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CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED
中國汽車新零售（控股）有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 526)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the "Board") of directors (the "Directors") of China Automobile New Retail (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2019 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 September	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Note)
		(Unaudited)	(Unaudited)
Revenue	3	**1,766,005**	1,948,380
Cost of sales		**(1,496,832)**	(1,707,667)
Gross profit	3(b)	**269,173**	240,713
Other income	4	**9,798**	5,947
Selling and distribution expenses		**(44,456)**	(42,088)
Administrative expenses		**(104,492)**	(83,478)

	Note	Six months ended 30 September **2019** *RMB'000* (Unaudited)	2018 *RMB'000* *(Note)* (Unaudited)
Profit from operations		**130,023**	121,094
Finance (costs)/income	5(a)	**(48,394)**	51,946
Net valuation loss on investment properties		**(10,000)**	(22,079)
Net gain on acquisition of subsidiaries	13	**258,235**	–
Impairment loss on goodwill	9	**(177,998)**	–
Profit before taxation	5	**151,866**	150,961
Income tax	6	**(49,481)**	(48,635)
Profit for the period attributable to equity shareholders of the Company		**102,385**	102,326
Earnings per share (RMB cent)			
Basic	7(a)	**1.33**	1.36
Diluted	7(b)	**1.33**	0.23

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019 – unaudited
(Expressed in RMB)

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
	(Unaudited)	(Unaudited)
Profit for the period	**102,385**	102,326
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**142,703**	(52,453)
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	**(4,203)**	(2,640)
Other comprehensive income for the period	**138,500**	(55,093)
Total comprehensive income attributable to equity shareholders of the Company for the period	**240,885**	47,233

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 – unaudited
(Expressed in RMB)

	Note	**30 September 2019** *RMB'000* **(Unaudited)**	31 March 2019 *RMB'000* *(Note)* (Audited)
Non-current assets			
Property, plant and equipment	8	**573,581**	425,987
Investment properties		**2,343,830**	771,050
Goodwill	9	**501,768**	679,766
Equity investment		**–**	109,420
Deferred tax assets		**6,037**	8,009
		3,425,216	1,994,232
Current assets			
Inventories		**444,882**	430,997
Trade and other receivables	10	**1,805,501**	338,137
Prepayments	10	**763,207**	474,771
Non-equity investments		**1,088,286**	786,758
Restricted bank deposits		**624,892**	116,673
Cash and cash equivalents		**137,712**	164,381
		4,864,480	2,311,717
Current liabilities			
Trade and other payables	11	**2,196,351**	675,102
Bank and other loans		**1,858,153**	942,004
Lease liabilities	2(c)	**25,781**	–
Income tax payable		**81,509**	20,332
		4,161,794	1,637,438
Net current assets		**702,686**	674,279
Total assets less current liabilities		**4,127,902**	2,668,511

	Note	30 September 2019 RMB'000 (Unaudited)	31 March 2019 RMB'000 (Note) (Audited)
Non-current liabilities			
Promissory note		**313,847**	–
Bank and other loans		**313,564**	122,600
Lease liabilities	2(c)	**36,376**	–
Deferred tax liabilities		**559,342**	233,584
		1,223,129	356,184
NET ASSETS		**2,904,773**	2,312,327
CAPITAL AND RESERVES			
Share capital		**69,888**	65,494
Reserves		**2,834,885**	2,246,833
TOTAL EQUITY		**2,904,773**	2,312,327

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

NOTES

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules" respectively), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 29 November 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report for the six-month period ended 30 September 2019 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to warehouses, retail stores and offices.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses except right of use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) *Lessor accounting*

The Group leases out a few of items of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.72%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	RMB'000
Operating lease commitments at 31 March 2019	67,678
Less: commitments relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020 exempt from capitalisation	(5,984)
Add: lease payments for the additional lease periods	20,167
lease payables at 31 March 2019	524
	82,385
Less: total future interest expenses	(10,680)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	71,705

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

The following table summarises the impact of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019	**Capitalisation of operating lease contracts**	**Carrying amount at 1 April 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant, and equipment	425,987	71,181	497,168
Total non-current assets	**1,994,232**	**71,181**	**2,065,413**
Trade and other payables	675,102	(524)	674,578
Lease liabilities (current)	–	25,433	25,433
Current liabilities	**1,637,438**	**24,909**	**1,662,347**
Net current assets	**674,279**	**(24,909)**	**649,370**
Total assets less current liabilities	**2,668,511**	**46,272**	**2,714,783**
Lease liabilities (non-current)	–	46,272	46,272
Total non-current liabilities	**356,184**	**46,272**	**402,456**
Net assets	**2,312,327**	**–**	**2,312,327**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019	At 1 April 2019
	RMB'000	*RMB'000*
Included in "Property, plant and equipment":		
Leasehold premises held for own use, carried at depreciated cost	**62,894**	71,181

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**25,781**	**26,381**	25,433	25,987
After 1 year but within 2 years	**14,296**	**15,480**	19,649	21,286
After 2 years but within 5 years	**14,570**	**17,840**	16,394	19,696
After 5 years	**7,510**	**11,410**	10,229	15,416
	36,376	**44,730**	46,272	56,398
	62,157	**71,111**	71,705	82,385
Less: total future interest expenses		**(8,954)**		(10,680)
Present value of lease liabilities		**62,157**		71,705

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the six months ended 30 September 2019.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	Six months ended 30 September 2019				Six months ended 30 September 2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17**	**Hypothetical amounts as if under HKAS 17**	Compared to amounts reported under HKAS 17
	(A)	**(B)**	**(C)**	**(D=A+B-C)**	
	RMB'000	***RMB'000***	***RMB'000*** ***(Note (i))***	***RMB'000***	*RMB'000*
Financial result for the six months ended 30 September 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**130,023**	**10,940**	**(11,512)**	**129,451**	121,094
Finance (costs)/income	**(48,394)**	**1,748**	**–**	**(46,646)**	51,946
Profit before taxation	**151,866**	**12,688**	**(11,512)**	**153,042**	150,961
Profit for the period	**102,385**	**12,688**	**(11,512)**	**103,561**	102,326
Reportable segment gross profit for the six months ended 30 September 2019 *(Note 3(b))* **impacted by the adoption of HKFRS 16:**					
– Manufacturing and trading	**89,957**	**6,653**	**(6,671)**	**89,939**	34,421
– Retail	**62,227**	**1,922**	**(2,137)**	**62,012**	54,841
– Total	**269,173**	**8,575**	**(8,808)**	**268,940**	240,713

	Six months ended 30 September 2019			Six months ended 30 September 2018
	Amounts reported under HKFRS 16 (A)	Estimated amounts related to operating leases as if under HKAS 17 (B)	Hypothetical amounts as if under HKAS 17 (C=A-B)	Compared to amounts reported under HKAS 17
	RMB'000	*RMB'000* *(Notes (i)&(ii))*	*RMB'000*	*RMB'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 September 2019 impacted by the adoption of HKFRS 16:				
Cash generated from/(used in) operations	**205,605**	**(11,512)**	**194,093**	(49,251)
Net cash generated from operating activities	**182,476**	**(11,512)**	**170,964**	(71,123)
Capital element of lease rentals paid	**(9,764)**	**9,764**	**–**	–
Interest element of lease rentals paid	**(1,748)**	**1,748**	**–**	–
Net cash used in financing activities	**(58,851)**	**11,512**	**(47,339)**	(507,969)

Notes:

(i) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

(ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

The principal activities of the Group are provision of car trading platform related services, trading of imported cars, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances and investment holding.

Disaggregation of revenue by major products of service lines and geographical location of customers is as follows:

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– sales of goods	**1,685,422**	1,889,350
– rendering of services	**26,687**	10,737
	1,712,109	1,900,087
Revenue from other sources		
– rental income from operating leases	**32,824**	18,147
– investment income	**21,072**	30,146
	53,896	48,293
	1,766,005	1,948,380
Disaggregated by geographical location of customers		
– Mainland China and Hong Kong (place of domicile)	**1,464,341**	1,776,779
– The United States	**228,499**	128,549
– Europe	**43,573**	22,922
– Canada	**9,920**	9,182
– Others	**19,672**	10,948
	1,766,005	1,948,380

Disaggregation of revenue from contracts with customers by timing of revenue recognition is disclosed as follows:

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Point in time	**1,705,822**	1,898,039
– Over time	**6,287**	2,048
	1,712,109	1,900,087

(b) Segment reporting

The Group manages its business by lines of business. In view of the acquisition of a new line of business as mentioned in Note 13, the Group's reportable segment for the six months ended 30 September 2019 are presented as follows:

– Car trading platform: this segment provides imported cars platform services and property rental services.

– Car-sale: this segment carries out the trading of imported cars.

– Manufacturing and trading: this segment manufactures and trades plastic and metallic household products.

– Retail: this segment manages the supermarket operations and property rental services.

– Wholesale: this segment carries out the wholesale of wine and electrical appliances business.

– Investments holding: this segment manages the investments in debt and equity securities.

No operating segments have been aggregated to form the above reportable segments.

(i) *Segment results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and net income are allocated to the reportable segments with reference to revenue and net income generated by those segments and the expenses incurred by those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar products or services. Other than inter-segment sales, assistance provided by one segment to another is not measured.

The measure used for reporting segment result is gross profit. The Group's operating expenses such as selling and distribution expenses and administrative expenses, and assets and liabilities are not monitored by the Group's senior executive management based on segment. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income not derived from investment in debt or equity securities, interest expenses and reconciliation of reportable segment profit to consolidated profit before tax is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2019 and 2018 is set out below.

	Six months ended 30 September 2019 (Unaudited)						
	Car trading platform	Car-sale	Manufacturing and trading	Retail	Wholesale	Investments holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	**22,776**	**1,025,529**	**338,380**	**222,398**	**135,850**	**21,072**	**1,766,005**
Inter-segment revenue	32	-	-	-	17,108	-	17,140
Reportable segment revenue	**22,808**	**1,025,529**	**338,380**	**222,398**	**152,958**	**21,072**	**1,783,145**
Reportable segment gross profit	**16,854**	**45,272**	**89,957**	**62,227**	**33,791**	**21,072**	**269,173**

	Six months ended 30 September 2018 (Unaudited)					
	Car-sale	Manufacturing and trading	Retail	Wholesale	Investments holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,383,187	196,149	208,835	130,063	30,146	1,948,380
Inter-segment revenue	–	–	–	13,135	–	13,135
Reportable segment revenue	1,383,187	196,149	208,835	143,198	30,146	1,961,515
Reportable segment gross profit	94,820	34,421	54,841	26,485	30,146	240,713

(ii) Reconciliations of reportable segment revenue

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment revenue	**1,783,145**	1,961,515
Elimination of inter-segment revenue	**(17,140)**	(13,135)
Consolidated revenue	**1,766,005**	1,948,380

4. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on cash at bank	**4,512**	5,146
Government grants	**4,365**	3,745
Net gain from sale of scrap materials	**397**	544
Net loss on disposal of property, plant and equipment	**(279)**	(1,214)
Others	**803**	(2,274)
	9,798	5,947

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs/(income)

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**32,196**	21,076
Interest on lease liabilities	**1,748**	–
Bank charges and other finance costs	**14,450**	12,001
Total borrowing costs	**48,394**	33,077
Changes in fair value of contingent consideration	**–**	(85,023)
	48,394	(51,946)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

(b) Staff costs

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**65,873**	57,928
Contributions to defined contribution retirement plans	**4,107**	4,756
	69,980	62,684

(c) Other items

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
	(Unaudited)	(Unaudited)
Cost of inventories	**1,475,470**	1,694,595
Depreciation and amortisation		
– owned property, plant and equipment	**32,297**	33,018
– right-of-use assets *(Note)*	**10,940**	–
Operating lease charges under HKAS 17 *(Note)*	**–**	15,787
Operating lease charges of short-term leases and other leases with remaining lease term ending on or before 31 March 2020 *(Note)*	**4,533**	–
Net foreign exchange loss	**26,464**	21,211

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

6. INCOME TAX

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current taxation		
– Provision for the six months period	**51,337**	30,487
– Over-provision in respect of prior years	**(467)**	(446)
Deferred taxation:	**50,870**	30,041
– Origination and reversal of temporary differences	**(1,389)**	18,594
	49,481	48,635

Notes:

(i) Hong Kong Profits Tax rate for the six months ended 30 September 2019 is 16.5% (six months ended 30 September 2018: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 September 2019 (six months ended 30 September 2018: RMBNil).

(ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 September 2019 (six months ended 30 September 2018: 25%). One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% applicable for enterprise with advanced and new technologies.

(iii) Subsidiaries incorporated in other jurisdictions are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB102,385,000 (six months ended 30 September 2018: RMB102,326,000) and the weighted average of 7,713,419,000 ordinary shares (six months ended 30 September 2018: 7,544,020,000 ordinary shares) in issue during the six months period, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 September	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 April	**7,544,020**	5,678,038
Effect of issuance of ordinary shares *(Note 12(b))*	**169,399**	30,590
Effect of contingently issuable shares	**–**	1,835,392
Weighted average number of ordinary shares at 30 September	**7,713,419**	7,544,020

(b) Diluted earnings per share

There were no potential dilutive ordinary shares during the six months ended 30 September 2019.

The calculation of diluted earnings per share for the six months ended 30 September 2018 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB17,303,000 and the weighted average of 7,544,020,000 ordinary shares (diluted), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted):

	Six months ended 30 September 2018 *RMB'000* (Unaudited)
Profit attributable to ordinary equity shareholders	102,326
After tax effect of changes in fair value of contingent consideration	(85,023)
Profit attributable to ordinary equity shareholders (diluted)	17,303

8. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in Note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of RMB29,139,000 (six months ended 30 September 2018: RMB 27,414,000). Items of property, plant and equipment with a net book value of RMB720,000 and RMB16,340,000 were disposed of and transferred from investment property, respectively, during the six months ended 30 September 2019 (six months ended 30 September 2018: RMB2,813,000 and RMBNil).

In addition, during the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of RMB72,237,000 through acquisition of subsidiaries (see Note 13).

At 30 September 2019, property certificates of certain properties with an aggregate net book value of RMB15,105,000 (31 March 2019: RMB15,338,000) are yet to be obtained.

9. GOODWILL

	RMB'000
Cost:	
At 1 April 2018, 31 March 2019 and 30 September 2019	1,373,157
Accumulated impairment losses:	
At 1 April 2018 and 31 March 2019	(693,391)
Impairment loss	(177,998)
At 30 September 2019	(871,389)
Carrying amount:	
At 30 September 2019	501,768
At 31 March 2019	679,766

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	At 30 September 2019	At 31 March 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Manufacturing and trading	**43,313**	43,313
Car-sale	**458,455**	636,453
	501,768	679,766

The recoverable amounts of these CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by management of the Company covering a five-year period. The assumptions used in the value-in-use calculations are as follows:

	Manufacturing and trading		Car-sale	
	At 30 September 2019	At 31 March 2019	**At 30 September 2019**	At 31 March 2019
Long-term growth rate	**2.0%**	2.0%	**3.0%**	2.5%
Discount rate (pre-tax)	**14.5%**	14.7%	**14.0%**	14.1%

Impairment loss of RMB177,998,000 has been recognised during the six months ended 30 September 2019 as the car-sale CGU has been reduced to its recoverable amount, due to the impact of recent trade friction between the governments of the PRC and the United States on car-sale CGU. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2019 *RMB'000* (Unaudited)	At 31 March 2019 *RMB'000* (Audited)
Trade receivables from:		
– Third parties	**190,332**	64,423
– Companies under the control of a shareholder of the Company *(Note (a))*	**266,315**	207,541
Bills receivable	**2,814**	2,696
	459,461	274,660
Less: loss allowance	**(10,959)**	(2,868)
	448,502	271,792
Amounts due from related companies:		
– Amounts due from companies under the control of shareholders of the Company *(Note (b))*	**–**	4,326
– Amount due from an associate	**–**	6,200
	–	10,526
Less: loss allowance	**–**	(6,200)
	–	4,326
Other receivables:		
– Advances to third parties	**1,345,904**	892
– Others	**9,728**	3,491
	1,355,632	4,383
Less: loss allowance	**(21,586)**	(693)
	1,334,046	3,690
Financial assets measured at amortised cost	**1,782,548**	279,808
Deposits:		
– Deposits for operating leases expenses		
– paid to third parties	**4,129**	3,672
– paid to company under the control of a shareholder of the Company	**7,383**	–
– Deposits for parallel importation of cars to a company under the control of a non-controlling shareholder of the Company	**–**	50,000
– Others	**11,441**	4,657
	22,953	58,329
Trade and other receivables	**1,805,501**	338,137
Prepayments:		
– Prepayments to suppliers	**758,627**	473,454
– Others	**4,580**	1,317
	763,207	474,771
	2,568,708	812,908

Notes:

(a): The balance mainly related to transactions under an export agency agreement entered into between the Group and a company under the control of a shareholder of the Company.

(b): The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The amount of deposits expected to be recovered or recognised as expense after more than one year is RMBNil (31 March 2019 RMB50,000,000). All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of loss allowance) with the following ageing analysis (based on earlier of the invoice date and revenue recognition) as of the end of the reporting period:

	At 30 September 2019	At 31 March 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**95,126**	81,290
More than 1 month but less than 3 months	**136,915**	83,071
Over 3 months	**216,461**	107,431
	448,502	271,792

11. TRADE AND OTHER PAYABLES

	At 30 September 2019 *RMB'000* **(Unaudited)**	At 31 March 2019 *RMB'000* (Audited)
Trade payables to:		
– Third parties	**162,230**	164,488
– Companies under the control of a shareholder of the Company	**44,551**	42,731
	206,781	207,219
Bills payable	**1,045,991**	87,124
	1,252,772	294,343
Amounts due to related parties:		
– Companies under the control of shareholders of the Company *(Note (i))*	**41,623**	33,500
Accrued charges and other payables:		
– Accrued expenses	**35,437**	20,999
– Payables for staff related costs	**54,287**	48,776
– Deposits from customers and suppliers:		
– Third parties	**34,932**	12,667
– A company under the control of a shareholder of the Company	**408**	–
– Payables for interest expenses	**7,140**	5,450
– Payables for miscellaneous taxes	**2,931**	5,086
– Expected credit loss for financial guarantee granted	**34,340**	–
– Payables for acquisition of subsidiaries *(Note 13)*	**273,300**	–
– Others	**27,845**	23,743
	470,620	116,721
Financial liabilities measured at amortised cost	**1,765,015**	444,564
Contract liabilities *(Note (ii))*	**431,336**	230,538
	2,196,351	675,102

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) All of the contract liabilities are expected to be recognised as revenue within one year.

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Included in trade and other payables are trade and bills payables with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

	At 30 September 2019 *RMB'000* (Unaudited)	At 31 March 2019 *RMB'000* (Audited)
Within 1 month	**119,327**	135,574
Over 1 month but within 3 months	**329,115**	108,972
Over 3 months but within 6 months	**234,707**	44,333
Over 6 months	**569,623**	5,464
	1,252,772	294,343

12. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period.

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period.

No dividend in respect of the previous financial period has been approved during the six months ended 30 September 2019 (six months ended 30 September 2018: RMBNil).

(b) Share capital

	Six months ended 30 September 2019		Year ended 31 March 2019	
	No. of shares '000	***HK$'000***	*No. of shares '000*	*HK$'000*
Authorised:				
Ordinary shares at HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	Six months ended 30 September 2019		Year ended 31 March 2019	
	No. of shares '000	***RMB'000***	*No. of shares '000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 April	**7,544,020**	**65,494**	5,678,038	49,074
Issuance of ordinary shares on acquisition of subsidiaries	**500,000**	**4,394**	1,865,982	16,420
At 30 September/31 March	**8,044,020**	**69,888**	7,544,020	65,494

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 8 August 2019, the Company issued 500,000,000 new ordinary shares to Valuable Peace Limited ("the Vendor") for acquisition of 100% equity interests in Robust Cooperation Limited ("Robust") from the Vendor as disclosed in Note 13. The fair value of the ordinary shares issued is determined based on the closing price on the acquisition date (31 July 2019) of HK$0.8 per share.

(c) Reserves

Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9. The Group disposed the equity investment during the six months ended 30 September 2019 and the amount accumulated in the fair value reserve (non-recycling) were transferred to accumulated losses in the consolidated statement of changes in equity.

13. BUSINESS COMBINATION

On 2 March 2019, the Company entered into an acquisition agreement with the Vendor, which is held by a close family member of two directors of the Company. Pursuant to the agreement, the Company agreed to acquire 100% interests in Robust from the Vendor through 1) the issuance of 500,000,000 ordinary shares in the Company (Note 12(b)); 2) the issuance of interest-free promissory note of HK$400,000,000 due for payment in three years; and (3) the payment of cash of HK$300,000,000. The directors of the Company consider that the automotive industry, especially the parallel importation industry is a fast growing market and by completing the acquisition, the Company will be able to further diversify the Group's existing business to strive for greater growth potential.

Upon completion of the above acquisition on 31 July 2019, the Group recorded a negative goodwill of RMB258,235,000, calculated as below:

	RMB'000
Fair value of identifiable net assets acquired:	
Property, plant and equipment	72,237
Investment properties	1,599,120
Trade and other receivables and prepayments	2,923,020
Cash and cash equivalents	15,409
Restricted bank deposits	499,144
Trade and other payables	(2,461,129)
Bank and other loans	(1,101,840)
Income tax payable	(33,437)
Deferred tax liabilities	(338,926)
	(1,173,598)
Satisfied by:	
Fair value of consideration shares issued upon completion *(Note 12(b))*	351,561
Present value of consideration promissory note to be issued upon completion	300,132
Consideration cash *(Note (i))*	263,670
Total consideration	915,363
Negative goodwill *(Note(vii))*	(258,235)

Notes:

(i) Up to the date of issue of these financial statements, the Company has not paid HK$300,000,000 to the Vendor.

(ii) The fair values of the property acquired at the acquisition date was determined using the market approach.

(iii) From the date of the above acquisition to 30 September 2019, the acquisition contributed revenue of RMB22,808,000 and net profit of RMB1,175,000 to the Group for the six-month period ended 30 September 2019. Had the above acquisition been completed on 1 April 2019, the directors of the Company estimated the consolidated revenue and consolidated net profit for the six months ended 30 September 2019 would have been RMB1,820,502,000 and RMB77,806,000, respectively.

(iv) The Group incurred acquisition-related costs of RMB15,443,000 relating to external legal fees, due diligence costs, valuation and audit costs. These costs have been included in "Administrative expenses" in the consolidated statements of profit or loss during the six months ended 30 September 2019.

(v) The trade and other receivables comprise gross contractual amounts due of RMB2,971,150,000 of which provision for credit loss of RMB48,130,000 has been made at the acquisition date.

(vi) On the acquisition date, the directors of the Company do not consider it probable that a claim will be made against the Group under the guarantees. The exposure of Robust at the end of 31 July 2019 under the guarantees is approximately RMB2,291 million, being the aggregate banking facilities granted to third party customers of the Company by banks.

(vii) Negative goodwill was recognised as a result of bargain purchase.

(viii) Net cash inflow arising on acquisition

	RMB'000
Cash and cash equivalents acquired	**15,409**

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2019, the Group recorded a revenue of approximately RMB1,766.0 million, representing a decrease of 9.4% when compared with the revenue of approximately RMB1,948.4 million reported for the corresponding period last year. Net profit for the six months ended 30 September 2019 was approximately RMB102.4 million compared to RMB102.3 million for the corresponding period last year. The Group's basic and diluted earnings per share for the six months ended 30 September 2019 were RMB1.33 cent while the Group's basic and diluted earnings per share were RMB1.36 cent and RMB0.23 cent for the corresponding period last year.

Net Assets, Liquidity and Financial Resources

As at 30 September 2019, the Group's net assets increased to RMB2,904.8 million, rendering net asset value per share at RMB36.1 cent. The increase in net assets is mainly the result of completion of the acquisition of a car trading platform business on 31 July 2019, and the acquisition has brought positive contribution to not only the asset base, but also the financial results and the cashflow generation of the Group.

As at 30 September 2019, the Group's total assets were valued at RMB8,289.7 million, including cash and bank deposits of approximately RMB762.6 million and current non-equity investments of RMB1,088.3 million. Consolidated bank loans and other borrowings amounted to RMB2,171.7 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been increased significantly from 46.0% as at 31 March 2019 to 74.8% as at 30 September 2019. The significant change in the debt-to-equity ratio was essentially due to the bank loans of the target group consolidated into the Group upon completion of the acquisition of a car trading platform business mentioned above.

Most of the Group's business transactions were conducted in RMB and US$. As at 30 September 2019, the Group's major borrowings included bank loans, which had an outstanding balance of RMB1,980.0 million, other borrowings from shareholders totaling RMB191.7 million. All of the Group's borrowings have been denominated in RMB, HK$ and US$.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB2,508.8 million as at 30 September 2019 were pledged to secure bank borrowing and facilities of the Group.

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources for acquisitions, better utilization of the Company's assets, and improvement of capital assets to improve operations efficiency and to meet customer needs and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate from operations and alternative debt and equity financing, and disposal of equity and non-equity investments/assets.

Exposure to Foreign-Exchange Fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, HK$, US$ and CAD. The Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of RMB. Given that RMB is not yet an international hard currency, there is no effective method to hedge the relevant risk for the size and cash flow pattern of the Group. As the Chinese Government is driving RMB to get more internationalized and towards free floating in the future, we expect more hedging tools will be available in the currency market. The Group will monitor closely the development of currency policy of the Chinese Government and the availability of the hedging tools which are appropriate for the operations of manufacturing business and car business of the Group in this respect.

Segment Information

With the acquisition of car-sale business in 2017 and car trading platform business in 2019, the overall car business has emerged to become the most important business segment of the Group in the six months ended 30 September 2019 and accounted for 59.3% of total revenue of the Group for the six months ended 30 September 2019. Retail and wholesale business, manufacturing and trading business and investments holding business had 20.3%, 19.2% and 1.2% of the remaining respectively.

In terms of geographical location, China is the primary market of the Group, which accounted for 82.9% of total revenue of the Group for the six months ended 30 September 2019. The remaining comprised of revenue from North America 13.5%, Europe 2.5% and others 1.1%.

Contingent Liabilities

As at 30 September 2019, the Group provides guarantees to secure bank loans borrowed by some major customers. Such arrangements were made by 天津濱海國際汽車城有限公司 (Tianjin Binhai International Automobile City Company Ltd, the "Automobile City") prior to the acquisition in July 2019. The directors of the Company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the close of business under the guarantees issued is RMB508.4 million being the balance of the principal amount and outstanding interest of the bank loans the Group guaranteed for.

Investments in New Businesses

The latest investment of the Company was the acquisition of 100% beneficiary interest in the provision of ancillary services related to parallel imported car-trading platform in Tianjin from substantial Shareholder which has been approved by the Shareholders of the Company in the special general meeting on 27 June 2019. The acquisition was completed on 31 July 2019. For details of this acquisition, please refer to the announcements of the Company dated 3 March 2019, 30 April 2019 and 31 July 2019 and the circular of the Company dated 28 May 2019. The Board believes that the automotive industry is a fast growing market in the PRC with significant growth potential having considered the increasing trend of cars sales in PRC market over the past years; and the favourable government policies such as lowering import tariff on car sales and boosting local automobile consumption in support of domestic economy. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to expand its automotive business and to strengthen further its leading role in the market.

The Directors consider the new businesses are in challenging markets and have good business prospects. Overall speaking, we are optimistic on the overall values of our investments and contribution of financial results brought to the Group in the future.

Employee Information

As at 30 September 2019, the Group employed a workforce of 1,827 employees in its various chain stores, offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the six months ended 30 September 2019.

Review of Operations

For the six months ended 30 September 2019, the Group recorded a net gain of RMB102.4 million, compared to RMB102.3 million for the corresponding period last year.

Revenue

During the six months ended 30 September 2019, the Group recorded total revenue of approximately RMB1,766.0 million, representing a decrease of 9.4% when compared with the total revenue of approximately RMB1,948.4 million reported for the corresponding period last year.

Car-sale Business

The Group had originally anticipated that there would be considerable growths of revenue of the car-sale business as at the date of acquisition. However, the trading and sales of imported cars business decreased substantially by 25.9% to RMB1,025.5 million for the six months ended 30 September 2019 as compared with RMB1,383.2 million for the corresponding period last year. The trade war between the United States of America and China did have adverse impact on the business and investment environment in China and thus affected the mood of consumers in China especially in the market of durable goods. The desire for purchase of imported cars is lessoned and some customers have a wait-and-see attitude on their purchase plan which affected the transactions of imported cars and resulted in a drop of turnover for our car-sale business in the six months ended 30 September 2019 as compared with the corresponding period last year. Decrease in revenue in 2019 affected the sales forecasted incoming years assumed in the valuation model. As a result, the recoverable amounts assessed by an independent professional valuer was RMB1,050.2 million, which was lower than the carrying value of the car-sale business, and impairment losses of approximately RMB178.0 million on goodwill was recognised for the six months ended 30 September 2019. The management team of car-sale business expected the market of imported cars will soon be back to normal in 2020 as the Chinese government implement measures to encourage imports in response to trade war and the United States of America and China are likely to have some compromised partial agreement to avoid extensive trade war. The management is confident that the sales performance will catch up in the foreseeable future.

Car Trading Platform Business

The imported cars platform services and property rental business started operation after completion of the acquisition in July 2019. The business contributed two months revenue of RMB22.8 million for the six months ended 30 September 2019. The management is confident that its business will provide considerable revenue for the next half year.

Retail and Wholesale Business

Retail business increased by 6.5% to RMB222.4 million and wholesale business increased by 4.4% to RMB135.9 million for the six months ended 30 September 2019 as compared with the corresponding period last year. Although keen market competition from e-commerce, large supermarket chains and new shopping malls nearby, the retail business and the wholesale business in wine and beverages has stabilized and recorded a satisfactory increase in revenue contributed by the hard work of the sale team for the six months ended 30 September 2019.

Manufacturing and Trading Business

During the six months ended 30 September 2019, the manufacturing and trading business contributed approximately RMB338.4 million to the total revenue of the Group. The business of this segment increased significantly by RMB142.3 million or 72.6% when compared with the corresponding period last year of approximately RMB196.1 million. The competition in overseas market has been very severe and our management team in this business line is working very hard to strengthen our established customer base and looking for further opportunities in the market. The contribution successfully strengthen our established customer base and the base can cope with short term fluctuation in the market. The business of this segment performed very well in the six months ended 30 September 2019.

Investments Holding Business

Dividend income was RMBNil for the six months ended 30 September 2019 and investment income decreased by 30.1% to RMB21.1 million for the six months ended 30 September 2019 as compared with the corresponding period last year.

PROSPECTS

Expanding into a Promising Car-Sale Business Market

On 9 August 2016, the Company and Mighty Mark Investments Limited ("Mighty Mark") entered into an acquisition agreement, pursuant to which the Company conditionally agreed to purchase, and Mighty Mark conditionally agreed to sell the entire shareholding interest in Mega Convention Group Limited ("Mega Convention"). For details of the acquisition, please refer to the announcements dated 25 September 2015, 9 August 2016, 29 September 2016 and 27 October 2016, 3 January 2017, 7 February 2017 and the circular dated 30 September 2016.

The acquisition of 100% beneficiary interest in Mega Convention was approved by the shareholders of the Company in a special general meeting on 18 October 2016 and was completed on 7 February 2017. Subject to the satisfaction of the target audited net profit, the consideration of this proposed acquisition shall be up to RMB916,000,000 and will be settled by the Company by the allotment and issue of consideration shares to the Mighty Mark and/or its designated party credited as fully paid in three tranches at the issue price of HK$0.3712 per consideration share. For details of the acquisition agreement and supplementary agreements, please refer to the announcements dated 25 September 2015, 9 August 2016, 29 September 2016 and 27 October 2016, 3 January 2017, 7 February 2017 and the circular dated 30 September 2016. After completion of the acquisition on 7 February 2017, Mega Convention became a wholly-owned subsidiary of the Company. The principal activities of Mega Convention are trading and sales of imported cars and related services in China. The management expects that the new business segment will bring positive impact on the financial results and the cash flow generation of the Group.

On 2 March 2019, the Company and Valuable Peace Limited (the "Vendor") entered into a sale and purchase agreement (the "SPA"). Pursuant to the SPA, the Company intends to acquire and the Vendor intends to sell entire issued share capital of Robust Cooperation Limited which holds indirectly the entire equity interest in the Automobile City (the "Acquisition"). The Acquisition was completed on 31 July 2019. For details of the Acquisition, please refer to the announcements dated 3 March 2019, 30 April 2019 and 31 July 2019 and the circular dated 28 May 2019.

The Group will actively expand its car business through pursuing acquisition and/or cooperation opportunities of domestic and overseas procurement/warehouse/logistic facilities, car-sale exhibition facilities and products delivery/after-sales service network. An example is the signing of memorandum of understanding related to the possible acquisition of Beijing Gunlie E-commerce Company Limited. Please refer to the announcement of the Company on 22 September 2019.

Besides, the Group will soon launch virtual intelligent car-sale business portal with collaboration with major e-commerce operators, trading parallel imported cars and domestic manufactured cars at the same time. Geographically, the initial focus will be Tianjin, Changsha, Guangzhou, Wuxi and Urumqi.

Further Strengthening Our Competence and Competitiveness in the Business of Household Products

Relocation of the Group's manufacturing plant in Shenzhen to Ningbo, PRC, was completed. The manufacturing facilities of household products of the Group are now consolidated in one location in Ningbo. Though plant relocation had been a difficult process and resulted in disturbances in our plant operations and business development, the benefit on our operations in terms of efficiency improvement in management resources and synergies in scale procurement and production operations began to take place and contribute to the business on long-term basis. The Group will continue its cost control measures and business strategy of focusing on higher margin products and customers that have been improving the segment's business and financial performance. Apart from the continuing effort in cost control measures such as integration and realignment of management and sales resources, structural changes in procurement and manufacturing planning and exploration of relocation of its production facilities (or part of them) to lower cost areas, the Group will step up its efforts to explore new products. Besides, the Group will also enlarge our customer base in both existing and emerging markets. We shall also monitor closely the volatility of global financial markets, the extension of different markets and adjust our sales and purchase strategies accordingly to achieve our goal of continuous business growth and performance improvement.

Looking for New Business Opportunities with Growth Potential

The management will actively look into investment and acquisition targets of appropriate and reasonable valuation which have synergy potential with our existing businesses and consider other uses of fund for the best benefit of the Company and the Shareholders as a whole. The investment objectives of the Group will be in driving impactful business growth, strengthening further competitive advantage of existing business segments and enhancing the return to the Shareholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests and short positions of the directors and chief executives 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 Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	**Capacity**	**Number of shares/ underlying shares** *(Note 1)*	**Approximate percentage of the issued share capital of the Company**
Mr Tong Shiping	*Note 2*	1,459,407,702 (L)	18.14%
		200,000,000 (S)	2.49%
Mr Li Lixin	*Note 3*	2,790,345,680 (L)	34.69%
		2,414,550,681 (S)	30.02%
Ms Cheng Weihong	*Note 2*	1,459,407,702 (L)	18.14%
		200,000,000 (S)	2.49%

Note 1: (L) denotes long positions (S) denotes short positions

Note 2: Mr Tong Shiping is the hushand of Ms Cheng Weihong. Ms Cheng Weihong's interest in 956,407,702 shares through Mighty Mark Investments Limited ("Mighty Mark") and 503,000,000 shares through Hopeful Glad Limited ("Hopeful Glad"). The issued share capital of Mighty Mark and Hopeful Glad are wholly owned by Ms Cheng Weihong.

Note 3: Mr Li Lixin's interest in 2,790,345,680 shares is held as to 17,822,000 shares personally, 1,290,111,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,482,412,666 shares through Shi Hui Holdings Limited ("Shi Hui"). The issued share capital of Big-Max and Shi Hui are wholly owned by Mr Li Lixin.

Furthermore, no share option had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there was no other option outstanding at the beginning or the end of the six months ended 30 September 2019. Other than that, at no time during the six months ended 30 September 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 September 2019.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares *(Note)*	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,290,111,014 (L) 932,139,014 (S)	16.04% 11.59%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666 (L) 1,482,411,667 (S)	18.43% 18.43%
Central Huijin Investment Limited	Person having a security interest in shares/interest in controlled corporation	2,965,009,680 (L)	36.86%
China Construction Bank Corporation	Person having a security interest in shares/interest in controlled corporation	2,965,009,680 (L)	36.86%
Mighty Mark Investments Limited	Beneficial owner	956,407,702 (L)	11.89%
浙江省財務開發公司	Person having a security interest in shares	599,999,001 (L)	7.46%
Caitong Securities Co., Limited	Person having a security interest in shares	599,999,001 (L)	7.46%
Greater Bay Area Homeland Investments Limited	Person having a security interest in shares/interest in controlled corporation	700,000,000 (L)	8.70%
Ministry of Finance of Zhejiang Province, the PRC	Person having a security interest in shares	599,999,001 (L)	7.46%
China Fund Limited	Beneficial owner	547,559,898 (L)	6.81%
Li Yuelan	Interest in controlled corporation	512,905,898 (L)	6.38%

Name	Capacity	Number of shares/ underlying shares *(Note)*	Approximate percentage of the issued share capital of the Company
Li Xuezhong	Interest in controlled corporation	512,905,898 (L)	6.38%
Hopeful Glad Limited	Beneficial owner	503,000,000 (L) 200,000,000 (S)	6.25% 2.49%
Munoz Fierro Jorge Patricio	Interest in controlled corporation	500,000,000 (L)	6.22%
Valauble Peace Limited	Beneficial owner	500,000,000 (L)	6.22%
Prosper Synergy Holdings Limited	Beneficial owner	478,436,102 (L)	5.95%
Zhao Wei	Interest in controlled corporation	478,436,102 (L)	5.95%

Note: (L) denotes long positions (S) denotes short positions

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during this period.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management, the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the six months ended 30 September 2019, in conjunction with the Group's auditor, KPMG.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the six months ended 30 September 2019 saved for the following:

Under code provision E1.2 the chairman of the board and the chairmen of the audit, remuneration and nomination committees should attend the annual general meeting. The chairman of the board and the chairmen of the audit, remuneration and nomination committees of the Company were unable to attend the annual general meeting held during the period due to their other commitments.

Under code provision A.2.1 the responsibilities between the chairman and the chief executive officer ("CEO") of the Company are expected to be segregated and not be performed by the same individual. Under the current organisation structure of the Group, Mr. Tong Shiping now serves as both the Chairman and the CEO. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of four executive Directors, one non-executive Director and four independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2019.

PUBLICATION OF THE FURTHER INFORMATION

The 2019/2020 interim report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange and the Company in due course.

By Order of the Board
Tong Shiping
Chairman

Hong Kong, 29 November 2019

As at the date of this announcement, the Board comprises Mr. Tong Shiping(Chairman), Mr. Li Lixin, Mr. Cheng Jianhe and Ms. Jin Yaxue being executive Directors, Ms. Cheng Weihong being non-executive Director, Mr. He Chengying, Mr. Cheung Kiu Cho Vincent, Mr. Shin Yick Fabian and Mr. Kwong Kwan Tong being independent non-executive Directors.