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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: 01323)**

## ANNOUNCEMENT OF AUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

**FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 35.2% to HK$233.2 million
- Gross profit increased by approximately 14.6% to HK$62.6 million
- Gross profit margin decreased from 31.7% to 26.8%
- Profit for the period decreased by approximately 11.9% to HK$42.0 million
- Earnings per share decreased by approximately 11.9% from HK9.41 cents to HK8.29 cents

## INTERIM RESULTS

The board of directors (the "Board") of Newtree Group Holdings Limited (the "Company") is pleased to announce the audited interim results of the Company and its subsidiaries which became the subsidiaries of the Company on 24 December 2010 (together as the "Group") for the six months ended 30 September 2010 with the comparative figures for the corresponding period in 2009 as follows:

## COMBINED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | | (unaudited) |
| Revenue | 3 | **233,222** | 172,528 |
| Cost of sales | | **(170,625)** | (117,919) |
| Gross profit | | **62,597** | 54,609 |
| Other income | | **1,816** | 4,748 |
| Selling and distribution expenses | | **(5,720)** | (6,316) |
| Administrative expenses | | **(7,127)** | (4,796) |
| Listing expenses | | **(8,061)** | — |
| Profit before taxation | | **43,505** | 48,245 |
| Income tax expense | 4 | **(1,500)** | (590) |
| Profit for the period | 5 | **42,005** | 47,655 |
| **Other comprehensive income** | | | |
| Exchange difference arising on translation | | **217** | 28 |
| Total comprehensive income for the period, attributable to owners of the Company | | **42,222** | 47,683 |
| Earnings per share | 7 | | |
| — basic (HK cents) | | **8.29** | 9.41 |

## COMBINED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **At 30 September 2010** *HK$'000* | At 31 March 2010 *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **38,779** | 42,370 |
| Prepaid lease payments | | **6,348** | 6,417 |
| | | **45,127** | 48,787 |
| CURRENT ASSETS | | | |
| Inventories | | **42,060** | 43,773 |
| Prepaid lease payments | | **198** | 198 |
| Trade and other receivables and prepayments | 8 | **81,078** | 124,754 |
| Amount due from a director | | **—** | 155,933 |
| Bank balances and cash | | **32,032** | 9,237 |
| | | **155,368** | 333,895 |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 9 | **46,625** | 54,965 |
| Amounts due to directors | | **22,853** | 100,325 |
| Tax payable | | **2,839** | 1,339 |
| | | **72,317** | 156,629 |
| NET CURRENT ASSETS | | **83,051** | 177,266 |
| Total net assets | | **128,178** | 226,053 |
| CAPITAL AND RESERVES | | | |
| Share/paid up capital | | **1,078** | 1,175 |
| Reserves | | **127,100** | 224,878 |
| Total equity | | **128,178** | 226,053 |

# NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION AND BASIS OF PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 9 June 2010. On 13 July 2010, 16 November 2010 and 7 December 2010, the name of the Company changed from Newtree Medical Enviro Material Holdings Ltd. to Newtree Medical Enviro Holdings Limited, to Newtree Clinical Consumables Holdings Limited, and then to the existing name, respectively. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2011 (the "Listing"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company acts as an investment holding company. The principal activities of the Group is engaged in the manufacture and trading of plastic products.

Pursuant to a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange, as more fully explained in the paragraph headed "Reorganisation" in the section headed "Corporate Reorganisation" in Appendix VI of the prospectus dated 31 December 2010 issued by the Company (the "Prospectus"), the Company became the holding company of Greenstar Enviro-Tech and its subsidiaries on 24 December 2010.

Although the Group resulting from the above mentioned Group Reorganisation did not exist until 24 December 2010, the directors of the Company consider that meaningful information about the historical performance of the Group, which includes entities under common control, is provided by treating the Group resulting from the Group Reorganisation as a continuing entity as if the group structure as at 24 December 2010 had been in existence from the beginning of the year ended 31 March 2010. Accordingly, the combined financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 March 2010 and the six months ended 30 September 2010 or since the respective dates of incorporation or establishment, whichever is the shorter period.

The combined statement of comprehensive income, the combined statement of cash flows and the combined statement of changes in equity which are prepared in accordance with the principles of merger accounting, for each of the six months ended 30 September 2010 and 2009 include the financial statements of the companies now comprising the group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the year ended 31 March 2010 and six months ended 30 September 2010 or since the respective dates of incorporation or establishment of the group entities whichever is the shorter period. The combined statements of financial position of the Group as at 30 September 2010 and 31 March 2010 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence as at those dates.

The combined financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value are in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The combined financial statements have been presented in Hong Kong dollars ("HKD"), while the functional currency of the Company is United States dollars ("USD"). The directors of the Company selected HKD as the presentation currency because the directors of the Company consider that presenting the combined financial statements in HKD is preferable when controlling and monitoring the performance and financial position of the Group.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the combined financial statements for the period, the Group has consistently applied Hong Kong Accounting Standards (''HKASs"), Hong Kong Financial Reporting Standards (''HKFRSs"), amendments and interpretations (''HK(IFRIC) — Int") issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA") which are effective for the accounting period beginning on 1 April 2010.

At the date of issue of these financial statements, the HKICPA has issued the following new or revised standards, amendments or interpretations which are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvement in HKFRSs 2010[1] |
| HKFRS 1 (Amendments) | Limited Exemption from comparative HKFRS 7 Disclosures for First-time Adopter[2] |
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3] |
| HKFRS 7 (Amendments) | Disclosures: Transfer of Financial Assets[3] |
| HKFRS 9 | Financial Instruments[4] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[5] |
| HKAS 24 (Revised) | Related Party Disclosures[6] |
| HK(IFRIC) — Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement[6] |
| HK(IFRIC) — Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 July 2011.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2012.

6 Effective for annual periods beginning on or after 1 January 2011.

"HKFRS 9 Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. "HKFRS 9 Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of "HKAS 39 Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's combined financial statements for financial year beginning 1 April 2013 and that the application of the new Standard may not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

## 3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 ''Operating Segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board of directors are the chief operating decision maker as they collectively make strategic decision towards the group entity's operation.

The Group is organised into the following reportable operating segments, by category of products for both periods:

- Household application products; and
- Clinical application products.

Segment result represents the profit earned by each segment without allocation of selling and distribution expenses, administrative expenses and other income. Segment assets represent trade and bills receivables, work-in-progress and finished goods which are attributable to each segment. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessment. As the total liabilities are reviewed by the board of directors as a whole, the measure of total liabilities by each segment is therefore not presented.

An analysis of the Group's segment profit before taxation and assets by operating segment is as follows:

| | **For the six months ended 30 September 2010** | | |
|---|---|---|---|
| | **Household application products** *HK$'000* | **Clinical application products** *HK$'000* | **Total** *HK$'000* |
| Revenue from external customers | **119,133** | **114,089** | **233,222** |
| Segment result | **45,099** | **17,498** | **62,597** |
| Unallocated income: | | | |
| Bank interest income | | | **8** |
| Other income | | | **1,808** |
| Unallocated expenses: | | | |
| Depreciation of property, plant and equipment | | | **(2,284)** |
| Amortisation of prepaid lease payments | | | **(99)** |
| Listing expenses | | | **(8,061)** |
| Other expenses | | | **(10,464)** |
| Profit before taxation | | | **43,505** |
| Segment assets as at 30 September 2010 | **36,343** | **46,194** | **82,537** |
| Unallocated assets: | | | |
| Property, plant and equipment | | | **38,779** |
| Prepaid lease payments | | | **6,546** |
| Inventories | | | **35,019** |
| Other receivables and prepayments | | | **5,582** |
| Bank balances and cash | | | **32,032** |
| Combined assets as at 30 September 2010 | | | **200,495** |

| | For the six months ended 30 September 2009 | | |
|---|---|---|---|
| | Household application products | Clinical application products | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) | (unaudited) |
| Revenue from external customers | 130,440 | 42,088 | 172,528 |
| Segment result | 48,494 | 6,115 | 54,609 |
| Unallocated income: | | | |
| Bank interest income | | | 12 |
| Imputed interest income arising on the amount due from a director | | | 2,500 |
| Other income | | | 2,236 |
| Unallocated expenses: | | | |
| Depreciation of property, plant and equipment | | | (1,100) |
| Amortisation of prepaid lease payments | | | (96) |
| Other expenses | | | (9,916) |
| Profit before taxation | | | 48,245 |

| | For the year ended 31 March 2010 | | |
|---|---|---|---|
| | Household application products | Clinical application products | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets as at 31 March 2010 | 117,067 | 10,977 | 128,044 |
| Unallocated assets: | | | |
| Property, plant and equipment | | | 42,370 |
| Prepaid lease payments | | | 6,615 |
| Inventories | | | 36,447 |
| Other receivables and prepayments | | | 4,036 |
| Amount due from a director | | | 155,933 |
| Bank balances and cash | | | 9,237 |
| Combined assets as at 31 March 2010 | | | 382,682 |

**(a) Information about major customers**

*For the six months ended 30 September 2010*

The revenue from the Group's largest customer which attributed to clinical application products was approximately HK$91,659,000, representing 39.3% to the total sales of the Group for the six months ended 30 September 2010.

In addition to the largest customer, there are three customers attributed to household and clinical application products contributing about 23.1%, 14.1% and 10.4% to the total sales of the Group. The revenue of these three customers was approximately HK$53,855,000, HK$32,813,000 and HK$24,195,000, respectively.

*For the six months ended 30 September 2009 (unaudited)*

The revenue from the Group's largest customer which attributed to household and clinical application products was approximately HK$51,309,000, representing 29.7% to the total sales of the Group for the six months ended 30 September 2009.

In addition to the largest customer, there are two customers attributed to household application products contributing about 25.9% and 17.2% to the total sales of the Group. The revenue of these two customers was approximately HK$44,735,000 and HK$29,724,000, respectively.

**(b) Information about geographical areas**

In determining the Group's information about geographical areas, revenue are attributed to the segments based on the location of the customers.

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

| | **Revenue by geographical market Six months ended 30 September** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (unaudited) |
| United Kingdom | **68,759** | 90,998 |
| Norway | **53,855** | 44,734 |
| Sweden | **1,442** | 1,223 |
| Germany | **3,084** | 13,481 |
| United States of America | **102,746** | 1,110 |
| Singapore | **438** | 13,856 |
| Others | **2,898** | 7,126 |
| | **233,222** | 172,528 |

## 4. INCOME TAX EXPENSE

| | **Six months ended 30 September** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (unaudited) |
| Income tax expense represents: | | |
| Current tax: | | |
| PRC Enterprise Income Taxation ("EIT") | **1,500** | 590 |

**(i) Hong Kong ("HK")**

HK Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods.

No provision for HK Profits Tax has been made in the financial statements as the subsidiaries of the Group operating in HK had no assessable profit for the periods.

**(ii) The People's Republic of China (the "PRC")**

Prior to 2008, the Group's subsidiary in the PRC of a production nature established in the coastal economic open zones was subject to PRC Foreign Invested Enterprise Income Tax ("FIEIT") of 27% in accordance with the relevant income tax rules and regulations in the PRC.

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax (the ''New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of the Group's subsidiary in the PRC has been reduced to 25% from 1 January 2008 onwards.

Notwithstanding the above, under the old enterprise income tax system in the PRC, Huizhou Junyang Plastics Co, Ltd. ("Huizhou Junyang") is entitled to exemptions from the FIEIT for two years commencing from its first profit making year and thereafter entitled to a 50% relief from FIEIT for the next three years (the ''Manufacturing Income Tax Holidays"). According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

However, taking into account the tax position of Huizhou Junyang in the PRC, the first profit making year is deemed to have started from the year ended 31 December 2007 and thus Huizhou Junyang calculated the FIEIT at 100% EIT exemption for the fiscal years ended 31 December 2007 and 2008, and at 50% EIT reduction and thus an effective rate of 12.5% for the fiscal years ended/ending 31 December 2009, 2010 and 2011.

**(iii) Macau**

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

## 5. PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK\$'000*** | *HK\$'000* |
| | | (unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Auditors' remuneration | **572** | 30 |
| Directors' remuneration | **69** | 68 |
| Other staff costs | **4,440** | 4,561 |
| Retirement benefit scheme contributions | **290** | 165 |
| Total staff costs | **4,799** | 4,794 |
| Cost of inventories | **170,625** | 117,919 |
| Depreciation of property, plant and equipment | **3,944** | 2,790 |
| Amortisation of prepaid lease payments | **99** | 96 |
| Impairment loss recognised on other receivables | **68** | — |

## 6. DIVIDENDS

A dividend recognised as distribution amounted to HK$140 million was declared to the shareholders of Two-Two-free on 30 June 2010, and was settled through the balance with directors.

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2010. No comparative figure was presented as the Company was not yet incorporated during the corresponding period in 2009.

## 7. EARNINGS PER SHARE

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

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (unaudited) |
| Profit for the period attributable to owners of the Company | **42,005** | 47,655 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **506,666,000** | 506,666,000 |

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company for the period and the weighted average number of ordinary shares for the purpose of basic earnings per share assuming the capitalisation issue as disclosed in Appendix VI of the Prospectus occurred on the first day of the period, and the assumption that the Group Reorganisation had been effective on 1 April 2009.

No diluted earnings per share is presented for both periods as there were no potential ordinary shares in issue.

## 8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | **At 30 September 2010** | At 31 March 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **48,359** | 106,495 |
| Bills receivables | **27,137** | 14,223 |
| Prepayments | **3,360** | 3,057 |
| Other receivables | **2,222** | 979 |
| | **81,078** | 124,754 |

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of the Group's trade receivables (net of allowance for doubtful debts) and bills receivables based on the invoice date at the end of the reporting period is as follows:

| | **At 30 September 2010** | At 31 March 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills receivables: | | |
| 0–30 days | **53,808** | 27,141 |
| 31–60 days | **16,986** | 29,274 |
| 61–90 days | **4,702** | 64,303 |
| | **75,496** | 120,718 |

## 9. TRADE AND OTHER PAYABLES AND ACCRUALS

| | At 30 September 2010 *HK$'000* | At 31 March 2010 *HK$'000* |
|---|---|---|
| Trade payables | **43,251** | 51,393 |
| Accruals | **2,596** | 44 |
| Other tax payables | **614** | 2,760 |
| Others | **164** | 768 |
| | **46,625** | 54,965 |

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

| | At 30 September 2010 *HK$'000* | At 31 March 2010 *HK$'000* |
|---|---|---|
| 0–30 days | **20,095** | 18,644 |
| 31–60 days | **5,157** | 17,870 |
| 61–90 days | **10,711** | 14,879 |
| Over 90 days | **7,288** | — |
| | **43,251** | 51,393 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the period under review, the Group was engaged in the manufacture and trading of plastic products.

For the period under review, the Group recorded an audited profit of approximately HK$42.0 million (2009: unaudited profit of approximately HK$47.7 million).

### Revenue

The Group's revenue increased by HK$60.7 million, 35.2% from HK$172.5 million for the six months ended 30 September 2009 to HK$233.2 million for the corresponding period in 2010 mainly reflecting an increase in the sale of clinical application products.

The following table sets forth a breakdown of the Group's revenue by geographical locations and segments and as a percentage of the Group's total revenue for the six months ended 30 September 2010, with comparative figures for the corresponding period in 2009.

| | **Six months ended 30 September** | | | |
|---|---|---|---|---|
| | **2010** | **2010** | 2009 | 2009 |
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* |
| | **(Audited)** | | (Unaudited) | |
| By Sector: | | | | |
| Household application | **119,133** | **51.1** | 130,440 | 75.6 |
| Clinical application | **114,089** | **48.9** | 42,088 | 24.4 |
| Total | **233,222** | **100.0** | 172,528 | 100.0 |
| By geographical locations: | | | | |
| United Kingdom | **68,759** | **29.5** | 90,998 | 52.8 |
| Norway | **53,855** | **23.1** | 44,734 | 26.0 |
| Sweden | **1,442** | **0.6** | 1,223 | 0.7 |
| Germany | **3,084** | **1.3** | 13,481 | 7.8 |
| United States of America | **102,746** | **44.1** | 1,110 | 0.6 |
| Singapore | **438** | **0.2** | 13,856 | 8.0 |
| Others | **2,898** | **1.2** | 7,126 | 4.1 |
| | **233,222** | **100.0** | 172,528 | 100.0 |

The Group's revenue on household application products decreased by HK$11.3 million, 8.7%, from HK$130.4 million for the six months ended 30 September 2009 to HK$119.1 million for the corresponding period in 2010 due to the Group's shift in focus on household application customers with high end products. The Group's revenue on clinical application products significantly increased by HK$72.0 million, 171.1%, from HK$42.1 million for the six months ended 30 September 2009 to HK$114.1 million for corresponding period in 2010 mainly due to the increase in sales from our US customers in the United States ("US").

**Cost of sales**

Cost of sales increased by 44.7% from HK$117.9 million for the six months ended 30 September 2009 to HK$170.6 million for the corresponding period in 2010. The increase mainly comes from the increase in sales level.

**Gross profit and gross profit margin**

Gross profit increased by HK$8.0 million, 14.6%, from HK$54.6 million for the six months ended 30 September 2009 to HK$62.6 million for the corresponding period in 2010. The Group's overall gross profit margin decreased from 31.7% for the six months ended 30 September 2009 to 26.8% for the corresponding period in 2010, primarily as a result of the changes in the product mix of the Group's sales.

The following table sets forth the Group's gross profit and the gross profit margin by sector for the six months ended 30 September 2010, with comparative figures for the corresponding period in 2009.

| | **Six months ended 30 September** | | | |
|---|---|---|---|---|
| | **2010** | **2010** | 2009 | 2009 |
| | ***HK$'000*** | *%* | *HK$'000* | *%* |
| | **(Audited)** | | (Unaudited) | |
| By Sector: | | | | |
| Household application | **45,099** | **37.9** | 48,494 | 37.2 |
| Clinical application | **17,498** | **15.3** | 6,115 | 14.5 |
| Total | **62,597** | **26.8** | 54,609 | 31.7 |

The gross profit of household application products decreased by HK$3.4 million, 7.0%, from HK$48.5 million for the six months ended 30 September 2009 to HK$45.1 million for the corresponding period in 2010. The gross profit margin for household application products increased from 37.2% for the six months ended 30 September 2009 to 37.9% for the corresponding period in 2010 primarily due to the Group's emphasis on the sales of high end and patented products for that sector.

The gross profit of clinical application products increased by HK$11.4 million, 186.1%, from HK$6.1 million for the six months ended 30 September 2009 to HK$17.5 million for the corresponding period in 2010. The gross profit margin for clinical application products increased from 14.5% for the six months ended 30 September 2009 to 15.3% for the corresponding period in 2010 primarily due to the decrease in the consumption of polyethylene.

**Other income**

Other income mainly consists of exchange gain, bank interest income and sundry income. Other income decreased by HK$2.9 million, 61.8%, from HK$4.7 million for the six months ended 30 September 2009 to HK$1.8 million for the corresponding period in 2010 mainly due to the decrease in exchange gain of HK$0.4 million and the decrease in imputed interest income arising on the amount due from a director of HK$2.5 million from the previous corresponding period.

**Selling and distribution expenses**

Selling and distribution expenses mainly consist of transportation expenses, custom and inspection fees and commission paid to sales agents who may from time to time introduce new orders to our Group. The selling and distribution expenses decreased by HK$0.6 million, 9.4%, from HK$6.3 million for the six months ended 30 September 2009 to HK$5.7 million for the corresponding period in 2010 and this was mainly due to a reduction in commission paid to sales agents.

**Administrative expenses**

Administrative expenses mainly consist of salaries, staff welfare expenses, amortization of prepaid lease payment, depreciation of properties, plants and equipment in relation to the administrative functions. The administrative expenses increased by HK$2.3 million, 48.6%, from HK$4.8 million for the six months ended 30 September 2009 to HK$7.1 million for the corresponding period in 2010 mainly due to the increase in depreciation charges on the temporary structure, audit fee and other office and travelling expenses in relation to the Listing.

**Listing expenses**

Listing expenses refer to the share of fees paid to various professional parties in relation to the Listing for the six months ended 30 September 2010 of which none was incurred in the corresponding period in 2009.

**Profit before tax**

The Group's profit before tax decreased by HK$4.7 million, 9.8%, from HK$48.2 million for the six months ended 30 September 2009 to HK$43.5 million for the corresponding period in 2010. The decrease was mainly due to the increase of administrative expenses of HK$2.3 million, Listing expenses of HK$8.1 million and the decrease of other income of HK$2.9 million and was partially offset by the increase in gross profit of HK$8.0 million.

**Income tax expenses**

Income tax expenses increased by HK$0.9 million, 154.2%, from HK$0.6 million for the six months ended 30 September 2009 to HK$1.5 million for the corresponding period in 2010.

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

Total comprehensive income for the period attributable to owners of the Company decreased by HK$5.5 million, 11.5%, from HK$47.7 million for the six months ended 30 September 2009 to HK$42.2 million for the corresponding period in 2010. The Group's net profit margin decreased from 27.6% in the six months ended 30 September 2009 to 18.0% in the corresponding period in 2010.

## FINANCIAL REVIEW

**Liquidity and financial resources**

The Group's principal source of working capital was cash generated from the sales of its products. The Group's current ratio as at 30 September 2010 was 2.1 (as at 31 March 2010: 2.1). As at 30 September 2010 and 31 March 2010, the gearing ratio, which is calculated with total borrowings over shareholder's equity, was zero.

**Currency and interest rate exposure**

Certain sales transactions of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risks. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Certain monetary financial assets are denominated in foreign currencies as at 30 September 2010. The exposure in exchange rate risks mainly arose from fluctuations of USD, HKD and Macau Pataca ("MOP"). The Group's currency risk exposure in relation to the monetary financial assets is expected to be minimal as HKD and MOP are pegged with USD.

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

**Contingent liability**

As at 30 September 2010, the Group does not have any material contingent liability.

## COMMITMENTS

As at 30 September 2010, the Group does not have any material commitments.

## MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

## SUBSEQUENT EVENTS

Subsequent to 30 September 2010, in preparing for the Listing, the companies now comprising the Group underwent a pre-listing reorganization to rationalize the Group's structure (the "Group Reorganization"). As a result of the Group Reorganization, the Company became the holding company of the Group on 24 December 2010.

## USE OF PROCEED FROM INITIAL PUBLIC OFFER

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 January 2011. The estimated net proceeds from the Listing after deducting the relevant expenses were approximately HK$285.6 million. As at 30 September 2010, the Company had not accomplished the Listing. The Company currently does not have any intention to change its plan for use of proceeds as stated in the Prospectus.

## HUMAN RESOURCES

The number of employees of the Group as at 30 September 2010, was approximately 235, whom receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses based on individual performance. The Group provides a comprehensive benefits package and career development opportunities, including medical benefits and both internal and external training appropriate to each individual's requirements.

## PROSPECT

The Group's vision is to become a leading manufacturer of clinical consumables in the People's Republic of China (the "PRC"), European countries and the US by providing quality and patented products to our customers.

The Group will focus on the PRC clinical consumable market, which is expected to benefit from the continued tightened control by the PRC government's health care policies. The Group will continue to work closely with the customers to develop innovative solutions that are tailor-made to suit their needs.

To provide better service to its customers, the Group will endeavour to offer additional products by expanding its product portfolio. The Group recognizes that in order to remain competitive and to stay at the forefront of the industry, it is vital that the Group continues to develop its proprietary technology. Hence, the Group will focus on the development of proprietary technology and new product offerings by increasing its research and development capabilities.

Whilst there remains substantial uncertainties and challenges, the Group will continue to adopt a prudent approach in respect of risk control, profit maximization and cost control. Having said that, the Group will continue our dedication to the European, US and PRC markets, with an expectation to enhance the return to all stakeholders in the future.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

As the Company's shares were not yet listed on the Stock Exchange for the six months ended 30 September, 2010, the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the period. The Company has adopted the Code as its corporate governance code of practices upon the Listing and is in compliance with all the mandatory code provisions in the Code.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise.

## MODEL CODE FOR SECURITIES TRANSACTIONS

As the Company's shares were not yet listed on the Stock Exchange for the six months ended 30 September 2010, the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the period. The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors upon the Listing. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standards of the Model Code since the Listing.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the shares have only been listed on the main board of the Stock Exchange since the Listing Date, no disclosure of interests or short positions of any Directors and/or chief executives of the Company in any Shares, underlying shares or debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were made to the Company under the provisions of Division 7 and 8 of Part XV of the SFO as of 30 September 2010.

As at the Listing Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

| **Name of director** | **Nature of interest** | **Total number of shares held** *(note)* | **Approximate percentage of interest in the Company** |
|---|---|---|---|
| Mr. Chum Tung Hang | Beneficial Owner | 476,666,000 | 71.5% |

*Note:* These 476,666,000 shares are held by Able Bright Limited ("Able Bright"), which in turn is wholly and beneficially owned by The Chum's Family Trust. The Chum's Family Trust is deemed under the SFO to be interested in 476,666,000 shares held by Able Bright.

## DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as otherwise disclosed, at no time during the six months ended 30 September 2010 and up to the date of this announcement were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or any of their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As the shares have only been listed on the main board of the Stock Exchange since the Listing Date, no disclosure of interests or short positions in any shares or underlying shares of the Company were made to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as of 30 September 2010.

As at the Listing Date, the following persons (not being a Director or the chief executive of our Company) have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| **Name** | **Nature of interest** | **Total number of shares held** *(note)* | **Approximate percentage of interest in the Company** |
|---|---|---|---|
| The Chum's Family Trust *(note 1)* | Interest of corporation controlled by substantial shareholders | 476,666,000 | 71.5% |
| Golden Realm Limited *(note 1)* | Interest of corporation controlled by substantial shareholders | 476,666,000 | 71.5% |
| Able Bright Limited *(note 2)* | Beneficial Owner | 476,666,000 | 71.5% |

*Note:*

1. The entire issued share capital of Golden Realm Limited is registered in the name of Bank Sarasin Nominees (CI) Limited ("Bank Sarasin Nominees"). Bank Sarasin Nominees acts as nominee for Sarasin Trust Company Guernsey Limited as trustee of The Chum's Family Trust, which is in its capacity as trustee of The Chum's Family Trust deemed to be interested in the Shares held by the Chum's Family Trust under the SFO.

2. The entire issued share capital of Able Bright Limited is owned by Golden Realm Limited. Pursuant to a stock borrowing agreement between Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan") and Able Bright dated 6 January 2011, Able Bright had loaned 13,000,000 Shares to Guotai Junan in relation to the Over-allotment Option as stated in the Prospectus dated 31 December 2010. As at the date of this announcement, the Over-allotment Option has not been exercised yet.

Save as disclosed herein, the Company has not been notified of any other person (other than Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at the Listing Date.

## SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 17 December 2010 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees, executive and officers (including executive and non-executive directors) of the Company and any of its subsidiaries and advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the Board may grant options to eligible employees, including the Directors and any of its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, (i) the total number of shares to be issued under the options of the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the Directors and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at the date of this announcement, no options were granted under the Share Option Scheme.

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

As the Company's shares were not yet listed on the Stock Exchange for the six months ended 30 September 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee comprises three independent non-executive directors, being Mr. Chan Bing Chung, Mr. Chow Tsu-Yin and Mr. Lee Thomas Tuan-Tong. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited combined interim financial statements of the Group for the six months ended 30 September 2010. The combined interim financial statements for the six months ended 30 September 2010 have been audited by the Company's auditors, Deloitte Touche Tohmatsu ("Deloitte").

The Company notes that Deloitte have noted in their Independent Auditor's Report in respect of the Company dated 28 January 2011 that without qualifying their opinion, Deloitte draw attention to the fact that the corresponding figures set out in the combined statement of comprehensive income, the combined statement of changes in equity, the combined statement of cash flows and the relevant explanatory notes for the six months ended 30 September 2009 have not been audited.

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 17 December 2010, whose primary duties are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the Remuneration Committee conducts reviews of the performance and determines the compensation structure of the senior management of the Group. The current members of the Remuneration Committee are Mr. Chow Tsu-Yin, Mr. Lee Thomas Tuan-Tong and Mr. Chan Bing Chung.

## NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 17 December 2010 to make recommendations to the Board regarding candidates to fill vacancies on the Board. The current members of the Nomination Committee are Mr. Lee Thomas Tuan-Tong, Mr. Chan Bing Chung and Mr. Chow Tsu-Yin.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In the six months ended 30 September 2010 and up to the date of this announcement, there were no changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

By the order of the board
**Newtree Group Holdings Limited**
**Chum Tung Hang**
*Chairman*

Macau, 28 January 2011

*As at the date of this announcement, the executive Directors are Mr. Chum Tung Hang, Mr. Chum Hon Sing and Ms. Lei Sao Cheng; and the independent non-executive Directors are Mr. Lee Thomas Tuan-Tong, Mr. Chow Tsu-Yin and Mr. Chan Bing Chung.*