Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 2.9% to HK$581.3 million.
- Gross profit decreased by approximately 38.6% to HK$21.5 million.
- Gross profit margin decreased from 6.2% to 3.7%, mainly due to the loss of Hygienic Disposables Business as a result of decrease in turnover due to intense competition and a slow recovery of the global market and increase in labour and raw material costs.
- Loss for the year attributable to owners of the Company amounted to HK$137.1 million.
- Loss per share amounted to HK cents 19.10.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Newtree Group Holdings Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**581,271**	565,152
Cost of sales		**(559,729)**	(530,091)
Gross profit		**21,542**	35,061
Other income	*4*	**1,197**	38,661
Other gains and losses	*5*	**(72,373)**	(534)
Selling and distribution expenses		**(8,646)**	(8,859)
Administrative expenses		**(68,678)**	(53,401)
Other expenses		**(10,817)**	(1,696)
Finance costs	*6*	**(345)**	(112)
(Loss) profit before tax		**(138,120)**	9,120
Income tax credit (expense)	*7*	**692**	(2,318)
(Loss) profit for the year	*8*	**(137,428)**	6,802
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference arising on translation		**2,730**	(861)
– Changes in fair value of available-for-sale financial assets		**(1,050)**	–
		1,680	(861)
Item that was reclassified to profit or loss:			
– Reclassification adjustment of available-for-sale investment reserve upon impairment of assets		**1,050**	–
Other comprehensive income for the year, net of income tax:		**2,730**	(861)
Total comprehensive income for the year, net of income tax		**(134,698)**	5,941
(Loss) profit for the year attributable to:			
Owners of the Company		**(137,128)**	6,619
Non-controlling interests		**(300)**	183
		(137,428)	6,802
Total comprehensive income for the year, attributable to:			
Owners of the Company		**(134,399)**	5,793
Non-controlling interests		**(299)**	148
		(134,698)	5,941
(Loss) earnings per share	*10*		
– basic and diluted (HK cents)		**(19.10)**	0.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**17,921**	27,680
Prepaid lease payments		**6,236**	6,307
Other intangible assets	*12*	**68,961**	20,833
Goodwill		**9,774**	9,774
Available-for-sale financial assets	*14*	**2,200**	–
		105,092	64,594
CURRENT ASSETS			
Inventories		**37,765**	52,377
Prepaid lease payments		**216**	212
Trade and other receivables and prepayments	*15*	**384,236**	341,503
Refundable deposits	*15*	**52,132**	26,349
Pledged bank deposit		**7,807**	7,803
Bank balances and cash		**39,887**	25,234
		522,043	453,478
CURRENT LIABILITIES			
Trade and other payables and accruals	*16*	**209,519**	101,811
Trust receipt loan		**6,829**	9,163
Tax payable		**5,711**	7,114
		222,059	118,088
NET CURRENT ASSETS		**299,984**	335,390
TOTAL ASSETS LESS CURRENT LIABILITIES		**405,076**	399,984
NON CURRENT LIABILITIES			
Deferred tax liabilities		**11,578**	3,950
Promissory note		**3,552**	–
		15,130	3,950
NET ASSETS		**389,946**	396,034
CAPITAL AND RESERVES			
Share capital		**7,282**	6,667
Reserves		**378,076**	388,402
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**385,358**	395,069
Non-controlling interests		**4,588**	965
TOTAL EQUITY		**389,946**	396,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Legal reserve HK$'000 (Note (i))	Special reserve HK$'000 (Note (ii))	Exchange reserve HK$'000	Other reserves HK$'000 (Note (iii))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2012	6,667	288,369	49	678	15,937	(6,000)	83,576	389,276	1,315	390,591
Profit for the year	–	–	–	–	–	–	6,619	6,619	183	6,802
Other comprehensive income, net of income tax	–	–	–	–	(826)	–	–	(826)	(35)	(861)
Total comprehensive income for the year	–	–	–	–	(826)	–	6,619	5,793	148	5,941
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(498)	(498)
Transactions with owners	–	–	–	–	–	–	–	–	(498)	(498)
At 31 March 2013	6,667	288,369	49	678	15,111	(6,000)	90,195	395,069	965	396,034
Loss for the year	–	–	–	–	–	–	(137,128)	(137,128)	(300)	(137,428)
Other comprehensive income, net of income tax:										
– Exchange difference arising on translation	–	–	–	–	2,729	–	–	2,729	1	2,730
– Changes in fair value of available-for-sale financial assets	–	–	–	–	–	(1,050)	–	–	–	(1,050)
– Reclassification adjustment of available-for-sale investment reserve upon impairment of assets	–	–	–	–	–	1,050	–	–	–	1,050
Total comprehensive income for the year	–	–	–	–	2,729	–	(137,128)	(134,399)	(299)	(134,698)
Acquisition of subsidiaries	175	36,301	–	–	–	–	–	36,476	4,887	41,363
Acquisition of interest in a subsidiary from a non-controlling shareholder	15	3,143	–	–	–	(2,046)	–	1,112	(1,112)	–
Issue of shares to acquire available-for-sale financial assets	25	5,175	–	–	–	–	–	5,200	–	5,200
Issue of shares pursuant to placing agreement	400	83,600	–	–	–	–	–	84,000	–	84,000
Transaction cost attributable to issue of placing shares	–	(2,100)	–	–	–	–	–	(2,100)	–	(2,100)
Dissolution of a non-wholly-owned subsidiary	–	–	–	–	–	–	–	–	147	147
Transactions with owners	615	126,119	–	–	–	(2,046)	–	124,688	3,922	128,610
At 31 March 2014	7,282	414,488	49	678	17,840	(8,046)	(46,933)	385,358	4,588	389,946

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 represents (i) the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, a shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK$6,000,000; (ii) the difference between the amount by which the non-controlling interest is adjusted and the fair value of shares issued as consideration for the acquisition of the remaining equity interest in a subsidiary from a non-controlling shareholder amounting to HK$2,046,000; and (iii) available-for-sale investment reserve representing gains/losses arising on recognising financial assets classified as available-for-sale at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. In the opinion of the Directors, the ultimate holding company of the Company is Twin Star Global Limited, a limited company incorporated in the British Virgin Islands. The registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 601, 6/F, China Building, 29 Queen's Road Central, Hong Kong respectively.

The principal activities of the Group are engaged in trading and manufacture of clinical and household hygienic disposables and trading of related raw materials ("Hygienic Disposables Business") located in the People's Republic of China ("PRC") and Macau, agency service and trading of Methyl Tertiary Butyl Ether ("MTBE") products ("MTBE Business") located in Hong Kong, trading of coal products ("Coal Business") located in Hong Kong and wholesale and retail of household consumables ("Household Consumables Business") located in United Kingdom.

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs'')

In the current year, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2013.

HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements

Except as explained below, the adoption of the above new and revised HKFRSs in the current year has no material impact on the Group's financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 March 2013. Items of other comprehensive income that may and may not be reclassified to profit or loss in the future have been presented separately in the consolidated statement of comprehensive income. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest. The adoption has not resulted in any change of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

HKAS 19 (as revised in 2011) distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled".

The Group has amended its accounting policies for short-term employee benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

The Group has early adopted the following amendments, which are effective for annual periods commencing on or after 1 January 2014, in these consolidated financial statements:

HKAS 36 (Amendments) – Recoverable Amount Disclosures for Non-Financial Assets

The amendments limit the requirements to disclose the recoverable amount of an asset or cash-generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The Group has early adopted the amendments to HKAS 36 in the current period. The disclosures about the impairment of other intangible assets have been modified accordingly.

3. REVENUE AND SEGMENT INFORMATION

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

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

- Hygienic Disposables Business – Trading and manufacturing of clinical and household hygienic disposables and trading of related raw materials
- MTBE Business – Agency service and trading of MTBE products
- Coal Business – Trading of coal products
- Household Consumables Business – Trading of household consumables

Segment revenues and results

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

	Hygienic Disposables Business *HK$'000*	MTBE Business *HK$'000*	Coal Business *HK$'000*	Household Consumables Business *HK$'000*	Total *HK$'000*
For the year ended 31 March 2014					
Revenue from external customers	**186,799**	**185,527**	**131,654**	**77,291**	**581,271**
Segment (loss) profit	**(76,126)**	**(587)**	**4,356**	**190**	**(72,167)**
Bank interest income					**14**
Exchange differences					**(1,356)**
Amortisation of other intangible assets					**(1,003)**
Impairment loss on available-for-sale financial assets					**(1,050)**
Impairment loss on other intangible assets					**(8,491)**
Central administration costs					**(54,067)**
Loss before tax					**(138,120)**

	Hygienic Disposables Business *HK$'000*	MTBE Business *HK$'000*	Household Consumables Business *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
For the year ended 31 March 2013					
Revenue from external customers	380,655	105,149	79,348	–	565,152
Inter-segment sales	1,447	–	–	(1,447)	–
	382,102	105,149	79,348	(1,447)	565,152
Segment profit (loss)	34,877	5,546	3,935	(111)	44,247
Bank interest income					145
Exchange differences					(382)
Amortisation of other intangible assets					(2,423)
Central administration costs					(32,467)
Profit before tax					9,120

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, amortisation of other intangible assets, impairment losses on available-for-sale financial assets and other intangible assets, bank interest income, exchange differences and income tax. 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 segment:

Segment assets

	2014	2013
	HK$'000	*HK$'000*
Hygienic Disposables Business	**194,490**	254,088
MTBE Business	**219,841**	157,467
Coal Business	**54,246**	–
Household Consumables Business	**27,979**	42,873
Total segment assets	**496,556**	454,428
Goodwill	**9,774**	9,774
Other intangible assets	**68,961**	20,833
Available-for-sale financial assets	**2,200**	–
Amount due from a related company	**1,950**	–
Pledged bank deposit	**7,807**	7,803
Bank balances and cash	**39,887**	25,234
Consolidated assets	**627,135**	518,072

Segment liabilities

	2014	2013
	HK$'000	*HK$'000*
Hygienic Disposables Business	**20,039**	22,807
MTBE Business	**139,237**	80,274
Coal Business	**50,726**	–
Household Consumables Business	**6,346**	7,893
Total segment liabilities	**216,348**	110,974
Tax payable	**5,711**	7,114
Promissory note	**3,552**	–
Deferred tax liabilities	**11,578**	3,950
Consolidated liabilities	**237,189**	122,038

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

- All assets are allocated to operating segments other than goodwill, other intangible assets, available-for-sale financial assets, amount due from a related company, pledged bank deposit and bank balances and cash.

- All liabilities are allocated to operating segments other than tax payable, promissory note and deferred tax liabilities.

Other segment information

	Hygienic Disposables Business	**MTBE Business**	**Coal Business**	**Household Consumables Business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 March 2014					
Capital additions	**1,662**	**–**	**–**	**151**	**1,813**
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**6,650**	**–**	**–**	**128**	**6,778**
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	**24**	**24**
Impairment loss recognised on trade and other receivables	**50,338**	**2,784**	**541**	**2,353**	**56,016**
Impairment loss on property, plant and equipment	**5,436**	**–**	**–**	**–**	**5,436**
Impairment loss on other intangible assets	**–**	**–**	**8,491**	**–**	**8,491**

	Hygienic Disposables Business	MTBE Business	Household Consumables Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2013				
Capital additions	5,257	–	753	6,010
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	5,661	–	142	5,803
Gain on disposal of property, plant and equipment	95	–	–	95
Impairment loss recognised on trade and other receivables	980	–	–	980
Inventories written off	4,924	–	–	4,924

Revenue from major products and services

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

	2014	2013
	HK$'000	*HK$'000*
Sales of goods from		
– Hygienic Disposables Business	**186,799**	380,655
– Household Consumables Business	**77,291**	79,348
Agency fee and trading income from MTBE Business	**185,527**	105,149
Trading income from Coal Business	**131,654**	–
	581,271	565,152

Information about geographical areas

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

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

	Revenue by Geographical market	
	2014	2013
	HK$'000	*HK$'000*
PRC	**317,181**	165,599
United Kingdom	**202,733**	208,836
Norway	**37,989**	69,620
United States of America	**19,307**	119,066
Singapore	**2,719**	–
Sweden	**–**	1,321
Other	**1,342**	710
	581,271	565,152

As at 31 March 2014, approximately HK$21,709,000, HK$19,273,000, HK$63,592,000 and HK$518,000 of the non-current assets are located in the PRC, United Kingdom, Hong Kong and Macau respectively.

As at 31 March 2013, approximately HK$29,164,000, HK$20,073,000, HK$14,645,000 and HK$712,000 of the non-current assets are located in the PRC, United Kingdom, Hong Kong and Macau respectively.

Information about major customers

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

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**317,181**	103,884
Customer B[2]	**68,562**	51,530 [3]
Customer C[2]	**56,117** [3]	74,144
Customer D[2]	**37,989** [3]	69,620
Customer E[2]	**19,307** [3]	58,806
Customer F[2]	**–**	60,450
Customer G[2]	**–**	60,260

1 Revenue is from MTBE Business and Coal Business.

2 Revenue is from Hygienic Disposables Business.

3 Revenue from this customer represented less than 10% of the total sales of the Group for the respective year. The amount is for comparative purpose only.

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**14**	145
Service income	**1,136**	10,621
Other interest income	**–**	2,527
Patent income#	**–**	25,350
Sundry	**47**	18
	1,197	38,661

The patent income comprises the amounts received from the third parties for their uses of the patents registered by the Group.

5. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Exchange differences	**(1,356)**	(382)
(Loss) gain on disposal of property, plant and equipment	**(24)**	95
Impairment loss recognised on trade and other receivables	**(56,016)**	(980)
Gain on disposal of financial assets	**–**	733
Impairment loss on available-for-sale financial assets	**(1,050)**	–
Impairment loss on property, plant and equipment	**(5,436)**	–
Impairment loss on other intangible assets	**(8,491)**	–
	(72,373)	(534)

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on trust receipt loan	**152**	112
Imputed interest expenses on promissory note	**193**	–
	345	112

7. INCOME TAX (CREDIT) EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong profits tax	**623**	876
– PRC Enterprise Income Tax ("PRC EIT")	**–**	875
– Other jurisdiction	**496**	1,062
	1,119	2,813
(Over) under-provision in respect of prior years:		
– Hong Kong profits tax	**(14)**	–
– Other jurisdiction	**102**	–
	88	–
Deferred taxation		
– Current year	**(1,554)**	(444)
– Attributable to change in tax rate	**(345)**	(51)
	(1,899)	(495)
	(692)	2,318

(i) Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years.

In prior years, the Hong Kong Inland Revenue Department (the "HKIRD") issued to wholly-owned subsidiaries incorporated in Macau and Hong Kong (the "Subsidiaries") profits tax assessments of HK$5,600,000 and HK$875,000, respectively, relating to the year of assessment 2004/05, that is, for the financial year ended 31 March 2005. The Group lodged the relevant objection with the HKIRD against the assessment in June 2011.

In prior years, the HKIRD issued two enquiry letters to the Subsidiaries in respect of the year of assessment 2004/05.

In prior years, the HKIRD issued to the Subsidiaries profits tax assessment of HK$5,250,000 and HK$2,275,000, relating to the year of assessment 2005/06, that is, for the financial year ended 31 March 2006. The Group lodged the relevant objection with the HKIRD against the assessment in January 2012.

In January 2013, the HKIRD issued to the Subsidiaries profits tax assessment of HK$4,340,000 and HK$2,100,000, relating to the year of assessment 2006/07, that is, for the financial year ended 31 March 2007. The Group lodged the relevant objection with the HKIRD against the assessment in February 2013.

In March 2013, the HKIRD issued another letter to one of the Subsidiaries requesting its books and records. The Group is in the process of gathering the information requested by the HKIRD.

In July 2013, the HKIRD issued a letter requesting for information regarding another PRC subsidiary of the Company (other than the Subsidiaries). In January 2014, the HKIRD issued a letter requesting for financial information of another one of the Subsidiaries. The Group is in the process of gathering the information requested by the HKIRD.

In February 2014, the HKIRD issue to the Subsidiaries profit tax assessment for HK$4,875,000 and HK$3,475,000, relating to the year of assessment 2007/08, that is, for the financial year ended 31 March 2008. The Group lodged the relevant objection with the HKIRD against the assessment in March 2014.

As of 31 March 2014, the Group has purchased tax reserve certificates in the amounts of HK$438,000, HK$761,000, and HK$875,000 for the years of assessment 2004/05, 2005/06 and 2006/07 respectively, which have been accounted for as taxes recoverable included in trade and other receivables and prepayments of the Group as at 31 March 2014. Subsequent to the end of the reporting period, the Group has purchased tax reserve certificates in the amount of HK$100,000 for the year of assessment 2007/08.

The Subsidiaries have not received any further queries from the HKIRD apart from the aforesaid assessments up to the date these consolidated financial statements were authorised for issuance. In the opinion of the Directors, no profits tax should be payable by the Subsidiaries for those years of assessment since the Subsidiaries either did not carry on any business in Hong Kong or did not arrive at any assessable profits for the years of assessment 2004/05, 2005/06, 2006/07 and 2007/08 and should not be subject to Hong Kong profits tax. Hence, no provision for Hong Kong profits tax in respect of the assessments is considered necessary.

(ii) PRC EIT

PRC EIT is calculated at 25% of the estimated assessable profits of subsidiaries operation in the PRC.

(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.

(iv) Other jurisdiction

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

8. (LOSS) PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
It has been arrived at after charging:		
Directors' remuneration	**10,930**	8,713
Other staff costs	**23,428**	20,288
Retirement benefit scheme contributions	**891**	717
Total staff costs	**35,249**	29,718
Auditors' remuneration	**1,438**	1,433
Cost of inventories sold	**558,726**	522,744
Inventories written off	**–**	4,924
Depreciation of property, plant and equipment	**6,563**	5,592
Amortisation of other intangible assets (included in cost of sales)	**1,003**	2,423
Amortisation of prepaid lease payments	**215**	211
Loss on dissolution of a non-wholly-owned subsidiary	**147**	–
Legal and professional fees incurred for acquisitions and potential acquisitions (included in other expenses)	**10,817**	1,696

9. DIVIDEND

No dividend has been paid or declared by the Company during the year (2013: HK$Nil).

The Directors do not recommend for payment of a final dividends for the year.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company for the year are based on the following data:

	2014	2013
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(137,128)**	6,619
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**718,019,992**	666,666,000

Basic and diluted (loss) earnings per share are the same for both years as there was no potential ordinary share in issue.

11. PROPERTY, PLANT AND EQUIPMENT

The Group	**Buildings**	**Plant and machinery**	**Motor vehicles**	**Leasehold improvement**	**Furniture, fixtures, and equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
COST						
At 1 April 2012	35,297	42,323	1,818	3,926	1,919	85,283
Additions	–	244	1,456	3,772	538	6,010
Disposal	–	–	(1,655)	–	(108)	(1,763)
Exchange realignment	43	54	3	6	2	108
At 31 March 2013	35,340	42,621	1,622	7,704	2,351	89,638
Additions	–	627	108	832	246	1,813
Disposal	–	(30)	(108)	–	(12)	(150)
Exchange realignment	811	995	30	127	40	2,003
At 31 March 2014	36,151	44,213	1,652	8,663	2,625	93,304
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2012	21,231	31,016	986	2,280	1,527	57,040
Provided for the year	961	3,137	325	1,050	119	5,592
Elimination on disposal	–	–	(646)	–	(108)	(754)
Exchange realignment	28	46	–	4	2	80
At 31 March 2013	22,220	34,199	665	3,334	1,540	61,958
Provided for the year	1,703	2,777	313	1,509	261	6,563
Impairment	–	2,938	273	2,052	173	5,436
Elimination on disposal	–	–	–	–	(12)	(12)
Exchange realignment	517	802	14	72	33	1,438
At 31 March 2014	24,440	40,716	1,265	6,967	1,995	75,383
NET CARRYING VALUES						
At 31 March 2014	11,711	3,497	387	1,696	630	17,921
At 31 March 2013	13,120	8,422	957	4,370	811	27,680

In the current year, the Group recorded a segmental loss in the segment of Hygienic Disposables Business. As a result, the property, plant and equipment which relates to this segment, and which also constitutes a smallest CGU, were then assessed for impairment. The recoverable amount of property, plant and equipment has been determined to be approximately HK$22,442,000 with reference to a professional valuation report issued by Greater China Appraisal Limited ("GCA"), an independent firm of professionally qualified valuers, which was based on a value-in-use calculation, using cash flow projection based on estimates and financial budgets approved by the management. These projections cover a five-year period and extrapolate cash flows beyond such projection period using an estimated growth rate of 2.8%, and have been discounted using a pre-tax discount rate of 19.79%. All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for market development. In view of the net carrying amount of property, plant and equipment being higher than the net present value of the future estimated cash flows of this CGU, the property, plant and equipment relating to this CGU were written down to its recoverable amount, with an impairment loss of approximately HK$5,436,000, mainly arising from the above impairment review, recognised in profit or loss under other gains and losses in the current year. No impairment assessment was performed for the year ended 31 March 2013 as there was no indication of impairment.

12. OTHER INTANGIBLE ASSETS

	Coal Sales contract *HK$'000*	MTBE Sales contract *HK$'000*	Customer network *HK$'000*	Total *HK$'000*
COST				
At 1 April 2012	–	33,292	10,048	43,340
Exchange realignment	–	–	71	71
At 31 March 2013	–	33,292	10,119	43,411
Acquisition of subsidiaries	57,346	–	–	57,346
Exchange realignment	–	–	363	363
At 31 March 2014	57,346	33,292	10,482	101,120
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2012	–	19,975	168	20,143
Charge for the year	–	1,422	1,001	2,423
Exchange realignment	–	–	12	12
At 31 March 2013	–	21,397	1,181	22,578
Charge for the year	–	–	1,003	1,003
Impairment (Note 13)	8,491	–	–	8,491
Exchange realignment	–	–	87	87
At 31 March 2014	8,491	21,397	2,271	32,159
NET CARRYING VALUES				
At 31 March 2014	48,855	11,895	8,211	68,961
At 31 March 2013	–	11,895	8,938	20,833

13. IMPAIRMENT TESTING ON OTHER INTANGIBLE ASSETS AND GOODWILL

For the purpose of impairment testing, other intangible assets and goodwill have been allocated to three individual CGUs, comprising a subsidiary in Household Consumables Business, a subsidiary in MTBE Business and a subsidiary in Coal Business. The carrying amount of other intangible assets and goodwill as at 31 March 2014 allocated to these units are as follows:

	Customer network with finite useful life		Sales contracts with indefinite useful life		Goodwill	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Household Consumables Business CGU (Unit A)	**8,211**	8,938	**–**	–	**9,774**	9,774
MTBE Business CGU (Unit B)	**–**	–	**11,895**	11,895	**–**	–
Coal Business CGU (Unit C)	**–**	–	**48,855**	–	**–**	–
	8,211	8,938	**60,750**	11,895	**9,774**	9,774

During the year ended 31 March 2014, the Group determines that, besides Coal Business CGU, there is no impairment of any of its CGUs containing other intangible assets and goodwill.

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 value-in-use (2013: a fair-value-less-costs-of-disposal) calculation with reference to a professional valuation performed by GCA. That calculation covered a period estimated by the Group to be indefinite 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 (2013: a five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (2013: 3%). The pre-tax rate used to discount the forecast cash flows is 20.52% (2013: post-tax rate of 17.94%). Should the perpetuity growth rate decrease by 0.32% the recoverable amount of the Household Consumables Business CGU would equal its carrying amount. Alternatively, should the discount rate increase by 0.19% the recoverable amount of the Household Consumables Business CGU would equal its carrying amount.

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation with reference to a professional valuation performed by GCA. That calculation covered a period of 14 years (2013: 15 years). The calculation uses cash flow projections based on financial budgets approved by management covering a two-year period (2013: three-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2.8% (2013: 3%). The pre-tax rate used to discount the forecast cash flows is 17.99% (2013: 17.16%). We believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the MTBE Business CGU exceed the aggregate recoverable amount of such CGU.

Unit C

The recoverable amount of this unit has been determined to be approximately HK$44,000,000 (including working capital) based on a fair-value-less-costs-of-disposal calculation with reference to a professional valuation performed by GCA. That calculation covered a period estimated by the Group to be indefinite 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 two-year period. Cash flow beyond the projection period are extrapolated using an estimated growth rate of 2.8%. The post-tax rate used to discount the forecast cash flows is 12.61%.

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.

The Group is of the opinion, based on the impairment assessment of the Coal Business CGU, the Coal Sales Contract included in other intangible assets is partially impaired by the amount of HK$8,491,000 and corresponding decrease in related deferred tax liabilities in the amount of approximately HK$1,401,000 as compared with its recoverable amount as at 31 March 2014 and was charged to profit or loss under other gains and losses and income tax credit respectively in the current year. The above impairment losses are mainly attributable to (i) unfavorable changes in the estimated risk–free rate; and (ii) changes in risks associated with the business and operations of the Coal Business CGU, between the date of acquisition and 31 March 2014.

The recoverable amount was based on the fair-value-less-costs-of-disposal calculation of the Coal Business CGU determined by income approach using discounted cash flow projections. The fair-value-less-costs-of-disposal is classified as a Level 3 measurement.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets represent investments in unlisted equity securities issued by China Energy Trading Company Limited ("China Energy"), a company incorporated in Hong Kong with limited liabilities, and the investments represent a 10% of the entire issued share capital of China Energy and are measured at fair value at the end of the reporting period. Further details of the available-for-sale financial assets are set out in the Company's circular dated 25 March 2013.

	2014	2013
	HK$'000	*HK$'000*
Unlisted equity securities	**2,200**	–
Net carrying amount at the beginning of the year	**–**	–
Additions	**3,250**	–
Impairment	**(1,050)**	–
	2,200	–

As at 31 March 2014, available-for-sale financial assets were individually determined to be impaired on the basis of a significant decline in its fair value below cost which indicated that the investment cost may not be recovered. During the year, an impairment loss of approximately HK$1,050,000 on these investments was recognised in other reserves and then recognised as an impairment in profit or loss under other gains and losses.

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND REFUNDABLE DEPOSITS

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**363,388**	245,975
Less: impairment loss recognised	**(51,225)**	(182)
	312,163	245,793
Bills receivables	**14,624**	11,914
Prepayments and deposits *(Note i)*	**42,871**	56,431
Other receivables	**8,688**	24,711
Taxes recoverable	**3,774**	2,576
Amount due from a non-controlling owner of a subsidiary *(Note ii)*	**166**	78
Amount due from a related company *(Note iii)*	**1,950**	–
	384,236	341,503

Notes:

i The balances as at 31 March 2014 mainly consist of (i) a prepayment to an independent supplier which amounted to approximately HK$33,570,000 (2013: HK$39,410,000) for the acquisition of major raw materials used by the Group for the production of the existing Hygienic Disposables Business and (ii) other sundry prepayments.

ii The amount due from a non-controlling owner of a subsidiary is unsecured, interest-free and repayable on demand.

iii The amount due from a related company is unsecured, interest-free and repayable on demand. Two directors of the Company are also the directors of the related company.

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:

	2014	2013
	HK$'000	*HK$'000*
Trade and bills receivables:		
0–30 days	**88,356**	21,188
31–60 days	**10,157**	57,873
61–90 days	**51,470**	20,834
Over 90 days	**176,804**	157,812
	326,787	257,707

The refundable deposits comprised (i) a refundable supplier deposit which amounted to approximately HK$21,332,000 (2013: HK$21,349,000) paid to an independent supplier of the MTBE Business, details of which are set out in the announcements of the Company dated 15 November 2011 and 6 December 2011. This deposit is refundable upon the Group's request or in the event the supplier arrangement is terminated. Such amount is guaranteed by a customer of MTBE Business, which is a state-owned enterprise in the PRC and (ii) aggregate refundable deposits which amounted to approximately HK$30,800,000 (2013: HK$5,000,000) paid to an independent third party supplier of equipment items for the Hygienic Disposables Business. Subsequent to the end of reporting period, the entire deposit has been refunded by the supplier.

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**201,121**	95,780
Other payable and accruals	**5,941**	4,413
Amount due to a non-controlling owner of a subsidiary	**–**	419
Amount due to a related party *(Note i)*	**1,829**	1,199
Amounts due to related companies *(Note ii)*	**628**	–
	209,519	101,811

Notes:

i. The related party is a close family member of a director of the Company.

ii. A director of a subsidiary of the Company is also the director of the related companies.

The amounts due to a non-controlling owner of a subsidiary, a related party and related companies are unsecured, interest-free and repayable on demand.

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

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**79,952**	13,994
31–60 days	**1,703**	36,298
61–90 days	**33,514**	22,147
Over 90 days	**85,952**	23,341
	201,121	95,780

17. COMPARABLE AMOUNTS

The refundable deposits included in trade and other receivables and prepayments as at 31 March 2013 have been reclassified to conform with the presentation of current assets as at 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the year under review, the Group has been engaged in the Hygienic Disposables Business, MTBE Business, Coal Business and Household Consumables Business.

For the year under review, the Group recorded a net loss attributable to the owners of the Company (including non-cash impairment on available-for-sale financial assets, property, plant and equipment, other intangible assets and trade and other receivables totalling to approximately HK$71.0 million) of approximately HK$137.1 million (2013: net profit attributable to owners of the Company of approximately HK$6.6 million).

Revenue

The Group's revenue increased by HK$16.1 million or 2.9% from HK$565.2 million for the year ended 31 March 2013 to HK$581.3 million for the corresponding period in 2014.

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 year ended 31 March 2014, with comparative figures for the corresponding period in 2013.

	2014	**2014**	2013	2013
	HK$'000	*%*	*HK$'000*	*%*
By Segment:				
– Hygienic Disposables Business	**186,799**	**32.1**	380,655	67.4
– MTBE Business	**185,527**	**31.9**	105,149	18.6
– Coal Business	**131,654**	**22.7**	–	–
– Household Consumable Business	**77,291**	**13.3**	79,348	14.0
Total	**581,271**	**100.0**	565,152	100.0
By geographical locations:				
PRC	**317,181**	**54.6**	165,599	29.3
United Kingdom	**202,733**	**34.9**	208,836	36.9
Norway	**37,989**	**6.5**	69,620	12.3
United States of America	**19,307**	**3.3**	119,066	21.1
Singapore	**2,719**	**0.5**	–	–
Sweden	**–**	**–**	1,321	0.2
Others	**1,342**	**0.2**	710	0.2
	581,271	**100.0**	565,152	100.0

The Group's revenue on the Hygienic Disposables Business decreased by HK$193.9 million or 50.9% from HK$380.7 million for the year ended 31 March 2013 to HK$186.8 million for the corresponding period in 2014 mainly due to the decrease in demand for the hygienic disposables products and loss of a major customer. Revenue for MTBE Business increased by HK$80.4 million or 76.4% from HK$105.1 million for the year ended 31 March 2013 to HK$185.5 million for the corresponding period in 2014 as the revenue for the year ended 31 March 2013 consists of a combination of agency and trading income from MTBE products while the revenue for the year ended 31 March 2014 was solely trading income from MTBE products. As the Coal Business was newly acquired in April 2013, no comparative figures are shown. The revenue on the Household Consumables Business decreased by HK$2.1 million or 2.6% from HK$79.3 million for the year ended 31 March 2013 to HK$77.2 million for the corresponding period in 2014.

Cost of sales

Cost of sales increased by 5.6% from HK$530.1 million for the year ended 31 March 2013 to HK$559.7 million for the corresponding period in 2014. The increase was mainly due to the increase in revenue and the increase in labour and raw material costs.

Gross profit and gross profit margin

Gross profit decreased by HK$13.6 million or 38.6% from HK$35.1 million for the year ended 31 March 2013 to HK$21.5 million for the corresponding period in 2014. The Group's gross profit margin on Hygienic Disposables Business decreased from 5.7% for the year ended 31 March 2013 to 1.3% for the corresponding period in 2014 primarily as a result of the drop in sales volume and the increase in labour and raw material costs. The gross profit margin on MTBE Business decreased from 4.0% for the year ended 31 March 2013 to 2.4% for the corresponding period in 2014 mainly because the gross profit for the year ended 31 March 2013 comprise of profit from agency income and trading income of MTEB products compare to solely trading income for the corresponding period in 2014. The gross profit margin for the Coal Business was 3.8% for the year ended 31 March 2014 and since the Coal Business was newly acquired during the year, no comparative figure are shown. The gross profit margin for the Household Consumables Business slightly increased from 11.6% for the year ended 31 March 2013 to 12.6% for the corresponding period in 2014.

The following table sets forth the Group's gross profit and the gross profit margin by business segment for the year ended 31 March 2014, with comparative figures for the corresponding period in 2013.

	2014	**2014**	2013	2013
	HK$'000	***%***	*HK$'000*	*%*
By segment:				
– Hygienic Disposables Business	**2,400**	**1.3**	21,630	5.7
– MTBE Business	**4,398**	**2.4**	4,197	4.0
– Coal Business	**5,035**	**3.8**	–	–
– Household Consumables Business	**9,709**	**12.6**	9,234	11.6
	21,542	**3.7**	35,061	6.2

Other income

Other income mainly consists of service income and interest income. Other income decreased by HK$37.4 million or 96.9% from HK$38.6 million for the year ended 31 March 2013 to HK$1.2 million for the corresponding period in 2014 mainly due to the decrease of service income from the Hygienic Disposable Business; and cessation of earning patent income and other interest income in 2014.

Other gains and losses

For the year ended 31 March 2014, the other gain and losses mainly comprises of (i) exchange losses of HK$1.4 million, (ii) impairment loss on available-for-sale financial assets of HK$1.1 million due to the significant decline in fair value below cost which indicated that the investment cost in 10% equity interest in China Energy Trading Company Limited may not be recovered, (iii) impairment loss on property, plant and equipment of HK$5.4 million due to a segmental loss in the segment of Hygienic Disposables Business of which the net carrying amount of the property, plant and equipment relating to this segment were written down to its recoverable amount resulting an impairment loss, (iv) impairment loss on other intangible assets of HK$8.5 million due to the result of impairment assessment of the coal sales contracts, for the Coal Business, included in other intangible assets and (v) impairment loss recognised on trade and other receivables of HK$56.0 million from long outstanding customer balances, while for the corresponding year in 2013, the other gains and losses mainly comprises of exchange losses of HK$0.4 million, impairment losses on trade and other receivables of HK$1.0 million and partial offset by a gain on disposal of financial assets of HK$0.7 million.

Further details in relation to the above impairment losses are discussed under heading "Impairments".

Selling and distribution expenses

Selling and distribution expenses mainly consist of transportation expenses, custom and inspection fee and commission paid to sales agents. The selling and distribution expenses slightly decrease by HK$0.2 million or 2.4% from HK$8.9 million for the year ended 31 March 2013 to HK$8.7 million for the corresponding period in 2014 mainly due to the decrease in sales volume for the Hygienic Disposable Business partly offset by the increase in agency and freight charge for the newly acquired Coal Business.

Administrative expenses

Administrative expenses mainly consists of salaries (including directors), depreciation of property, plant and equipment in relation to administrative function, consultancy fee, travelling and management fee paid for the MTBE and Coal Business. The administrative expenses increased by HK$15.3 million or 28.6% from HK$53.4 million for the year ended 31 March 2013 to HK$68.7 million for the corresponding period in 2014 mainly due to the increase in (i) staff salaries of approximately HK$3.6 million, (ii) depreciation charge on property, plant and equipment of approximately HK$1.0 million, (iii) consultancy fee on acquisition and corporate advisory services of approximately HK$9.8 million and (iv) rental charges of approximately HK$1.4 million.

Finance Costs

Finance costs consist of imputed interest on the promissory note and the interest expenses on trust receipt loans. The increase was mainly come from the imputed interest arising from the issue of promissory for the acquisition of subsidiaries.

Other expenses

Other expenses represents legal and professional fee paid to professional parties relating to the acquisition of business into the Group. The other expenses increased by HK$9.1 million or 537.8% from HK$1.7 million for the year ended 31 March 2013 to HK$10.8 million for the corresponding period in 2014 mainly due to the acquisition of the Coal Business and the potential acquisition of the gold mine in PRC.

(Loss) profit before tax

The Group recorded a loss before tax (including non-cash impairment on available-for-sale financial assets, property, plant and equipment, other intangible assets and trade and other receivables totalling to approximately HK$71.0 million) of HK$138.1 million during the year ended 31 March 2014 (as compared to profit before tax of HK$9.1 million during the year ended 31 March 2013), the loss in 2014 was mainly due to the substantial decrease in gross profit and other income of HK$13.6 million and HK$37.4 million, increase in other gain and loss, administrative expenses, other expenses and finance cost of HK$71.8 million, HK$15.3 million, HK$9.1 million and HK$0.2 million respectively, which was partially offset by the decrease in selling and distribution expenses of HK$0.2 million.

Income tax (credit) expenses

The Group recorded a tax credit of HK$0.7 million during the year ended 31 March 2014 (as compare to the tax expenses of HK$2.3 million during the year ended 31 March 2013). There was no significant change in applicable tax rates for the Company's subsidiaries during the year. The subsidiaries operating in Hong Kong is subject to Hong Kong Profits Tax at a rate of 16.5% (2013: 16.5%) for the year. For the subsidiaries operating in the PRC, pursuant to the Law of the People's Republic of China on enterprise Income Tax (the "EIT Law") and implementation Regulation of the EIT Law, the general EIT rate of the PRC entitles is 25% from 1 January 2008 onwards, the major subsidiary operating in the PRC is subject to a tax rate of 25% (2013: 25%). For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both year.

The major reasons for the significant change in income tax for the year was mainly due to the deferred tax credit related to the amortisation and impairment loss on other intangible assets increased from HK$0.5 million for the year ended 31 March 2013 to HK$1.8 million in the corresponding period in 2014 and the decrease in income tax for the Group from HK$2.8 million for the year ended 31 March 2013 to HK$1.1 million for the corresponding in 2014.

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

Total comprehensive income for the year attributable to owners of the Company decrease by HK$140.2 million from an income of HK$5.8 million for the year ended 31 March 2013 to loss of HK$134.4 million for the corresponding period in 2014.

Trade receivables

The amount of trade receivable before allowance for bad and doubtful debts amounted to HK$363,388,000 at 31 March 2014, increased by 47.7% as compared to HK$245,975,000 at 31 March 2013. The increase was mainly attributable to the newly acquired Coal Business and MTBE business, leading to the increase in revenue from these two businesses. During the year, allowance for bad and doubtful debts of HK$51,043,000 was made during the year as compared to an allowance of HK$182,000 in 2013. For long outstanding receivables, the follow up actions by which the Group will take to recover these receivables, include the negotiation of payments by way of assets other than cash and/or instituting legal actions against these customers to recover the receivables.

In respect of the trade receivables as 31 March 2014, approximately 17.1% has been subsequently settled up to 9 June 2014.

Trade payables

Trade payable increased by 110.0 % from HK$95,780,000 as at 31 March 2013 to HK$201,121,000 as at 31 March 2014. The increase was mainly come from the increase in revenue for the MTBE Business and the newly acquired Coal Business.

Results of performance guarantees on acquisitions

On 16 April 2013, the Group had completed the acquisition of the Coal Business and under the acquisition, the vendor has irrevocably guaranteed that the actual audited net profit after tax and before any extraordinary items or exceptional items and before all non-cash items for the period from 1 April 2013 to 31 March 2014 shall be not less than HK$4,000,000 (the "Guaranteed Profit") and on 12 June 2014, the auditor of the Company had issued a written confirmation certifying that the Guaranteed Profit has been fulfilled.

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 31 March 2014 was 2.4 (as at 31 March 2013: 3.8). The gearing ratio as at 31 March 2014 was 2.7% (as at 31 March 2013: 2.3%), the gearing ratio, which is calculated with total borrowings over shareholder's equity.

Trust receipt loan

The trust receipt loan was denominated in USD, and secured by a pledged bank deposit, corporate guarantee in the amount of USD3,500,000 executed by the Company, and legally notarised livranca (i.e. promissory note) in the amount of USD3,500,000 executed by a subsidiary of the Company. It was repayable within 3 months and interest-bearing at London Interbank Money Market Offered Rate plus 1.9% per annum.

Charge on assets

A bank deposit of HK$7.8 million and certain leasehold land and buildings with carrying value of HK$13.6 million (as at 31 March 2013: a bank deposit of HK$7.8 million and certain leasehold land and buildings with carrying value of HK$14.2 million) have been pledged as securities for certain banking facilities granted to the Group.

Contingent Liabilities

As at 31 March 2014, the Group did not have any material contingent liabilities.

COMMITMENTS

(a) Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for in the consolidated financial statements for acquisition of subsidiaries	**–**	42,590

(b) Operating lease commitments

The Group as lessee:

The Group made minimum lease payments of approximately HK$3,467,000 (2013: HK$2,096,000) under operating leases in respect of office premises, directors' quarter, car-parking space and warehouse during the year.

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**7,356**	4,975
In the second to fifth years inclusive	**10,634**	3,122
	17,990	8,097

Included in the above operating lease commitments of the Group is an aggregate amount of HK$2,908,000 relating to a non-cancellable lease of office premises with original expiry date on 31 May 2015. On 6 June 2014, the Company has entered into an agreement with the landlord to early surrender the premises on 15 July 2014.

MATERIAL ACQUISITION AND DISPOSAL

Completion of discloseable and connected transaction

On 23 January 2013, the Group entered into a conditional sale and purchase agreement with Mr. Woo Man Wai, David ("Mr. Woo") relating to the acquisition of the 100,000 shares of HK$1.00 each, being 10% of the entire issued share capital of China Energy Trading Company Limited ("China Energy") which are legally and beneficially owned by Mr. Woo (the "China Energy Sale Shares") and all obligation, liabilities and debts owing or incurred by China Energy to Mr. Woo on or at any time prior to the completion of the acquisition (the "China Energy Sale Loan"), pursuant to which the Group conditionally agreed to acquire and Mr. Woo conditionally agreed to sell the China Energy Sale Shares and the China Energy Sale Loan for an aggregate nominal consideration of HK$4,100,000. The consideration was settled by the Company's issue of 2,500,000 new shares of the Company, credited as fully paid, to Mr. Woo at completion.

On 23 January 2013, the Group entered into a conditional sale and purchase agreement with Mr. Woo relating to the acquisition of the 100,000 shares of HK$1.00 each, being 10% of the entire issued share capital of China Petro-chemical Resources Trading Company Limited ("China Petro"), a 90% owned subsidiary which are legally and beneficially owned by Mr. Woo (the "China Petro Sale Shares"), pursuant to which the Group conditionally agreed to acquire and Mr. Woo conditionally agreed to sell the China Petro Sale Shares for a consideration of HK$2,490,000. The consideration was settled by the Company's issue of 1,518,292 new shares of the Company, credited as fully paid, to Mr. Woo at completion.

On 23 January 2013, the Group entered into a conditional sale and purchase agreement with Mr. Woo relating to the acquisition of the 1 share of US$1.00 each, being the entire issued share capital of China Indonesia Alliances Coal Investment Company Limited ("China Coal") which is legally and beneficially owned by Mr. Woo (the "China Coal Sale Share"), pursuant to which the Group conditionally agreed to acquire and Mr. Woo conditionally agreed to sell the China Coal Sale Share for a consideration of HK$36,000,000. The consideration settled as follows: (i) HK$4,000,000 was settled by the Company's issue of a promissory note in the principal amount of HK$4,000,000 in favour of Mr. Woo; (ii) HK$3,240,000 was settled by cash by the Group; and (iii) HK$28,760,000 was settled by the Company's issue of 17,536,585 new shares of the Company, credited as fully paid, to Mr. Woo at completion.

Further detail of the above acquisitions, are set out in the Company's announcement dated 23 January 2013 and circular dated 25 March 2013.

All of the above acquisitions have been completed on 16 April 2013.

IMPAIRMENTS

During the year, the Group had the following impairments:

(i) impairment loss on available-for-sale financial assets of HK$1.1 million due to the significant decline in fair value below cost which indicated that the investment cost in 10% equity interest in China Energy may not be recovered. The fair value of the available-for-sale financial assets, unlisted equity securities, is determined based on an income approach using a cash flow projection according to the financial budgets approved by the management for next 3 years, and adjusted for the lack of control and lack of marketability. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 2.8%. The rate used to discount the forecast cash flows is 12.69%. The discounts for lack of control and lack of marketability are 10% and 15% respectively. The fair value measurement is negatively correlated to the discounts for the lack of control and lack of marketability;

(ii) impairment loss on property, plant and equipment of HK$5.4 million mainly due to a segmental loss in the Hygienic Disposables Business, The recoverable amount of property, plant and equipment has been determined to be approximately HK$22.4 million with reference to a professional valuation report issued by Greater China Appraisal Limited ("GCA"), an independent firm of professionally qualified valuers, which was based on a value-in-use calculation, using cash flow projection based on estimates and financial budgets approved by the management. These projections cover a five-year period and extrapolate cash flows beyond such projection period using an estimated growth rate of 2.8%, and have been discounted using a pre-tax discount rate of 19.79%. All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for market development. In view of the net carrying amount of property, plant and equipment being higher than the net present value of the future estimated cash flows of this Cash Generating Units ("CGU"), the property, plant and equipment relating to this CGU were written down to its recoverable amount, with an impairment loss of approximately HK$5.4 million, mainly arising from the above impairment review, recognised in profit or loss under other gains and losses in the current year;

(iii) impairment loss on other intangible assets of HK$8.5 million due to the impairment assessment of the Coal Sales Contracts included in the other intangible assets. The recoverable amount of this unit has been determined to be approximately HK$44.0 million (including working capital) based on a fair-value-less-costs-of-disposal calculation with reference to a professional valuation performed by GCA. That calculation covered a period estimated by the Group to be indefinite 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 two-year period. Cash flow beyond the projection period are extrapolated using an estimated growth rate of 2.8%. The post-tax rate used to discount the forecast cash flows is 12.61%. 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. The Group is of the opinion, based on the impairment assessment of the Coal Business CGU, the Coal Sales Contract included in other intangible assets is partially impaired by the amount of HK$8.5 million as compared with its recoverable amount as at 31 March 2014 and was charged to profit or loss under other gains and losses in the current year. The above impairment losses are mainly attributable to (i) unfavorable changes in the estimated risk free-rate and (ii) changes in risks associated with the business and operations of the Coal Business CGU between the date of acquisition and 31 March 2014; and

The recoverable amount was based on the fair-value-less-costs-of-disposal calculation of the Coal Business CGU determined by income approach using discounted cash flow projections. The fair-value-less-costs-of-disposal is classified as a Level 3 measurement.

(iv) impairment loss recognised on trade and other receivables of HK$56.0 million on several customers and companies as these customers and companies were in financial difficulties or have prolonged delay in repayment and the Group considered that the recoverability of amount due from these customers and companies is remote.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) Memorandum of understanding in respect of the possible acquisition of the equity interest of a target company

On 29 May 2013, the Group entered into a non-legally binding memorandum of understanding with independent third parties to acquire the entire issue share capital in Goldbell Holdings Limited, a company principally engaged in mining, processing, smelting and trading of gold in Gansu Province, the PRC through its subsidiaries. The Directors consider that the Possible Acquisition, if materialised, represents a good opportunity for the Group to diversify its business and develop a new revenue stream.

Further details are set out in the Company's announcements dated 29 May 2013, 24 September 2013, 31 December 2013, 28 March 2014 and 30 April 2014. At the date of this announcement, no formal agreement has been entered into between the Group and the vendors.

(b) Placing of new shares under general mandate

The Company entered into a placing agreement dated 14 May 2014 with the placing agent pursuant to which the placing agent has conditionally agreed with the Company to place up to 31,840,000 placing shares of the Company on a best effort basis to not less than six placees who are independent third parties at the placing price of HK$2.45 per placing share. The placing was completed on 6 June 2014 and a total of 23,700,000 placing shares was issued and allotted. Further details are set out in the announcements of the Company dated 14 May 2014 and 6 June 2014.

(c) Issue of HK$100,000,000 guaranteed convertible bonds due 2016

On 11 June 2014, the Company and Fulledge Limited ("Fulledge") as subscriber, an independent third party, entered into a subscription agreement pursuant to which Fulledge has conditionally agreed to subscribe for, and the Company has agreed to issue, the convertible bonds in the aggregate principal amount of HK$100,000,000. The convertible bonds shall bear interest at the rate of 8% per annum. The convertible bonds shall be mature on the date falling two years from the date of the issue, and the Company will redeem the outstanding convertible bonds at 124% of its principal amount on the maturity date. The conversion price is HK$3.20 per share and subject to adjustments. The issue of the convertible bonds has been completed on 19 June 2014. Further details are set out in the Company's announcement dated 11 June 2014.

PROSPECTS

Hygienic Disposables Business

In the coming year, more effort and resources will be employ in order to improve the market share and performance of this business segment despite of the unfavourable United State and European market.

MTBE Business

In the coming year, the MTBE Business will continue to be a major business segment for the Group in term of revenue and income generation. Experiences gained from past trading history enable us to have expansion in the business segment.

Coal Business

The newly acquired business segment provides a chance to diversify the Group's business area and we foresee a reasonable growth in this business segment in the coming year.

Household Consumable Business

The business segment continues to be the platform for the expansion of the European market and from the past trading records, we expect a steady growth in the coming year.

As part of the business plan of the Group, the Board will continue to explore business opportunities which could brings in benefit to the Group and its shareholders.

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 value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise having a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

Throughout the year, the Company has fully compliant with all the code provisions contained in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of the following deviations:

Code provision A.1.3

The code provision A.1.3 of the CG Code stipulates that at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board of Directors. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavours to give 14 days' advanced notifications of Board meeting to the extent practicable.

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.

There is no separation of the role of chairman (the "Chairman") and chief executive officer (the "CEO"). Mr. Wong Wai Sing ("Mr. Wong"), has become of the CEO of the Group since 15 May 2012 was redesignated as Chairman of the Group since 10 June 2013, and has assumed the role of both Chairman and the CEO of the Group. The Board considered that this structure could enhance efficiency in the formulation and implementation of the Company's strategies in current stage. The Board will continue to review this arrangement going forward in light of the evolving needs of the Group.

Code provision A.4.1

The code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive Directors were not appointed for a fixed term, but they are subject to retirement for re-election as stipulates in the articles of association of the Company at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

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.

Mr. Kinley Lincoln James Lloyd and Dr. Hui Chik Kwan, the independent non-executive directors were unable to attend extraordinary general meeting (the "2013 EGM") and the annual general meeting (the "2013 AGM") of the Company held on 12 April 2013 and 15 August 2013 respectively and Mr. Wang Junqiang ("Mr. Wang"), an independent non-executive director of the Company, was unable to attend the 2013 AGM as they had other important business engagement.

Code provision A.7.1

The code provision A.7.1 of the CG Code stipulates that for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

Due to the practical reasons, an agenda and accompanying board paper have not been send, in full, in 3 days' advanced to all meetings of the Board or Board Committee. Reasons have been given in the agenda and accompanying board paper in respect of those meetings of the Board or Board Committee where it is not practical to send, in full, 3 days' advanced. The Board will use its best endeavours to send the agenda and accompanying board paper, in full to the Board or Board Committee at lease 3 days' advanced to the extent practicable.

Code provision E.1.2

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

Mr. Chum Hon Sing ("Mr. Chum"), being the chairman of the Company, was unable to attend the 2013 EGM due to another commitment and Mr. Chum appointed Mr. Tsang Ho Ka, Eugene ("Mr. Tsang"), the executive Director, to act as his representative at the 2013 EGM and to take the chair of the said 2013 EGM and to ensure that proceedings of the meeting would be conducted in order. Mr. Wong, being the Chairman of the Company, was unable to attend the 2013 AGM due to another commitment and Mr. Wong appointed Mr. Tsang, an executive Director, to act as his representative at the 2013 AGM and to take the chair of the said 2013 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. This constitutes a deviation of the code provision E.1.2.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 March 2014.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the year ended 31 March 2014.

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 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 2014 in conjunction with the external auditor of the Company.

SCOPE OF WORK OF MESSRS BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs BDO 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 HKICPA and consequently no assurance has been expressed by Messrs BDO Limited on this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 August 2014 to Thursday, 7 August 2014, both days inclusive, during which period no transfer of shares will be effected and for the purpose of determining the identity of members who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on Thursday, 7 August 2014 at 11:30 a.m.. In order to be eligible to attend and vote at the AGM, all completed share transfer forms accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewall Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 5 August 2014.

By Order of the Board
Newtree Group Holdings Limited
Mr. Wong Wai Sing
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 June 2014

As at the date of this announcement, the executive Directors are Mr. Wong Wai Sing, Mr. Chum Hon Sing, Mr. Lee Chi Shing, Caesar, Mr. Tsang Ho Ka, Eugene, Ms. Sung Ting Yee, Ms. Yick Mi Ching, Dawnibilly, Ms. Lu Ying and Mr. Chan Kin Lung and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Kinley Lincoln James Lloyd, Dr. Hui Chik Kwan and Mr. Wang Junqiang.