-	-	-	-	-	(77)	(77)
Impairment loss on trade receivables	3,591	92	381	59	-	-	4,123
Impairment loss on loan receivables	-	-	-	-	21,583	-	21,583
Impairment loss on goodwill	-	-	4,820	-	-	-	4,820
Written-off of trade receivables	-	4	-	-	-	-	4
	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>

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

Revenue from major products and services

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Sales of goods from Household Consumables Business	44,533	52,147
Services income from		
– Digital Technology Business	2,021	6,194
– Education Business	16,722	25,054
Interest income from Money Lending Business	51,888	32,330
	<u>115,164</u>	<u>115,725</u>

Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations is analysed based on the locations of the customers.

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

	Revenue by geographical market	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
The PRC	9,791	20,938
UK	44,533	52,147
Macau	–	38
Hong Kong	60,840	42,602
	<u>115,164</u>	<u>115,725</u>

As at 31 March 2019, approximately HK\$102,723,000, HK\$12,553,000 and 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.

As at 31 March 2018, approximately HK\$97,794,000, HK\$13,820,000, HK\$116,016,000 and HK\$321,000 of the non-financial assets classified as non-current under continuing operations are located in the PRC, the UK, Hong Kong and Macau, respectively.

Information about a major customer

There is no revenue from customers for the year ended 31 March 2019 contributing over 10% of the total revenue of the Group from continuing operations. For year ended 31 March 2018, revenue from customers contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A ¹	<u>N/A*</u>	<u>12,990</u>

¹ Revenue is from Household Consumables Business.

* Contributed to less than 10% of the Group's total revenue from continuing operations for the relevant year.

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Continuing operations		
Bank interest income	58	21
Dividend income from investment in available-for-sale financial asset	–	1,955
Interest income from bond receivable	–	1,731
Interest income from other receivables	–	2,215
Rental income	1,180	–
Sundry income	<u>217</u>	<u>–</u>
	<u>1,455</u>	<u>5,922</u>

6. OTHER GAINS AND LOSSES, NET

	2019 HK\$'000	2018 HK\$'000 (restated)
Continuing operations		
Exchange differences	(163)	83
Gain on disposal of property, plant and equipment	–	77
Loss on redemption of convertible bonds	(1,023)	–
Fair value loss on contingent consideration receivable	(1,335)	(1,854)
Fair value (loss)gain on derivative financial asset	(28,632)	11,739
Fair value gain on investments at FVTPL	12,416	4,213
Fair value loss on promissory notes	(1,938)	(323)
Loss on early redemption of promissory note	(2,033)	–
Gain on disposal of available-for-sale financial asset	–	2,800
Gain on disposal of a subsidiary	7,797	–
Impairment loss on trade receivables	(72)	(4,123)
Impairment loss on goodwill	(7,019)	(4,820)
Impairment loss on loan receivables	–	(21,583)
Share-based payment expenses	–	(41,654)
Reversal of impairment loss on loan receivables	8,583	–
Written-off of loan receivables	(50)	–
Written-off of trade receivables	(379)	(4)
Net gain on sales of trade receivables and payables	36,374	–
Others	438	(103)
	22,964	(55,552)

7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000 (restated)
Continuing operations		
Effective interest expenses on convertible bonds	44,632	25,370
Interest expenses on bank and other borrowings (Note)	3,509	1
	48,141	25,371

Note:

During the year ended 31 March 2019, the Group entered into loan facilities to finance the investment properties which was acquired through the acquisition of entire equity interest in Treasure Profit Limited. The loans bear fixed interest rate and were denominated in HK\$. The loans were secured by the investment properties held by Treasure Profit Limited, together with the corporate guarantees and personal guarantee from a director of the Company. The loans were fully repaid and all respective charges were released after the completion of disposal of Treasure Profit Limited during the year ended 31 March 2019.

8. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
Continuing operations		
Current tax:		
– Hong Kong Profits Tax	6,079	3,743
– PRC Enterprise Income Tax (“PRC EIT”)	355	441
– Other jurisdictions	457	887
	<u>6,891</u>	<u>5,071</u>
Under (over)-provision in respect of prior years:		
– Hong Kong Profits Tax	991	–
– Other jurisdictions	–	(42)
	<u>991</u>	<u>(42)</u>
Deferred taxation:		
– Current year	(146)	(161)
	<u>(146)</u>	<u>(161)</u>
	<u><u>7,736</u></u>	<u><u>4,868</u></u>

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year ended 31 March 2018.

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%. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from 1 April 2018, Hong Kong Profits Tax of the qualifying group entity 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.

(ii) **PRC**

PRC EIT is calculated at 25% (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 during the year (2018: 15%).

(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 is exempted from Macao Complementary Tax.

(iv) **Other jurisdictions**

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

9. LOSS FOR THE YEAR

	2019 HK\$'000	2018 HK\$'000 (restated)
Continuing operations		
The Group's loss for the year has been arrived at after charging:		
Directors' remuneration	13,251	8,984
Other staff costs	20,483	18,903
Retirement benefit scheme contributions ¹	669	1,883
Total staff costs	34,403	29,770
Auditor's remuneration	1,265	2,682
Cost of inventories sold	35,006	41,172
Depreciation of property, plant and equipment	445	423
Amortisation of other intangible assets	834	848

¹ No forfeited contributions available for offset against existing contributions during the year (2018: Nil).

10. (LOSS) EARNINGS PER SHARE

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

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

As at 31 March 2018 and 2019, the Company has 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 year) 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 (loss) 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 expense less the tax effect.

As the Company's outstanding share options and convertible bonds for both years ended 31 March 2018 and 2019 had an anti-dilutive effect to the basic (loss) earnings per share from continuing operations calculation, the exercise or conversion of the above potential ordinary shares is not assumed in the computation of diluted (loss) earnings per share.

(i) From continuing and discontinued operations

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
Loss for the year attributable to owners of the Company	<u>(15,539)</u>	<u>(31,317)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u><u>2,398,714,708</u></u>	<u><u>2,378,783,201</u></u>

(ii) Continuing operations

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

	2019 HK\$'000	2018 HK\$'000 (restated)
Loss for the year from continuing operations attributable to owners of the Company	<u>(15,539)</u>	<u>(76,965)</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,398,714,708</u>	<u>2,378,783,201</u>

(iii) Discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the year ended 31 March 2018 is based on the following data:

	2018 HK\$'000
Profit for the year from discontinued operations attributable to owners of the Company	<u>45,648</u>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>2,378,783,201</u>

11. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2017	32,336	39,519	1,068	5,619	3,340	81,882
Additions	–	18	–	–	120	138
Disposal of subsidiaries	(32,210)	(39,434)	(101)	(4,991)	(1,521)	(78,257)
Disposals	–	–	(876)	–	(12)	(888)
Exchange realignment	255	364	17	127	37	800
At 31 March 2018	381	467	108	755	1,964	3,675
Additions	–	–	–	–	219	219
Disposals	–	–	–	–	(4)	(4)
Exchange realignment	–	(33)	(8)	(53)	(14)	(108)
At 31 March 2019	381	434	100	702	2,165	3,782
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2017	24,660	39,359	937	4,756	2,762	72,474
Charge for the year	162	38	9	147	240	596
Disposal of subsidiaries	(24,912)	(39,434)	(10)	(4,633)	(1,521)	(70,510)
Elimination on disposals	–	–	(860)	–	(12)	(872)
Exchange realignment	196	344	13	68	23	644
At 31 March 2018	106	307	89	338	1,492	2,332
Charge for the year	8	30	4	130	273	445
Elimination on disposals	–	–	–	–	(4)	(4)
Exchange realignment	–	(22)	(6)	(24)	(7)	(59)
At 31 March 2019	114	315	87	444	1,754	2,714
NET CARRYING VALUE						
At 31 March 2019	<u>267</u>	<u>119</u>	<u>13</u>	<u>258</u>	<u>411</u>	<u>1,068</u>
At 31 March 2018	<u>275</u>	<u>160</u>	<u>19</u>	<u>417</u>	<u>472</u>	<u>1,343</u>

13. OTHER INTANGIBLE ASSETS

	Coal Sales Contract HK\$'000	Customer Network HK\$'000	License Agreements HK\$'000	Total HK\$'000
COST				
At 1 April 2017	57,346	7,878	55,006	120,230
Exchange realignment	—	1,049	—	1,049
At 31 March 2018	57,346	8,927	55,006	121,279
Exchange realignment	—	(626)	—	(626)
At 31 March 2019	<u>57,346</u>	<u>8,301</u>	<u>55,006</u>	<u>120,653</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2017	57,346	4,070	8,996	70,412
Charge for the year	—	848	—	848
Exchange realignment	—	587	—	587
At 31 March 2018	57,346	5,505	8,996	71,847
Charge for the year	—	834	—	834
Exchange realignment	—	(390)	—	(390)
At 31 March 2019	<u>57,346</u>	<u>5,949</u>	<u>8,996</u>	<u>72,291</u>
NET CARRYING VALUE				
At 31 March 2019	<u>—</u>	<u>2,352</u>	<u>46,010</u>	<u>48,362</u>
At 31 March 2018	<u>—</u>	<u>3,422</u>	<u>46,010</u>	<u>49,432</u>

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 ("China Coal") and its 90%-owned subsidiary (collectively the "China Coal Group") in prior year. The Coal Sales Contract was fully impaired in prior years.

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 year and has been allocated to the Household Consumables Business CGU. The Customer Network is amortised on straight-line basis over 10 years.

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 ("DigiSmart") and its subsidiaries (collectively the "DigiSmart Group") in prior year and has been allocated to the Education Business CGU.

The Group also assessed the useful lives of the License Agreements as indefinite because the Group considered the License Agreements are renewable at no additional cost and that the business relationship with the license owner becomes probable to continue indefinitely in the foreseeable future. Based on historical records, the Group is able to renew the License Agreements with the license owner without any additional cost.

Particulars regarding impairment testing on other intangible assets are set out in Note 15.

14. 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
COST					
At 1 April 2017, 31 March 2018 and 2019	<u>9,774</u>	<u>113,633</u>	<u>61,319</u>	<u>21,795</u>	<u>206,521</u>
ACCUMULATED IMPAIRMENT LOSSES					
At 1 April 2017	–	60,917	61,319	–	122,236
Impairment (<i>Note 15</i>)	<u>–</u>	<u>4,820</u>	<u>–</u>	<u>–</u>	<u>4,820</u>
At 31 March 2018	–	65,737	61,319	–	127,056
Impairment (<i>Note 15</i>)	<u>–</u>	<u>7,019</u>	<u>–</u>	<u>–</u>	<u>7,019</u>
At 31 March 2019	<u>–</u>	<u>72,756</u>	<u>61,319</u>	<u>–</u>	<u>134,075</u>
NET CARRYING VALUE					
At 31 March 2019	<u>9,774</u>	<u>40,877</u>	<u>–</u>	<u>21,795</u>	<u>72,446</u>
At 31 March 2018	<u>9,774</u>	<u>47,896</u>	<u>–</u>	<u>21,795</u>	<u>79,465</u>

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 in 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 Finance”) 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 15.

15. IMPAIRMENT TESTING ON OTHER INTANGIBLE ASSETS AND GOODWILL

For the purpose of impairment testing as at 31 March 2018 and 2019, other intangible assets and goodwill set out in Notes 13 and 14 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. The carrying amounts of other intangible assets and goodwill as at 31 March 2019 and 2018 allocated to these units are as follows:

	Customer Network with finite useful life		License Agreements with indefinite useful lives		Goodwill	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Household Consumables Business						
CGU (Unit A)	2,352	3,422	–	–	9,774	9,774
Digital Technology Business						
CGU (Unit B)	–	–	–	–	40,877	47,896
Education Business CGU (Unit C)	–	–	46,010	46,010	–	–
Money Lending Business CGU (Unit D)	–	–	–	–	21,795	21,795
	<u>2,352</u>	<u>3,422</u>	<u>46,010</u>	<u>46,010</u>	<u>72,446</u>	<u>79,465</u>

During the year ended 31 March 2019, the Group determines that there is no impairment of other intangible assets in respect of the Household Consumables Business CGU and Education Business CGU. There is no impairment of goodwill in respect of the Household Consumable Business CGU and Money Lending Business CGU as at 31 March 2019.

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

Unit A

The recoverable amount of this unit has been determined based on a fair value less cost of disposal calculation with reference to a professional valuation performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers for both years. 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 five-year period (2018: a five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2018: 3%). The post-tax rate used to discount the forecast cash flows is 13.59% (2018: 14.00%).

Unit B

The recoverable amount of this unit as at 31 March 2019 has been determined to be approximately HK\$40,000,000 (2018: HK\$49,300,000) based on a value-in-use calculation (2018: value-in-use calculation) with reference to a professional valuation performed by Asset Appraisal Limited (“AAL”), an independent firm of professionally qualified valuers. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which 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 five-year period (2018: five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2018: 3%). The pre-tax rate used to discount the forecast cash flows is 14.54% (2018: 16.43%).

Based on the impairment assessment of the Digital Technology Business CGU, the goodwill allocated to Digital Technology Business CGU was determined to be impaired. An impairment loss of approximately HK\$7,019,000 (2018: HK\$4,820,000) was recognised in consolidated profit or loss under other gains and losses, net in the current year. The impairment loss recognised during the year ended 31 March 2019 was mainly attributable to a fall in annual growth rate over the five-year forecast period due to the increase in competition among other market participants, loss of competitiveness and the change in customers’ needs.

Unit C

The recoverable amount of this unit as at 31 March 2019 has been determined based on a value-in-use calculation (2018: 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 five-year period (2018: five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2% (2018: 3%). The pre-tax rate used to discount the forecast cash flows is 16.70% (2018: 20.84%).

Unit D

The recoverable amount of this unit as at 31 March 2019 has been determined based on a value-in-use calculation (2018: 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 five-year period (2018: five-year period). Cash flows beyond the projection period are extrapolated using zero (2018: zero) growth rate. The pre-tax rate used to discount the forecast cash flows is 18.29% (2018: 16.13%).

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

16. INTERESTS IN ASSOCIATES

	At 31 March 2019 <i>HK\$'000</i>	At 1 April 2018 <i>HK\$'000</i> (Note)	At 31 March 2018 <i>HK\$'000</i>
Share of net assets	56,597	50,357	51,653
Goodwill	46,058	46,058	46,058
	<u>102,655</u>	<u>96,415</u>	<u>97,711</u>

Note:

Upon the adoption of HKFRS 9 (2014), an opening adjustment as at 1 April 2018 was made to recognise the change on share of results of associates due to the additional ECL made in the associates' trade receivables.

Particulars of the associates as at 31 March 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	Paid up capital	Attributable equity interest held by the Group as at		Principal activities
			31 March 2019 %	2018 %	
Alpha Youth Limited	The British Virgin Islands (the "BVI") 10 May 2016	United States Dollar ("USD") 200	20	20	Investment holding
Grace Wisdom Holdings Limited	Hong Kong 12 April 2016	HK\$100	20	20	Investment holding
Hainan Huasheng Concrete Company Limited* (海南華 盛混凝土有限公司) ("Hainan Huasheng")	The PRC 23 May 2006	Renminbi ("RMB") 20,000,000	20	20	Production and sales of concrete in the PRC

* *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.*

On 15 February 2018, the Group acquired 20% equity interest in Alpha Youth Limited and its subsidiaries ("Alpha Youth Group") with 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, if the actual audited consolidated net profit after tax and before all items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business of Hainan Huasheng for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018 (the "Hainan Huasheng Actual Profit"), is less than RMB42,000,000 and RMB47,000,000 (the "Alpha Youth Profit Guarantee") respectively, the vendor will compensate the Group for the shortfall on a dollar for dollar basis for an amount equivalent to the difference between the Alpha Youth Profit Guarantee and the Hainan Huasheng Actual Profit multiplied by 12 times and 20% of the equity sharing of the Group. Pursuant to the acquisition agreement, the compensation shall not exceed the nominal consideration. The possible range of face value of this contingent consideration receivable is between nil to HK\$119,000,000.

As a security for the contingent consideration receivable as describe above, the promissory notes with principal amount of HK\$24,000,000 were held in escrow by an escrow agent jointly appointed by the Group and the vendor (the "Escrow Agent") upon the completion of the acquisition of the Alpha Youth Group. In the event that the vendor needs to pay the compensation to the Group, the Group has the right to set off such compensation amount against the face value of the promissory notes on a dollar for dollar basis. The Group will cancel the original promissory notes and issue new promissory notes with the balance after the set-off (if any) to the vendor. If the face value of the promissory notes is not sufficient to cover the compensation amount, the vendor shall pay the remaining balance in cash to the Group within 14 days after confirming the amount of the Hainan Huasheng Actual Profit.

If the Hainan Huasheng Actual Profit is equal to or more than the Alpha Youth Profit Guarantee for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018 respectively, the Group and the vendor shall procure the Escrow Agent to release the promissory notes in the principal amount of HK\$8,500,000 and HK\$15,500,000 respectively, within 10 days after confirming the amount of the Hainan Huasheng Actual Profit for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively. The Company has received certificates from the auditor of Hainan Huasheng which confirmed the Alpha Youth Profit Guarantee had been fulfilled.

Promissory note with principal amount of HK\$8,500,000 was early redeemed by the Company during the year ended 31 March 2019 and remaining outstanding promissory note was also early redeemed in full by the Company subsequent to the end of the reporting period.

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 approximately RMB481,066,000. If the exercise price is below approximately RMB320,710,000, the vendor has the right to refuse the exercise of the Call Option by the Group.

Summarised financial information of Alpha Youth Group

	At 31 March 2019 <i>HK\$'000</i>	At 1 April 2018 <i>HK\$'000</i>	At 31 March 2018 <i>HK\$'000</i>
As at 31 March			
Non-current assets	<u>165,726</u>	<u>197,192</u>	<u>197,192</u>
Current assets	<u>603,323</u>	<u>663,657</u>	<u>670,137</u>
Current liabilities	<u><u>486,060</u></u>	<u><u>609,064</u></u>	<u><u>609,064</u></u>

	For the year ended 31 March 2019 HK\$'000	For the period from 15 February 2018 to 31 March 2018 HK\$'000
Revenue	<u>877,203</u>	<u>47,044</u>
Profit for the year/period	<u>46,264</u>	<u>7,181</u>
Other comprehensive income	<u>(15,060)</u>	<u>–</u>
Total comprehensive income	<u>31,204</u>	<u>7,181</u>

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Alpha Youth Group:

	At 31 March 2019 HK\$'000	At 31 March 2018 HK\$'000
Opening net assets of Alpha Youth Group, including the fair value adjustments on the date of acquisition	258,265	251,084
Impact of initial application of HKFRS 9 (2014)	(6,480)	–
Profit for the year/period	46,264	7,181
Other comprehensive income	<u>(15,060)</u>	<u>–</u>
Closing net assets, including impact of initial application of HKFRS9 (2014)	282,989	258,265
Group's effective interest	20%	20%
Group's share of net assets of Alpha Youth Group	56,597	51,653
Goodwill	<u>46,058</u>	<u>46,058</u>
Carrying value	<u>102,655</u>	<u>97,711</u>

17. LOAN RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loan receivables		
– Collateralised	87,000	115,830
– Non-collateralised	<u>207,270</u>	<u>165,718</u>
	294,270	281,548
Accrued interest receivables	<u>47,522</u>	<u>23,171</u>
	341,792	304,719
Less: impairment loss recognised	<u>(13,000)</u>	<u>(21,583)</u>
	<u><u>328,792</u></u>	<u><u>283,136</u></u>

The loan receivables of the Group's Money Lending Business are all denominated in HK\$. 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 39% (2018: 8% to 39%) per annum. The effective interest rates of the above loan receivables ranging from 8% to 46% (2018: 8% to 44%) per annum.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 90 days	25,050	50,298
91 – 180 days	5,200	15,000
181 – 365 days	27,400	186,827
Over 365 days	<u>223,620</u>	<u>7,840</u>
	<u><u>281,270</u></u>	<u><u>259,965</u></u>

Loan receivables that were past due but not impaired related to customers that have make regular interests 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.

18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	116,815	200,809
Less: impairment loss recognised	<u>(108,619)</u>	<u>(163,361)</u>
	8,196	37,448
Prepayments and deposits	5,144	5,131
Other receivables	540	896
Amount due from a non-controlling owner of a subsidiary (<i>Note (i)</i>)	–	88
Amounts due from related parties (<i>Note (ii)</i>)	<u>1,585</u>	<u>1,638</u>
Trade and other receivables and prepayments	<u><u>15,465</u></u>	<u><u>45,201</u></u>

Notes:

- (i) The amount due from a non-controlling owner of a subsidiary is unsecured, interest-free and repayable on demand.
- (ii) The balances represent the amounts due from companies which directors of certain subsidiaries have direct equity interest or amounts due from the directors of certain subsidiaries. The amounts are unsecured, interest-free and repayable on demand.
- (iii) The trade and other receivables are denominated in the functional currencies of the relevant group entities.

The Group generally allows an average credit period of 30 to 90 days (2018: 30 to 90 days) to its trade customers.

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

	2019 HK\$'000	2018 <i>HK\$'000</i>
0 – 30 days	4,642	5,459
31 – 60 days	2,103	1,664
61 – 90 days	1,135	1,948
Over 90 days	316	28,377
	8,196	37,448

19. INVESTMENTS AT FVTPL AND DERIVATIVE FINANCIAL ASSET

	2019 HK\$'000	2018 <i>HK\$'000</i>
Investments at FVTPL		
– Equity securities listed in Hong Kong (<i>Note (i)</i>)	17,029	23,655
Derivative financial instrument		
– Call Option (<i>Note (ii)</i>)	222	28,854
	17,251	52,509

Notes:

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

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

	Investments at FVTPL HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
At 1 April 2017	–	–	–
Call Option in the acquisition of Alpha Youth Group	–	17,115	17,115
Purchase	92,162	–	92,162
Changes in fair value	4,213	11,739	15,952
Disposal	<u>(72,720)</u>	<u>–</u>	<u>(72,720)</u>
At 31 March 2018	23,655	28,854	52,509
Purchase	54,583	–	54,583
Changes in fair value	12,416	(28,632)	(16,216)
Disposal	<u>(73,625)</u>	<u>–</u>	<u>(73,625)</u>
At 31 March 2019	<u>17,029</u>	<u>222</u>	<u>17,251</u>

Key terms and conditions of the Call Option are set out as follows:

Condition:	To obtain or satisfy all necessary relevant statutory and regulatory requirements, approvals and consents in relation to the transaction contemplated hereof.
Exercise period:	Any time within 2 years from 15 February 2018
Option shares:	160 shares of Alpha Youth Group (80% equity interest in Alpha Youth Group)
Option price:	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.

The fair value of the Call Option at 31 March 2019 and 2018 was calculated using the Monte-Carlo Simulator Analysis evaluated by GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group. The inputs into the valuation were as follows:

Assumptions	As at 31 March 2019	As at 31 March 2018
Years remaining (<i>Note a</i>)	0.88	1.88
Equity interest (<i>Note a</i>)	80.00%	80.00%
Valuation cap (<i>Note a</i>)	120.00%	120.00%
Price-earnings ratio (<i>Note b</i>)	9.11	12
100% equity value of the Alpha Youth Group as contained in the Company's circular dated 25 January 2018 (<i>RMB</i>) (<i>Note a</i>)	501,110,000	501,110,000
Strike price (<i>RMB</i>) (<i>Note a</i>)	481,066,000	481,066,000
Normalised net profit of Hainan Huasheng (<i>RMB</i>)	56,073,000	49,452,000
Risk-free rate (<i>Note c</i>)	2.44%	3.41%
Expected volatility of Hainan Huasheng (<i>Note d</i>)	10.40%	11.54%

The fair value of the Call Option was approximately HK\$222,000 as at 31 March 2019 (2018: HK\$28,854,000). The change in fair value resulted in a loss of approximately HK\$28,632,000 (2018: a gain of approximately HK\$11,739,000) was recognised in the profit or loss under other gains and losses, net during the year ended 31 March 2019.

Notes:

- (a) Information is according to the terms and conditions of the option deed.
- (b) The price-earnings ratio adopted was the average of that of 6 selected companies from the relevant industry. The selected companies are the same for the years ended 31 March 2018 and 2019.
- (c) The risk-free rate adopted was the yield rate of the PRC government bond as at the date of valuation.
- (d) Expected volatility of Hainan Huasheng is based on the average volatility of revenue and net profit of Hainan Huasheng from the year of 2014 to 2022.

20. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	19,597	89,375
Customer deposits	1,319	1,764
Other payables and accruals	<u>16,242</u>	<u>13,541</u>
	<u>37,158</u>	<u>104,680</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	3,567	3,215
31 – 60 days	118	211
Over 90 days	<u>15,912</u>	<u>85,949</u>
	<u>19,597</u>	<u>89,375</u>

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

21. CONVERTIBLE BONDS

Convertible Bonds due on 2019

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

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

The fair value of the liability component and the equity conversion component were determined at date of issuance of the Convertible Bonds 2019 with reference to a professional valuation performed by AAL.

The fair value of 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 measured 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.

On 29 March 2019, the Company made early redemption on part of the outstanding Convertible bonds 2019 at the principal amount of HK\$50,000,000. Upon the partial redemption of the Convertible Bond 2019, the respective value of the convertible bond equity reserve of approximately HK\$482,000 was released during the year.

There was no conversion of Convertible Bonds 2019 since its issuance.

The Convertible Bonds 2019 recognised at the end of the year were calculated as follows:

	Equity component HK\$'000	2018 (restated) Liability component HK\$'000	Total HK\$'000
Movement of Convertible Bonds 2019			
Fair value of Convertible Bonds 2019 at date of issuance	65,242	176,412	241,654
Transaction cost on issuance	(68)	(182)	(250)
	<u>65,174</u>	<u>176,230</u>	<u>241,404</u>
		2019 HK\$'000	2018 HK\$'000 (restated)
Equity component			
At beginning of the year		65,174	–
Issuance during the year		–	65,174
Redemption		(482)	–
At the end of the year		<u>64,692</u>	<u>65,174</u>
Liability component			
At the beginning of the year		195,331	–
Issuance during the year		–	176,230
Effective interest expenses		44,632	25,370
Interest paid		(7,934)	(6,269)
Redemption		(57,014)	–
Loss on redemption		1,023	–
At the end of the year		<u>176,038</u>	<u>195,331</u>

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

The Convertible Bonds 2019 was guaranteed by Mr. Wong Wai Sing, an executive Director, (the “Guarantor”), who unconditionally and irrevocably guaranteed that if the Company does not pay any sum payable by it under the subscription agreement or the 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 holder.

22. PROMISSORY NOTES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At the beginning of the year	18,118	–
Fair value of promissory notes issued for acquisition of interests in associates	–	17,795
Redemption during the year	(8,500)	–
Loss on early redemption	2,033	–
Fair value loss recognised in profit or loss	<u>1,938</u>	<u>323</u>
At the end of the year	<u><u>13,589</u></u>	<u><u>18,118</u></u>
Analysed for reporting purposes as:		
Non-current liabilities	–	18,118
Current liabilities	<u>13,589</u>	<u>–</u>
	<u><u>13,589</u></u>	<u><u>18,118</u></u>

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") to the vendor. 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 resulting in a loss on early redemption of approximately HK\$2,033,000 during the year ended 31 March 2019.

The promissory notes are measured at fair value. The fair value of the promissory notes are determined at date of issuance with reference to a professional valuation performed by GW Financial Advisory Services Limited. The effective interest rate of the promissory notes on initial recognition and the subsequent measurement of interest expense on the promissory notes are calculated using effective interest rate of 16.13% per annum.

23. DISCONTINUED OPERATIONS

(a) Jewelries and Watches Business

On 28 March 2017, the Group had through its indirectly wholly-owned subsidiary, Star Guardian Holdings Limited (“Star Guardian”), entered into a disposal agreement with an independent third party in relation to the disposal of entire equity interest in the Tiger Global Group Limited (“Tiger Global”, together with its subsidiary and associate are referred to as the “Tiger Global Group”), at a total consideration of HK\$30,000,000 (the “Tiger Global Disposal”).

Tiger Global Group represents the whole Jewelries and Watches Business segment of the Group in the business of sales and distribution of jewelries and watches, a separate major line of business which was classified as discontinued operation. The Tiger Global Disposal was completed on 30 June 2017.

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

Details of assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 25(a).

The financial performance and cash flows of Jewelries and Watch Business for the period from 1 April 2017 up to 30 June 2017 is classified and included as part of discontinued operations for the year ended 31 March 2018.

(b) Hygienic Disposables Business

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

The Brighten Tree Disposal enabled the Group to free up the resources, terminate the loss-making business and redirect it to other businesses segment which may have higher growth potential to maximise the benefit of the shareholders of the Company. Details of the Brighten Tree Disposal are set out in the announcements of the Company dated 5 May 2017 and 25 May 2017.

Details of assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 25(b).

The financial performance and cash flows of Hygienic Disposables Business for the period from 1 April 2017 up to 25 May 2017 is classified and included as part of discontinued operations for the year ended 31 March 2018.

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

	2018		
	Jewelries and Watches Business <i>HK\$'000</i>	Hygienic Disposables Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1	12,069	12,070
Cost of sales	(172)	(11,940)	(12,112)
Gross (loss) profit	(171)	129	(42)
Other gains and losses	–	(14,358)	(14,358)
Selling and distribution expenses	–	(261)	(261)
Administrative expenses	(155)	(4,583)	(4,738)
Finance costs	–	–	–
Share of loss of an associate	(227)	–	(227)
Loss before income tax from discontinued operations	(553)	(19,073)	(19,626)
Income tax credit	28	–	28
Loss after income tax from discontinued operations	(525)	(19,073)	(19,598)
Gain on disposal of subsidiaries and an associate (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	525	64,721	65,246
Profit for the year from discontinued operations	–	45,648	45,648
Profit from discontinued operations attributable to:			
– Owners of the Company	–	45,648	45,648
Cash flows from discontinued operations			
Net cash generated from operating activities	15	3,876	3,891
Net increase in bank balances and cash	15	3,876	3,891

24. ACQUISITION OF A SUBSIDIARY

On 28 September 2018, the Group completed the acquisition of 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 is principally engaged in property investment in Hong Kong.

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:

	<i>HK\$'000</i>
Consideration satisfied by:	
Cash	109,740
Deposit paid	<u>36,580</u>
	<u>146,320</u>
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	<u>(63,299)</u>
	83,021
Add: Assignment of the shareholder's loan	<u>63,299</u>
	<u>146,320</u>
Acquisition related costs (included in administrative expenses)	<u>436</u>
Cash paid	109,740
Cash and bank balances in subsidiary acquired	<u>(101)</u>
Cash outflows on acquisition	<u>109,639</u>

Treasure Profit Limited was subsequently disposed to an independent third party on 27 March 2019. Details of the disposal of Treasure Profit Limited are disclosed in Note 25(d).

The acquired business contributed revenue of approximately HK\$1,180,000 and net profit of approximately HK\$604,000 for the period from 28 September 2018 to 27 March 2019. If the acquisition had occurred on 1 April 2018, total revenue and profit for the period ended 27 March 2019 would have been approximately HK\$2,636,000 and HK\$1,887,000 respectively.

25. DISPOSAL OF SUBSIDIARIES

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

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

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

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

The gain on the disposal of Tiger Global Group was included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income.

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

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

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

	<i>HK\$'000</i>
Property, plant and equipment	7,747
Prepaid lease payments	5,228
Inventories	6,649
Other receivables and prepayments	13,351
Bank balances and cash	5,668
Trade and other payables and accruals	(743)
Tax payable	(4,928)
Brighten Tree Group Shareholders' Loan	<u>(39,165)</u>
Net liabilities disposal of	(6,193)
Assignment of the Brighten Tree Group Shareholders' Loan	39,165
Reclassification adjustment of exchange reserve on disposal of Brighten Tree Limited	(12,693)
Gain on disposal of subsidiaries	<u>64,721</u>
Total cash consideration received	<u><u>85,000</u></u>
Net cash inflow arising on disposal:	
Cash consideration	85,000
Cost directly attributable to the disposal	(12,463)
Bank balances and cash disposed of	<u>(5,668)</u>
	<u><u>66,869</u></u>

The gain on the disposal of Brighten Tree Group was included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income.

(c) Disposal of Ramber and Tary Limited

During year ended 31 March 2018, the Group disposed entire equity interest in Tary Limited and Ramber Industrial Limited, dormant companies at the date of disposal, to Mr. Chum Hon Sing, the ex-executive Director of the Company with an aggregate cash consideration of HK\$3,000, which approximate the aggregate net asset value of Tary Limited and Ramber Industrial Limited. There are no gain or loss on the disposal of these subsidiaries.

(d) Disposal of Treasury Profit Limited on 27 March 2019

The disposal of Treasury Profit Limited was completed on 27 March 2019. Upon completion, Treasury Profit Limited ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Treasury Profit Limited were ceased to be consolidated with those of the Group.

The net assets of Treasury Profit Limited as at the date of disposal were as follows:

	<i>HK\$'000</i>
Investment properties	146,320
Deposit and prepayments	116
Deposit received, other payables and accruals	(610)
Shareholder's loan	<u>(62,569)</u>
Net assets disposal of	83,257
Assignment of Shareholder's loan	62,569
Direct cost incurred for the disposal	1,377
Gain on disposal of subsidiary	<u>7,797</u>
Total cash consideration received	<u><u>155,000</u></u>
Net cash inflow arising on disposal:	
Cash consideration	155,000
Cost directly attributable to the disposal	<u>(1,377)</u>
	<u><u>153,623</u></u>

The gain on disposal of Treasury Profit Limited was included in the other gains and losses, net in the consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year, 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) trading of coal products (“Coal Business”); (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests (“Education Business”); and (v) provision of money lending services (“Money Lending Business”). The Group recorded a net loss attributable to owners of the Company of approximately HK\$15.5 million as compared to approximately HK\$31.3 million (as restated) for the year ended 31 March 2018.

The Company has reviewed the terms and conditions of the Convertible Bonds 2019 (as defined below) and restated certain figures for the year ended 31 March 2018. The Group understated interest expenses on the Convertible Bonds 2019 (as defined below) and understated share-based payment expenses for the year ended 31 March 2018 by approximately HK\$3,782,000 and HK\$41,654,000 respectively. In addition, the Group understated the equity component of the Convertible Bonds 2019 (as defined below) as at 31 March 2018 by approximately HK\$58,047,000 and overstated the liability component of the Convertible Bonds 2019 (as defined below) as at 31 March 2018 by approximately HK\$11,453,000. Please refer to Note 3 to the consolidated financial statements in this announcement for details.

Continuing Operations

Revenue

The Group’s revenue from continuing operations slightly decreased by approximately HK\$0.5 million or 0.5% from approximately HK\$115.7 million for the year ended 31 March 2018 to approximately HK\$115.2 million for the corresponding period in 2019.

The following table sets forth a breakdown of the Group's revenue from continuing operations by segments and geographical locations and as a percentage of the Group's total revenue from continuing operations for the year ended 31 March 2019, with comparative figures for the corresponding period in 2018:

	Year ended 31 March			
	2019	2019	2018	2018
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
By segment:				
Household Consumables Business	44,533	38.7	52,147	45.1
Digital Technology Business	2,021	1.8	6,194	5.3
Coal Business	—	—	—	—
Education Business	16,722	14.5	25,054	21.6
Money Lending Business	51,888	45.0	32,330	28.0
Total	<u>115,164</u>	<u>100.0</u>	<u>115,725</u>	<u>100.0</u>

	Year ended 31 March			
	2019	2019	2018	2018
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
By geographical location:				
The People's Republic of China (the "PRC")	9,791	8.5	20,938	18.0
United Kingdom (the "UK")	44,533	38.7	52,147	45.1
Macau	—	—	38	0.1
Hong Kong	60,840	52.8	42,602	36.8
Total	<u>115,164</u>	<u>100.0</u>	<u>115,725</u>	<u>100.0</u>

The Group's revenue from Household Consumables Business decreased by approximately HK\$7.6 million or 14.6% from approximately HK\$52.1 million for the year ended 31 March 2018 to approximately HK\$44.5 million for the corresponding period in 2019 was mainly due to decrease in sales volume resulted from loss of major customer, the slowdown of economy in the UK and Brexit-related uncertainty over the business environment.

No revenue was generated from Coal Business for both years ended 31 March 2019 and 2018. During the year ended 31 March 2019, the trading transactions continued to be suspended while the long outstanding trade receivables from customer was getting reduced as certain trade receivables and trade payables have been sold to an independent third party. The Group will only consider the resumption of this segment when trade receivables further lessen to an acceptable level.

Revenue from Digital Technology Business decreased by approximately HK\$4.2 million from approximately HK\$6.2 million for the year ended 31 March 2018 to approximately HK\$2.0 million during the corresponding period in 2019 was mainly due to intensive competition among the industry and rapid development in information technology which resulted in decrease in sales volume.

Revenue from Education Business decreased by approximately HK\$8.3 million or 33.3% from approximately HK\$25.1 million for the year ended 31 March 2018 to approximately HK\$16.7 million during the corresponding period in 2019 was mainly due to the decrease in revenue from the provision of English language proficiency tests in both Hong Kong and the PRC.

During the year ended 31 March 2019, Money Lending Business generated significant revenue by providing loan financing services in Hong Kong. Approximately HK\$51.9 million loan interest income was generated representing an increase in approximately HK\$19.6 million from approximately HK\$32.3 million for the year ended 31 March 2018. The increase in revenue was due to increase in average loan to customers from approximately HK\$154.4 million for the year ended 31 March 2018 to approximately HK\$287.9 million for the corresponding period in 2019.

Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and the gross profit margin from continuing operations by business segment for the year ended 31 March 2019, with comparative figures for the corresponding period in 2018:

	Year ended 31 March			
	2019 <i>HK\$'000</i>	2019 <i>GP%</i>	2018 <i>HK\$'000</i>	2018 <i>GP%</i>
By segment:				
Household Consumables Business	8,614	19.3	10,043	19.3
Digital Technology Business	680	33.6	4,929	79.6
Coal Business	—	—	—	—
Education Business	9,791	58.6	10,385	41.5
Money Lending Business	51,888	100.0	32,330	100.0
Overall	<u>70,973</u>	61.6	<u>57,687</u>	49.8

Gross profit from continuing operations increased by approximately HK\$13.3 million or 23.0% from approximately HK\$57.7 million for the year ended 31 March 2018 to approximately HK\$71.0 million year-on-year.

The Group's gross profit margin for Household Consumables Business remained constant at approximately 19.3% for both years ended 31 March 2019 and 2018.

No gross profit margin for Coal Business for both financial years which was resulted from the continuous suspension of trading transactions in this segment.

Gross profit margin for Digital Technology Business decreased from approximately 79.6% for the year ended 31 March 2018 to approximately 33.6% for the corresponding period in year 2019 primarily due to decrease in sales volume resulted in keen competition in the PRC while cost of services which primarily comprised of labour cost remains constant over the sales volume.

The gross profit margin for Education Business increased from approximately 41.5% for the year ended 31 March 2018 to approximately 58.6% for the same corresponding period in 2019 as the demand from provision of educational technology solutions through online education programs increased, which has a higher profit margin as compared to the provision of English language proficiency tests services.

The gross profit margin for Money Lending Business is 100% for both financial years which contributed a positive impact to the Group's gross profit margin since its acquisition.

Other Income

Other income from continuing operations mainly consists of bank interest income, rental income and sundry income. Other income significantly decreased by approximately HK\$4.5 million from approximately HK\$5.9 million for the year ended 31 March 2018 to approximately HK\$1.5 million for the corresponding period in 2019 as no interest income from bond and other receivables and no dividend income from the unlisted equity investment were recognised during the year.

Other Gains and Losses, Net

Other gains and losses, net from continuing operations for the year ended 31 March 2019 mainly comprise of fair value loss on derivative financial asset of approximately HK\$28.6 million and the impairment loss on goodwill arising from Digital Technology Business of approximately HK\$7.0 million. The loss was partially offset by a fair value gain on investments at fair value through profit or loss ("FVTPL") of approximately HK\$12.4 million, reversal of impairment loss on loan receivables of approximately HK\$8.6 million and net gain on sales of trade receivables and payables to an independent third party of approximately HK\$36.4 million.

For the corresponding period in 2018, the restated other gains and losses, net mainly comprise of fair value gain on investments at FVTPL and derivative financial asset amounting to approximately HK\$16.0 million, gain on disposal of available-for-sale financial asset of approximately HK\$2.8 million; whereas offset by impairment loss on loan receivables of approximately HK\$21.6 million, impairment loss on trade receivables of approximately HK\$4.1 million, impairment loss on goodwill arising from Digital Technology Business of approximately HK\$4.8 million and share-based payment expenses in relation to the convertible bonds of approximately HK\$41.7 million.

Further details in relation to the above impairment losses are discussed under paragraphs headed "Impairments" in this announcement.

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations mainly consist of transportation expenses and commissions paid to sales agents. Approximately HK\$0.6 million was recognised during the year ended 31 March 2019 which remains similar compared with the corresponding period in 2018.

Administrative Expenses

Administrative expenses from continuing operations mainly consist of staff costs (including directors' remuneration), legal and professional fees, consultancy fees and rental expenses. Administrative expenses increased by approximately HK\$4.3 million or 7.8% from approximately HK\$55.8 million (as restated) for the year ended 31 March 2018 to approximately HK\$60.1 million for the corresponding period in 2019 mainly due to increase in staff benefits.

Finance Costs

Finance costs from continuing operations mainly represent interest expenses on convertible bonds. The finance costs increased by approximately HK\$22.8 million or 89.7% from approximately HK\$25.4 million (as restated) for the year ended 31 March 2018 to approximately HK\$48.1 million for corresponding period in 2019 as new convertible bonds with principal amount of HK\$200.0 million were issued in August 2017, approximately 12-month interest expenses were recognised for current year, while for the year ended 31 March 2018, approximately 8-month interest expenses were accounted for.

Loss before Income Tax

The Group recorded a loss before income tax from continuing operations of approximately HK\$4.2 million for the year ended 31 March 2019 as compared to approximately HK\$72.5 million (as restated) for the year ended 31 March 2018. The decrease in loss for year ended 31 March 2019 was mainly due to the increase in gross profit of approximately HK\$13.3 million primarily arising from Money Lending Business; the decrease in impairment loss on trade and loan receivables of approximately HK\$25.6 million; decrease in one-off share-based payment expenses of approximately HK\$41.7 million and the gain on disposal of a subsidiary amounted to approximately HK\$7.8 million. These positive drivers were partially offset by increase in finance costs of approximately HK\$22.8 million, increase in administrative expenses of approximately HK\$4.3 million and decrease in other income of approximately HK\$4.5 million.

Income Tax Expense

The Group recorded an income tax expense from continuing operations of approximately HK\$7.7 million during the year ended 31 March 2019 as compared to approximately HK\$4.9 million (as restated) during the year ended 31 March 2018. The subsidiaries operating in Hong Kong were subject to Hong Kong Profits Tax at two-tiered profits tax rates regime for the year ended 31 March 2019. 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% (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 general enterprise income tax rate of the PRC entities was 25% from 1 January 2008 onwards, the majority subsidiaries operating in the PRC was subject to a tax rate of 25% (2018: 25%) except for a subsidiary which was recognised as a high and new technology enterprise is subject to a preferential tax rate of 15% (2018: 15%). For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both years.

The increase in income tax expense was mainly resulted from increase in profit from Money Lending Business as compared with the same period in 2018.

Impairments

During the year under review, the Group had recognised impairment losses on goodwill of approximately HK\$7.0 million in relation to the Digital Technology Business. An independent professional valuer was engaged to perform impairment assessment and found that the recoverable amount of the cash generating unit (“CGU”) was less than the carrying amount of the CGU. Thus impairment on the goodwill is considered necessary. The impairment loss was mainly attributable to the increase in competition among other market participants, loss of competitiveness and the change in customers’ needs, which led to slowdown in our development growth rate in our cash flow projection.

Total Comprehensive Loss for the Year Attributable to Owners of the Company

The total comprehensive loss for the year attributable to owners of the Company approximately HK\$20.9 million for the year ended 31 March 2019 as compared to approximately HK\$40.2 million (as restated) for the year ended 31 March 2018.

Results of Performance Guarantees on Acquisitions

Chengxin

On 15 December 2016, the Group entered into a sale and purchase agreement with an independent vendor for acquisition of the entire equity interest in Chengxin Finance Limited (“Chengxin”) at total nominal consideration of HK\$50.0 million. The acquisition was completed on 29 December 2016. Pursuant to the sale and purchase agreement, the vendor guaranteed that the net profit before taxation of Chengxin for the year ended 31 December 2017 and year ended 31 December 2018 will not be less than HK\$5.0 million (the “2017 Guaranteed Profit”) and HK\$5.0 million (the “2018 Guaranteed Profit”) respectively.

The Company has received the certificates issued by the auditor of Chengxin which confirmed that the 2017 Guaranteed Profit and 2018 Guaranteed Profit have been fulfilled.

Alpha Youth Group

On 21 September 2017, the Company entered into a sale and purchase agreement with an independent vendor for acquisition of the 20% equity interest in Alpha Youth Limited at the consideration of HK\$119.0 million. The acquisition was completed on 15 February 2018. Pursuant to the sale and purchase agreement, the vendor guaranteed that audited net profit after tax of the 海南華盛混凝土有限公司 (Hainan Huasheng Concrete Company Limited*), a wholly-owned subsidiary of Alpha Youth Limited for the year ended 31 December 2017 and year ended 31 December 2018, shall not be less than RMB42.0 million (the “Alpha 2017 Guaranteed Profit”) and RMB47.0 million (the “Alpha 2018 Guaranteed Profit”) respectively.

The Company has received certificates from the auditor of the associates which confirmed the Alpha 2017 Guaranteed Profit and the Alpha 2018 Guaranteed Profit have been fulfilled. Further details are set out in the announcements of the Company dated 18 April 2018 and 18 April 2019.

* For identification purpose only

Liquidity and Financial Resources

As at 31 March 2019, the Group had debts comprising promissory notes and liability component of convertible bonds amounting to approximately HK\$189.6 million (2018: approximately HK\$213.4 million (as restated)).

As at 31 March 2019, the Group had cash and cash equivalents of approximately HK\$45.4 million (2018: approximately HK\$67.0 million) which were mainly denominated in HK\$, RMB and GBP.

As at 31 March 2019, the Group's current ratio, calculated based on current assets over current liabilities, was approximately 1.7 (2018: approximately 1.5 (as restated)), reflecting the abundance of financial resources. The Group's gearing ratio was approximately 48.0% (2018: approximately 53.9% (as restated)), calculated based on the total debts of approximately HK\$189.6 million (2018: approximately HK\$213.4 million (as restated)) over shareholder's equity of approximately HK\$395.2 million (2018: approximately HK\$396.3 million (as restated)).

Capital Structure

The capital structure of the Group as at 31 March 2019 are summarised as follows:

(A) Share Capital

As at 31 March 2019, the Company has 2,423,783,201 ordinary shares (2018: 2,378,783,201 ordinary shares) in issue with total shareholders' equity of the Group amounted to approximately HK\$395.2 million (31 March 2018: approximately HK\$396.3 million (as restated)). During the year ended 31 March 2019, the Company issued a total of 45,000,000 ordinary shares (2018: Nil) due to exercise of share options.

(B) Share Option

On 29 August 2016, the Company granted 57,900,000 share options under the share option scheme of the Company adopted on 26 February 2015 to certain Directors and employees at an exercise price of HK\$0.48 per share, which were vested immediately on the date of grant (i.e. 29 August 2016) and will expire on 28 August 2019, of which 7,300,000 share options were outstanding as at 31 March 2019.

(C) *Convertible Bonds*

On 4 August 2017, the Company, as issuer, and Lead Thrive Investments Limited, as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK\$200.0 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.

During the year ended 31 March 2019, no Convertible Bonds 2019 has been converted into shares of the Company; while on 29 March 2019, principal amount of HK\$50.0 million was early redeemed by the Company. As at 31 March 2019, the outstanding principal amount of the Convertible Bonds 2019 was HK\$150.0 million, representing a maximum of 326,086,956 new shares may be issued upon its full conversion.

Further details are set out in the announcements of the Company dated 4 August 2017, 11 August 2017 and 29 March 2019 and Note 21 to the consolidated financial statements of this announcement.

(D) *Promissory notes*

On 15 February 2018, the Group completed the acquisition of 20% equity interest in Alpha Youth Group, for a consideration of HK\$119.0 million. Part of the consideration was satisfied by the Company’s issue of promissory notes in an aggregate principal amount of HK\$24.0 million to the vendor. The promissory notes are unsecured, interest-free and repayable on 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.

Upon fulfillment of the Alpha 2017 Guaranteed Profit and the Alpha 2018 Guaranteed Profit as detailed under the paragraphs headed “Results of Performance Guarantees on Acquisitions” in this announcement, the promissory notes in the principal amount of HK\$8.5 million and HK\$15.5 million was released to the vendor respectively.

During the year ended 31 March 2019, the promissory note in the principal amount of HK\$8.5 million was early redeemed by the Company. As at 31 March 2019, the outstanding principal amount of the promissory note was HK\$15.5 million, which has been early redeemed by the Company as at the date of this announcement.

Further details are set out in Note 22 to the consolidated financial statements of this announcement.

Currency and Interest Rate Exposure

Certain sales transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risks. Currently, the Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Certain monetary financial assets are denominated in foreign currencies as at 31 March 2019. The exposure in exchange rate risks mainly arose from fluctuations of United States Dollar (“USD”), British Pound (“GBP”), Renminbi (“RMB”) and Macau Pataca (“MOP”) to Hong Kong Dollar (“HKD”). The Group’s currency risk exposure in relation to the monetary financial assets is expected to be minimal as USD is pegged with HKD. Also, the Group does not have significant monetary financial assets denominated in MOP.

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

Charge on Assets

As at 31 March 2019, the Group did not have any assets under charged/pledged (2018: Nil).

Contingent Liabilities

As at 31 March 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 (2018: Nil).

Capital Commitment

As at 31 March 2019, the Group had the following commitments:

	2019	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
Capital commitment contracted but not provided for:		
Equity interest in Treasure Profit Limited	<u>–</u>	<u>109,740</u>

Operating Lease Commitments

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000	2018 HK\$'000
As lessee		
Within one year	11,520	2,759
In the second to fifth years, inclusive	14,945	3,272
	26,465	6,031

SIGNIFICANT EVENTS, MATERIAL ACQUISITION AND DISPOSAL

(i) Treasure Profit Limited

On 27 March 2018, the Group entered into acquisition agreement with an independent vendor to acquire the entire issued share capital in Treasure Profit Limited (“Treasure Profit”) and the shareholder’s loan at an aggregate cash consideration of approximately HK\$146.3 million. Treasure Profit was principally engaged in property investment and was the sole owner of a commercial property located at 23rd Floor (including lavatories), Far East Consortium Building, No.121 Des Voeux Road Central, Hong Kong. The acquisition was completed on 28 September 2018.

On 20 March 2019, the Group entered into a disposal agreement with an independent third party to dispose the entire issued share capital of Treasure Profit and the shareholder’s loan, at a cash consideration of HK\$155.0 million. The disposal was completed on 27 March 2019. A gain on disposal of Treasure Profit of approximately HK\$7.8 million was recognised during the year ended 31 March 2019.

In view of the current volatile property market conditions, the Board considered that the disposal of Treasure Profit provided an opportunity for the Group to realise a capital gain and generate additional financial resources for the Group.

Further details are set out in the announcements of the Company dated 27 March 2018, 28 September 2018, 20 March 2019 and 27 March 2019.

(ii) Early Redemption of the Convertible Bonds 2019

On 29 March 2019, the Company made early partial redemption of the Convertible Bonds 2019 at the principal amount of HK\$50.0 million. The fund for the early redemption was satisfied by internal resources of the Group and the proceeds from the disposal of Treasure Profit as disclosed in the paragraphs headed “Treasure Profit Limited” above. As at 31 March 2019, the outstanding principal amount of the Convertible Bonds 2019 amounted to HK\$150.0 million.

Further details are set out in announcement of the Company dated 29 March 2019 and Note 21 to the consolidated financial statement of this announcement.

SIGNIFICANT INVESTMENTS HELD

The Group completed the acquisition of Alpha Youth Limited (together with its subsidiaries are referred as “Alpha Youth Group”) in February 2018 and Alpha Youth Group became an associate of the Group. Alpha Youth Group is principally engaged in the production and sales of concrete business in Hainan Province, the PRC.

During the year ended 31 March 2019, Alpha Youth Group contributed approximately HK\$9.3 million to the Group. Alpha Youth Group will seize the business opportunities by taking full advantage of its years of experience, expertise and penetration in the concrete business in Haikou City with an aim to sustain sound momentum for growth and seize the greatest market share in the industry. Alpha Youth Group will continued to closely monitor and review the current manufacturing process, with an aim to enhance the efficiency, profitability, quality of products and maintain its competitive edge.

The Group would consider exercising its call option to acquire the remaining 80% of the issued share capital of Alpha Youth Limited if it would benefit the Company and its shareholders as a whole.

Save as aforesaid or as otherwise disclosed herein, there was no other significant investment made during the year ended 31 March 2019.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the paragraphs headed “Results of Performance Guarantees On Acquisitions” in this announcement, the Group has also involved the following significant event after the reporting period:

Placing of shares under general mandate

On 29 April 2019, the Company has issued and allotted 84,500,000 ordinary shares, which represented approximately 3.37% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares, at the placing price of HK\$0.53 each to not less than six placees, who and whose ultimate beneficial owners (if applicable) shall be independent third parties as defined under the rules governing the listing of securities on the Stock Exchange (the “Placing”). The closing market price was HK\$0.57 per share of the Company on the date on which the terms of the issue were fixed. The newly issued shares by Placing rank pari passu in all respects with the existing shares. The gross proceeds from the Placing was approximately HK\$44.79 million, and the net proceeds (after deducting the placing commission and other costs and expenses) was approximately HK\$43.65 million (approximately HK\$0.517 per share).

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 enlarge shareholders’ base of the Company which might in turn enhance the liquidity of the shares, and provide working capital to the Group to meet any financial obligations of the Group.

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

Net proceeds raised	Intended use of proceeds as disclosed in the announcement of the Company dated 29 April 2019	Actual use of net proceeds as at the date of this announcement
Approximately HK\$43.65 million	(i) approximately HK\$30.0 million for business development of Money Lending Business; and	(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	(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 announcement, 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.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 March 2019, the Group employed a total of 72 (31 March 2018: 92) employees. During the year ended 31 March 2019, staff costs, including directors' emoluments under the continuing operations, amounted to approximately HK\$34.5 million (2018: approximately HK\$29.8 million (as restated)).

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.

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 year ended 31 March 2019, there was a slight decrease in revenue while the gross profit margin remained constant. The Company is still optimistic in its potential growth and it aims to enhance the efficiency in the utilisation of resources to increase its profit margin. Resources were deployed into investments in local industrial real estate. It could generate favourable rental incomes for this business segment for the coming years or to be utilized for future expansion of this business segment. 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 returning business from the previous lost customer, the Group expects the revenue of this business segment would increase in the near future.

Coal Business

The overdue account receivable was under repayment at a slow pace during the year ended 31 March 2019 while the account receivable was decreased as certain trade receivables and payables have been sold to an independent third party, 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.

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 have 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. 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. With the current volatile stock market, fluctuations of the property market in Hong Kong and increasingly stringent compliance requirements, the Group will continue to develop this business under prudent credit control procedures and strategies to balance between business growth and risk management.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company and the Board are devoted to achieve and promote a high standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholder's value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles with emphasis on effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

Compliance of the Code Provisions

Throughout the year, the Company has complied with all the code provisions contained in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules"), with the exception of the following deviations:

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 separate and should not be performed by the same individual.

Mr. Wong Wai Sing (“Mr. Wong”) held the role of chairman of the Board (“Chairman”) and chief executive officer of the Company during the year ended 31 March 2019.

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 A.6.7

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

An independent non-executive Director was unable to attend the annual general meeting of the Company held on 26 September 2018 (the “2018 AGM”) due to other business engagements.

The Company will request all the independent non-executive Directors and other non-executive Director(s) (if any) to attend all future general meetings in order to comply with the code provision A.6.7 of the CG Code.

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, the Chairman, was unable to attend the 2018 AGM due to other commitment and Mr. Wong appointed Mr. Wong Jeffrey, an executive Director, to act as his representative and to take the chair of the 2018 AGM and to ensure that proceedings of the meeting would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

DIRECTORS' 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 as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company had made specific enquiries to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions throughout the year ended 31 March 2019.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Save as those disclosed under paragraphs headed "Placing of shares under general mandate" of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 March 2019.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year, but represents an extract from those consolidated financial statements. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, and the final results of the Group for the year ended 31 March 2019.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group's auditor, Zhonghui Anda CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by Zhonghui Anda CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Zhonghui Anda CPA Limited on the preliminary announcement.

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The annual results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.newtreegroup Holdings.com>). The annual report for the year ended 31 March 2019 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange's website and Company's website in due course.

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

Hong Kong, 25 June 2019

As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chan Kin Lung, Mr. Lee Chi Shing, Caesar and Mr. Wong Jeffrey; and the independent non-executive Directors are Mr. Kwok Kam Tim, Dr. Hui Chik Kwan and Mr. Tso Ping Cheong, Brian.