LISI GROUP (HOLDINGS) LIMITED
利時集團(控股)有限公司

(incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)
Stock Code 股份代號：526

ANNUAL REPORT
2017
年報

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr LI Lixin *(Chairman)*

Mr CHENG Jianhe *(Chief Executive Officer)*

Ms JIN Yaxue

Mr Tong Xin (appointed on 7 February 2017)

Non-Executive Director

Mr LAU Kin Hon

Independent Non-Executive Directors

Mr HE Chengying

Mr SHIN Yick Fabian

Mr CHEUNG Kiu Cho Vincent

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Workshop 06-07, 36/F King Palace Plaza
No. 52A Sha Tsui Road, Tsuen Wan
New Territories, Hong Kong

SECURITIES CODE

Hong Kong Stock Code: 526

WEBSITE ADDRESS

http://www.lisigroup.com.hk

AUDITOR

KPMG
8th Floor
Prince's Building
10 Chater Road
Central, Hong Kong

PRINCIPAL BANKERS

Bank of Communications,
Hong Kong and Ningbo Branches,
the People's Republic of China (the "PRC")

Bank of Ningbo, PRC

China Construction Bank, Ningbo Branch, PRC

Industrial Bank Company Limited,
Hong Kong and Ningbo Branches, PRC

The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street, Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN

Mr LI Lixin, aged 49, is the executive director (the "Director(s)") of Lisi Group (Holdings) Limited (the "Company") and chairman of the Company and its subsidiaries (the "Group"). Mr Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of a private group of companies established in the PRC. The principal businesses of this private group include import and export business, real property development and investment holding. The group also has investments in real property development, printing business and local bank in the PRC. Mr Li has 26 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

Mr Li was a committee member of the Eleventh National Committee of the Chinese People's Political Consultative Conference. He is currently a committee member of the Eleventh Zhejiang Province Committee of the Chinese People's Political Consultative Conference, the vice chairman of the China Plastics Processing Industry Association, an executive committee member of National Industrial and Commercial Union, and the vice chairman of Ningbo City Industrial and Commercial Union.

Mr Li was awarded the title of model worker in Ningbo City for the years 2001 to 2003. He was awarded the titles of "Outstanding Builder of Socialist Undertakings of Chinese Characteristics" in 2003 and 2006 by the People's Governments of Ningbo City and Zhejiang Province respectively and was renowned for his contribution to the "Honourable Undertakings" and "Shining Star" promotional programme by the People's Government of Zhejiang Province. He was appointed as non-executive Director and chairman of the Group in September 2008 and re-designated as executive Director in April 2011.

EXECUTIVE DIRECTOR

Mr CHENG Jianhe, aged 51, is the Chief Executive Officer of the Group. Mr Cheng has over 28 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. Mr Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. He holds an Executive Master of Business Administration degree from Renmin University of China. By profession, Mr Cheng is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

He was appointed as executive Director and Chief Executive Officer of the Group in September 2008.

Ms JIN Yaxue, aged 47, is the General Manager of household products business of the Group. Ms Jin has been responsible for sales and operations management of Ningbo plant since 1998. She holds an Executive Master of Business Administration degree from Fudan University. She has over 21 years experience in development and sales of household products and sundries. Ms Jin is the sister-in-law of Mr Li Lixin. She joined the Group when the Ningbo plant was acquired by the Group in 2010 and was appointed as an executive Director in July 2014.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr TONG Xin, aged 37, obtained a bachelor's degree in law from Tianjin Normal University* (天津師範大學) and a master's degree in law from Université de Savoie. He had served as a supervisor in Tianjin Binhai Teda Logistics (Group) Corporation Limited* (天津濱海泰達物流集團股份有限公司), a company listed on the GEM board of the Stock Exchange (stock code: 8348). In the past three years, Mr Tong served as a supervisor in Vantone Group (萬通地產), a company listed on the Shanghai Stock Exchange (stock code: 600246). He presently acts as a supervisor in Tianjin Teda Company, a company listed on the Shenzhen Stock Exchange (stock code: 652).

Mr Tong possesses a wealth of work experience and an extensive business network in the area of Parallel Import of cars in Tianjin. He has good, effective channels for communicating with the government on affairs relating to the business of Parallel Import of cars.

He was appointed as executive Director when the completion of acquisition of Mega Convention Group Limited in February 2017.

NON-EXECUTIVE DIRECTOR

Mr LAU Kin Hon, aged 49, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 24 years. Mr Lau received his bachelor of laws degree from University College, London, UK. He was appointed as non-executive Director and company secretary of the Company in May 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr SHIN Yick Fabian, aged 48, independent non-executive Director, chairman of the audit committee and member of the remuneration committee and nomination committee. Mr Shin is currently the independent non-executive director of Goldenmars Technology Holdings Limited (3638.HK), Newton Resources Limited (1231.HK) and China Shun Ke Long Holdings Ltd. (974.HK). Mr Shin was a non-executive director of Hang Fat Ginseng Holdings Company Limited (911. HK) between January and February 2016 and was independent non-executive director of Little Sheep Limited (968. HK), a company listed in Hong Kong and C & O Pharmaceutical Technology (Holdings) Limited (E92. SI), a company listed in Singapore till 2011.

Mr Shin graduated from the University of Birmingham in England with a bachelor's degree in commerce. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu. He had also worked in a listed company in Hong Kong as group financial controller and company secretary. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. He joined the Group in 2013.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr HE Chengying, aged 54, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University, a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. Mr He is currently the Chairman of Supervisory Committee and General Manager of the R&D Department of Guosen Securities. He is also an associate professor, senior economist and a special research fellow of the China Management Science Research Institute and Researcher (Professor) of Zhejiang University of Finance and Economy. Mr He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state-owned asset management reforms. Subsequently, Mr He has engaged in stock market innovation, asset reorganisation, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, asset reorganisation and capital management planning. He was appointed as independent non-executive Director in September 2006.

Mr CHEUNG Kiu Cho Vincent, aged 41, independent non-executive Director, chairman of the nomination committee and member of the audit committee and remuneration committee. Mr Cheung is a Registered Professional Surveyor in the General Practice Division and member of The Hong Kong Institute of Surveyors and fellow member of The Royal Institution of Chartered Surveyors. Mr Cheung holds a Master Degree of Business Administration in International Management awarded by University of London in association with Royal Holloway and Bedford New College and a Bachelor Degree of Science (Honours) in Real Estate awarded by The Hong Kong Polytechnic University. Mr Cheung is the Executive Director, Asia and Head of Valuation and Advisory Services Department of a multi-national corporation. Mr Cheung has over 20 years of experience in assets valuation, assets management and corporate advisory. He joined the Group in June 2006.

SENIOR MANAGEMENT

Mr PUN Kam Wai Peter, aged 55, is the Chief Financial Officer of the Group. Mr Pun possesses over 27 years of experience in financial management and corporate planning in various industries including FMCG (fast moving consumer goods), entertainment, telecom service, manufacturing and financial information service. He was the financial controller of a listed company in Hong Kong for which he led the successful initial public offering on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. By profession, Mr Pun is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Besides, he holds a Master degree in Business Administration from the Chinese University of Hong Kong and a Master degree in Professional Accounting from University of Southern Queensland, Australia. He joined the Group in July 2009.

Madam ZHENG Rong, aged 46, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 23 years of experience in the retail industry and around 21 years of experience in financial management in various industries. Madam Zheng has an EMBA degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr GUI Bao, aged 60, is the general manager of Ningbo New JoySun Non-staple Food Wholesale Company Limited. Mr Gui has been responsible for the daily management and direction of operations of Ningbo New JoySun Non-staple Food Wholesale Company since 1994. Mr Gui has worked in the wholesale of wine industry for a long time and has a certain level of reputation in the wine industry in the country. His performance in the wine industry has been in the top rank in recent years. He joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr WANG Chaohong, aged 44, is the general manager of New JoySun supermarket and is responsible for the daily management and direction of operations of the New JoySun Group. Mr Wang has been the purchasing director of a company of large-scale chain stores and has accumulated many years' management experience in the retail industry. Mr Wang holds an Executive Master of Business Administration degree from the Shanghai Jiao Tong University. He joined the Group in 2013.

Mr LAM Wai Wah, Alan, aged 53, is the Senior Sales and Marketing Manager of household products business of the Group. Mr Lam has been responsible for the international marketing and sales of products manufactured in Ningbo plant since September 2005. He has over 26 years experience in marketing and sales of household products and sundries. He joined the Group when the Ningbo plant was acquired by the Group in 2010.

Mr NG Chun Ki, aged 39, is the Technical Deputy General Manager for household products business of the Group. Mr Ng has been responsible for the product development and production management of Ningbo plant since June 2003 and has over 22 years experience in product development and manufacturing of plastic moulds. He joined Group when the Ningbo plant was acquired by the Group in 2010.

Mr CHEN Tao Li, aged 43, is the Production Deputy General Manager of household products business of the Group. He is responsible for the daily production operations, production management, planning, quality control, logistics and plant operation. He has over 18 years experience in production management. Prior to joining the Group, he was the production manager (vice-president), quality control manager and management representative of an electronic components specialists company in Guangdong. Mr Chen holds a Master of Business Administration degree from Lanzhou University. He joined the Group in 2007.

Mr TONG Lu, aged 35, is the general manager of 天津開利星空汽車城運營管理有限公司 (Tianjin Calistar Automall Operation Management Co., Ltd.*). Mr Tong holds a bachelor's degree in Asian economics from Otemon Gakuin University, Japan. Mr Tong has nearly 13 years' experience in overseas studies and business management. In particular, he has a higher level of skills and knowledge in the field of domestic and foreign trade. Mr Tong is the brother of Mr Tong Xin. He joined the Group when the acquisition of Mega Convention Group Limited was completed in February 2017.

Dear Shareholders,

Given the challenging business environment, we had satisfactory performance in 2016/17. For the year ended 31 March 2017 (the "Year"), our revenue was RMB1,239.7 million which represented an increase of 14.2% versus 2015/16. Our net loss for the Year was RMB656.8 million compared to a net profit of RMB25.0 million in 2015/16. The increase in net loss was primarily due to the impairment loss on goodwill of RMB693.4 million for the Year for the acquisition of Mega Convention Group Limited ("Mega Convention") (the target group of the latest acquired car business project in Tianjin) in February 2017. Such impairment loss is an accounting treatment (in compliance with the current accounting standard) on the part of goodwill resulted essentially from the difference between the share price at HK$0.3712 per share agreed for the issuance of consideration shares for the car business project and the market share price at HK$0.68 per share upon completion of the acquisition on 7 February 2017. This is solely the result of accounting treatment and has nothing related to the operating performance of the car business. Excluding the impact of this impairment loss, our operating business delivered satisfactory business results in 2016/17.

The board of Directors (the "Board") has resolved not to recommend any final dividend for the Year.

FURTHER STRENGTHENING OUR COMPETENCE AND COMPETITIVENESS IN THE BUSINESS OF HOUSEHOLD PRODUCTS

The management team of household products business kept on adopting effective sales and cost management measures throughout the Year. In order to cope with the environment of fierce competition and uncertain market outlook, the Group continues to drive vigorously on product development and align our client base with higher margin products and customers. Being one of the leading household products suppliers with multiproduct categories in Asia, we shall capitalize on this competitive edge to develop and offer sophisticated range of household products with room for margin improvement.

The plant relocation, together with other sales and cost management measures, is a very important action to strengthen our overall capability to boost our sales and market share as well as our drive for margin improvement in household products business.

DISPOSAL OF THE LAND OF THE PREVIOUS SHENZHEN PLANT

On 19 May 2014, we entered into agreement with Shenzhen City Xinshun Property Development Company Limited in relation to the proposed disposal of the land of our previous Shenzhen plant of the Group. The aggregate amount of the transaction would be RMB1,782 million (subsequently reduced to RMB1,732 million when some terms were and could only be finalized in 2015-16) and settled in cash. The collection of the consideration for this transaction in a number of instalments was completed on May 2017. To share the benefit from this deal with our shareholders, the Company paid special dividends of HK$229 million (HK$0.05 per share) in June 2015 and HK$504 million (HK$0.11 per share) in September 2016 respectively.

Other than the special dividends already distributed to our shareholders, this transaction still provides very significant and substantial funding for the Group to consider future investments or acquisitions should such opportunities arise.

CHAIRMAN'S STATEMENT

EXPANDING INTO NEW BUSINESSES WITH GROWTH POTENTIAL

In addition to the investments in Hangzhou Lion Microelectronics Co., Ltd. in 2010 and Veritas-MSI (China) Co., Ltd. in 2012 and the acquisition of retail and wholesale business in Ningbo in 2013, the acquisition of trading and sales of imported cars business in Tianjin was completed on 7 February 2017. We shall monitor the performance of our new business closely and consider various alternatives on managing such investments with the objective to maximize the return for the best interest of the shareholders of the Company.

DEVELOPING INTO TRADING AND SALES OF IMPORTED CARS BUSINESS

Another major business action of the Group in 2016/2017 was the acquisition of Mega Convention which is doing business in the trading and sales of imported cars and related service in China. The acquisition was completed on 7 February 2017 in accordance with the terms and conditions of the acquisition agreement after the conditions precedent set out in the acquisition agreement have been fulfilled. As disclosed in the announcements of the Company dated 25 September 2015, 9 August 2016, 29 September 2016, 27 October 2016, 3 January 2017 and 7 February 2017 and the circular of the Company dated 30 September 2016, automotive industry is a fast growing market in the PRC with significant growth potential. The Company will be able to record additional revenue stream from the trading and sales of imported cars business upon the completion and it will bring very positive contribution to the financial results, the asset base and the cash flow generation to the group. We are optimistic and feel very excited with the prospect and potential of our new car business.

APPRECIATION

With the growth momentum of household products business recovered from plant relocation transition, the disposal of land in Shenzhen for substantial consideration, the expansion into retail and wholesale business and the addition of the latest acquired trading and sales of imported cars business, the Group is well positioned with a diversified and balanced business portfolio to grasp the business opportunities and deliver business growth and financial results with sustainable improvement. I am confident and optimistic with the prospect of the business development of the Group.

On behalf of the Board, I would like to thank our customers, suppliers, business partners and the shareholders for their continuous support. Last but not least, I would also like to take this opportunity to express my heartiest gratitude to all the employees of the Group for their industrious devotion and achievements in the challenging but exciting 2016/17. We shall continue to target for long term business growth of the Group and strive for improving financial results and returns to the shareholders.

Li Lixin
Chairman

Hong Kong, 30 June 2017

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2017 (the "Year"), the Group recorded a revenue of approximately RMB1,239.7 million, representing an increase of 14.2% when compared with the revenue of approximately RMB1,085.7 million reported for the last year. Net loss for the Year was approximately RMB656.8 million compared to a net profit of RMB25.0 million for the last year. The Group's basic and diluted loss per share for the Year were RMB13.85 cent while the Group's basic and diluted earnings per share were RMB0.55 cent for the last year.

Liquidity and Financial Resources

As at 31 March 2017, the Group's net assets decreased to RMB1,154.1 million, rendering net asset value per share at RMB21.29 cent. The Group's total assets at that date were valued at RMB4,037.8 million, including cash and bank deposits of approximately RMB568.4 million and current available-for-sale investments of RMB673.4 million. Consolidated bank loans and other borrowings amounted to RMB1,213.2 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been increased from 61.0% as at 31 March 2016 to 105.1% as at 31 March 2017.

Most of the Group's business transactions were conducted in RMB and US$. As at 31 March 2017, the Group's major borrowings included bank loans, which had an outstanding balance of RMB1,194.4 million, other borrowings from shareholders and a third party totaling RMB18.8 million. All of the Group's borrowings have been denominated in RMB, EUR, CAD, HK$ and US$.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,057.5 million as at 31 March 2017 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 to 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 available-for-sale 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, EUR, CAD, HK$ and US$. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The two EUR short term loans of EUR42.27 million in total the Company obtained from banks in HK will be due in August/September 2017 and June 2018 respectively and have been secured by RMB fixed deposits of a subsidiary of the Group. It is widely expected in the forex market that EUR will still be on the weak side in the near future when Britain started to negotiate with the European Union on its exit arrangement and various European Union member countries may run into political instability. The currency risk exposure from our EUR loans is quite limited. The management feels comfortable with such limited exposure but will still manage this currency risk with utmost care and consider hedging when appropriate.

Segment Information

With the acquisition of New JoySun Group, retail and wholesale business has emerged to become the most important business segment of the Group in the Year and accounted for 56.2% of total revenue. Manufacturing and trading business, car-sale business and investments holding business had 27.5%, 12.9% and 3.4% of the remaining respectively.

In terms of geographical location, China is still the Group's primary market, which accounted for 73.0% of total revenue of the Group for the Year. The remaining comprised of revenue from North America 23.3%, Europe 1.8% and others 1.9%.

Contingent Liabilities

As at 31 March 2017, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB17.4 million to secure bank loans borrowed by the related companies under the control of Mr Li Lixin, Chairman of the Company. Such arrangements were made by New JoySun group prior to the acquisition in August 2013. 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 RMB18.0 million being the balance of the principal amount of the bank loans the Group pledged for.

Investments in New Businesses

During the Year, our equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") remained at 24.76%. VMCL is an associate company of the Group. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry which has been in difficult business environment since the drop of global petroleum price two year ago. The Company will consider to sell our investment in VMCL should there be attractive offer which can give us a reasonable return from this investment.

Another investment in recent years was QL Electronics Co., Ltd ("QLEC"). As QLEC had been restructured for business expansion and opportunities in capital market. QLEC was split into two companies named QLEC (subsequently renamed as JRH QL Electronics Co., Ltd ("JRH") and Hangzhou Lion Microelectronics Co., Ltd ("HLMC"). HLMC is the parent company of JRH. At 22 January 2016, HLMC increased the share capital from 187,553,401 to 300,000,000 shares. During the last year, our investment of 18,318,800 shares in JRH were entitled to subscribe 14,417,912 shares in HLMC. Before the restructuring, our equity interest in HLMC was 8.211%. After the restructuring, our equity interest in HLMC was 7.592%. The core business of HLMC is in the development and manufacturing of semiconductor materials. As an investor, the Company is satisfied with the business performance and development prospect of JRH and HLMC.

The other investment of the Company is the acquisition of New JoySun group which runs wholesale and retail business and owns department stores and supermarket chain in Ningbo in August 2013. This investment has brought substantial business growth to the Group and broadened our business with a new retail and wholesale sector. This business encountered with challenges from e-commerce in recent years but the management still considered the market is good in the long term with the continuous economic growth of China and the supportive policy of the Chinese Government to stimulate domestic consumer market.

The latest investment of the Company was the acquisition of 100% beneficiary interest in the trading and sales of imported cars and related services in Tianjin from substantial Shareholder which was approved by the Shareholders of the Company on 18 October 2016 and completed on 7 February 2017. For details of the investment, please refer to the announcements of the Company dated 25 September 2015, 9 August 2016, 29 September 2016, 27 October 2016, 3 January 2017 and 7 February 2017 and the circular of the Company dated 30 September 2016. The Company believes that automobile industry is a fast growing market in the PRC with significant growth potential and the Company will be able to record additional revenue stream from the trading and sales of imported cars business. The management is optimistic on the business prospect and the financial performance of this new business segment and expect significant contribution from car business to improve the financial position of the Group.

The Directors consider the new businesses are in challenging market situations but still have good business prospects. Overall speaking, we are optimistic on the values of these investments and contribution of financial results brought to the Group in the future.

Employee Information

As at 31 March 2017, the Group employed a workforce of 1,792 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 Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the Year, the Group recorded a net loss of RMB656.8 million, compared to the net profit of RMB25.0 million for the corresponding last year. This decrease was primarily attributable to the impairment loss on goodwill of RMB693.4 million for the Year on the acquisition of Mega Convention (the target group of the latest acquired car business project in Tianjin) in February 2017. Such impairment loss is an accounting treatment (in compliance with the current accounting standard) on the part of goodwill resulted essentially from the difference between the share price at HK$0.3712 per share agreed for the issuance of consideration shares for the car business project and the market share price at HK$0.68 per share upon completion of the acquisition on 7 February 2017. This is solely the result of accounting treatment and has nothing related to the operating performance of the car business.

Revenue

During the Year, the Group recorded total revenue of approximately RMB1,239.7 million, representing an increase of 14.2% when compared with the total revenue of approximately RMB1,085.7 million reported for the last year. Excluding two months contribution by the newly acquired Mega Convention, the Group's total revenue for the Year would have been RMB 1,080.2 million, representing a decrease of 0.5% as compared with last year.

Manufacturing and Trading Business

During the Year, the manufacturing and trading business contributed approximately RMB340.8 million to the total revenue of the Group. The business of this segment decreased by RMB28.6 million when compared with the corresponding last year of approximately RMB369.4 million. The decrease was mainly due to the reduction of orders from customers and pricing pressure which are a reflection of the current weak market situation and the cyclical order pattern of some our key customers. The Group will continue its cost control measures and business strategy of focusing on higher margin products and the development of new products and customers.

Retail and Wholesale Business

Retail business increased by 2.0% to RMB430.4 million while wholesale business increased by 2.9% to RMB266.2 million for the Year as compared with corresponding last year. Despite the impact of the e-commerce, competition from large supermarket chains and new shopping malls nearby and the Chinese central government continues to control strictly on business entertainment and expenditures, the business of retail and wholesale business in wine and beverages has stabilized and recorded a modest increase in revenue contributed by the hard work of the sale team of retail and wholesale business for the Year.

Car-sale Business

The acquisition of the trading and sales of imported cars business in Tianjin, PRC, managed to contribute only two months revenue of RMB159.5 million during the year.

Investments Holding Business

Dividend income increased by 292.4% to RMB2.0 million and investment income increased by 18.0% to RMB40.6 million during the Year as compared with the corresponding last year.

PROSPECTS

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.

Disposal of the Land of the Previous Shenzhen Plant

On 19 May 2014, Jinda Plastic Metal Products (Shenzhen) Co., Limited ("Jinda Plastic"), an indirect wholly-owned subsidiary of the Company, and Shenzhen City XingShun Property Development Company Limited entered into the Relocation Compensation Agreement and the Supplementary Agreement in relation to the proposed disposal of the land owned by Jinda Plastic and situated within the Jinda Industrial Area which was the location of the previous Shenzhen plant of the Group. The aggregate amount of compensation would be RMB1,782 million and settled in cash. The Directors considered that the transaction would be in the interest of the Company and the Shareholders as a whole. For details of this transaction, please refer to the announcement of the Company dated 27 May 2014 and the circular of the Company dated 18 June 2014. A special general meeting was held on 8 July 2014 and the transaction was approved by the Shareholders. The Directors considered that the disposal of the land in Shenzhen would provide very substantial funding for the Group to improve the internal working capital position and make future investment(s) or acquisition(s) should there be such appropriate opportunities. Jinda Plastic and XingShun Property entered into a supplemental agreement on 18 November 2015 pursuant to which the parties agreed that the amount of land premium for the purpose of calculating the Compensation shall be RMB950 million and accordingly the amount of Compensation payable to Jinda Plastic shall be adjusted downward from RMB1,782 million to RMB1,732 million. For details of this substantial disposal, please refer to the announcement dated 18 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The collection of the consideration for this transaction was completed on May 2017. On 22 May 2015, the board of directors approved to distribute a special distribution of HK$0.05 per share and the Company paid the special distribution total amount of HK$229,082,000 on 10 June 2015. On 26 August 2016, the shareholders of the Company approved to distribute a special dividend of HK$0.11 per share and the Company paid the special dividend of HK$503,980,000 in total on 15 September 2016 and 29 September 2016. The Company has not made any decision on the use of remaining funds generated from the land disposal.

Expanding into New Businesses with Growth Potential

Further to the investments in QLEC and VMCL in 2010 and 2012 respectively, the acquisition of retail and wholesale business in Ningbo has been completed on 30 August 2013. With substantial funding available upon completion with the disposal of the land in Shenzhen and collection of consideration completed on May 2017, the management will actively look into investment and acquisition targets of appropriate and reasonable valuation 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.

On 9 August 2016, the Company and Mighty Mark Investments Limited ("Mighty Mark") entered into an acquisition agreement, pursuant to which the Company conditionally agree to purchase, and the vendor conditionally agreed to sell the entire shareholding interest in 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 has been 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 Mighty Mark and/or its designated parties 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, 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, the Mega Convention became a wholly-owned subsidiary of the Company. The principal business of the Mega Convention is 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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance for enhancing shareholders' value. The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules for the Year save as herein below disclosed.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and control of the Group and for monitoring the performance of the management teams. The chief executive officer and the senior management members are responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group. During the Year, the Board was comprised of four executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors
Li Lixin *(Chairman)*
Cheng Jianhe *(Chief Executive Officer)*
Jin Yaxue
Tong Xin (appointed on 7 February 2017)

Non-Executive Director
Lau Kin Hon

Independent Non-Executive Directors
He Chengying
Shin Yick Fabian
Cheung Kiu Cho Vincent

During the Year, six Board meetings were held. Notice of at least 14 days was given to Directors for regular Board meetings during the Year as required by the CG Code Provision A.1.3.

During the Year, all Directors were provided with reading materials and briefings to refresh their knowledge on Listing Rules and other relevant laws and regulations. Mr Lau Kin Hon, Mr Shin Yick Fabian, Mr Cheung Kiu Cho Vincent and Mr He Chengying have attended courses and/or seminars relevant to the roles and duties as directors of listed companies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, Mr Li Lixin was the chairman of the Company and Mr Cheng Jianhe was the chief executive officer. The division of responsibilities between the chairman and the chief executive officer was clearly established.

NON-EXECUTIVE DIRECTOR

Non-executive Director is appointed for a fixed term of two years or three years, subject to retirement and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

REMUNERATION COMMITTEE

The role and function of the remuneration committee are principally advising the Board on the policy and structure for remuneration of Directors and senior management and on establishing a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all executive Directors and senior management and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the Year, the remuneration committee was comprised of two independent non-executive Directors, Mr Shin Yick Fabian and Mr Cheung Kiu Cho Vincent, and one executive Director, Ms Jin Yaxue (chairman). One meeting was held during the Year.

During the Year, the remuneration committee has reviewed and made recommendations to the Board on the remuneration packages of individual Directors and senior management and the overall remuneration policy of the Group and assessed performance of the Directors.

NOMINATION COMMITTEE

The role and function of the nomination committee are principally to evaluate the structure of the Board regularly and make recommendations to the Board on any proposed change. The Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company.

The nomination committee is currently comprised of two independent non-executive Directors, Mr Cheung Kiu Cho Vincent (chairman) and Mr Shin Yick Fabian, and one non-executive Director, Mr Lau Kin Hon. One meeting was held during the Year.

During the Year, the nomination committee has monitored and reviewed the nomination procedures and process for the nomination of Directors, reviewed the composition of the Board and made recommendation to the Board on matters related to election and retirement of the Directors.

AUDIT COMMITTEE

The audit committee is currently comprised of three independent non-executive Directors, Mr Shin Yick Fabian (chairman), Mr Cheung Kiu Cho Vincent and Mr He Chengying. Two audit committee meetings were held during the Year.

The roles and function of the audit committee are principally making recommendations to the Board on the engagement of external auditors, reviewing the financial information of the Group and overseeing the Group's financial reporting system, internal control and risk management systems.

During the Year, the audit committee reviewed the Group's annual results for the year ended 31 March 2016 and the interim results for the six months ended 30 September 2016. The audit committee also reviewed the Group's financial controls, internal control and risk management systems and the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board meetings (BM), audit committee meetings (ACM), remuneration committee meetings (RCM), nomination committee meetings (NCM) and general meeting (GM) held during the year are set out below:

	Number of meetings attended/held during the Year				
	BM	**ACM**	**RCM**	**NCM**	**GM**
Executive Directors					
Li Lixin	3/6	NA	NA	NA	0/2
Cheng Jianhe	6/6	NA	NA	NA	0/2
Jin Yaxue	2/6	NA	1/1	NA	0/2
Tong Xin (appointed on 7 February 2017)	0/0	NA	NA	NA	0/0
Non-Executive Director					
Lau Kin Hon	4/6	NA	NA	1/1	2/2
Independent Non-Executive Directors					
He Chengying	3/6	2/2	NA	NA	0/2
Shin Yick Fabian	4/6	2/2	1/1	1/1	0/2
Cheung Kiu Cho Vincent	2/6	1/2	1/1	1/1	1/2

Pursuant to code E.1.2 of the CG Code, the chairman of the Board, the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee should attend the annual general meeting. During the Year, the chairman of the Board, the chairman of the audit committee and the chairman of the remuneration committee were unable to attend the annual general meeting due to other commitments.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing the Group's financial statements, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the reporting period. The Board is aware that its responsibilities to present a balanced, clear and understandable assessment extend to annual and interim reports, reports to regulators, other inside information and financial disclosures required under the Listing Rules as well as information required to be disclosed pursuant to statutory requirements. The Board has conducted an annual review of the effectiveness of the system of internal control and risk management of the Group.

AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of statutory audit services, provided by the auditor of the Company to the Group amounted to RMB2,800,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

During the year under review, the Board has engaged Elite Partners Risk Advisory Services Limited as independent consultant to undertake an internal audit function and to review the internal control system of the Group on material issues covering financial, operational and legal compliance controls and risk management function.

The Directors considered that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

The Group adopts a risk management framework which comprises the following processes:

– Identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

– Develop necessary measures to manage those risks; and

– Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

– The Group established an organisational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

– Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;

- Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

- A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and

- Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 March 2017 and considered that it was effective.

SHAREHOLDERS' RIGHTS

Shareholders may send their direct enquiries to the Board in writing by mail through the company secretary of the Company to the Company's principal place of business in Hong Kong for the time being.

Pursuant the Company's bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda.

To put forward a proposal at a shareholders' meeting, shareholder should comply with all provisions of the Companies Act 1981 of Bermuda. In addition, shareholders are requested to submit a written request stating the resolution intended to be moved at the general meeting; or a statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office and principal place of business in Hong Kong, for the attention of the company secretary of the Company.

INTRODUCTION AND SCOPE OF THE ESG REPORT

Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") affirms its commitment towards the idea of sustainability, with the publication of the Environmental, Social and Governance report. The report has been prepared in accordance with Appendix 27 of The Stock Exchange of Hong Kong Limited Environmental, Social and Governance Reporting Guide.

The Environmental, Social and Governance report of the Group (the "ESG Report") has been presented into two subject areas: environmental and social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide. The Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

As this is the first ESG report of the Group it will present mainly policies, initiatives and performance of the Group for the year ended 31 March 2017 and also highlight material aspects identified during the period from 1 April 2016 to 31 March 2017.

After passing through constantly improvements over the years, the performance of the Group has been expeditiously expanded. This report discloses its performance and progress on environmental, social and governance issues in Ningbo, Tianjin and Hong Kong as a whole from 1 April 2016 to 31 March 2017 (the "Reporting period").

LISI SUSTAINABILITY APPROACH

The Group would seek ways to create a comprehensive sustainable corporate value. The Group identified the significant aspects which are highlighted throughout the report. Its approach to sustainability begins with the Group's product manufacturing (fully integrated production facility) and service offering (OEM/ODM/Value-added service). The following table will demonstrate the relationship between ESG guide and the issues found relevant to the Group:

ESG Guide	Relevant ESG issues to the Group
A. Environmental	
A.1 Emissions	Greenhouse gases emissions VOCs emissions management Waste management
A.2 Use of resources	Energy and water consumption
A.3 Environmental and natural resources	Measures in reducing environmental impact
B. Social	
B.1 Employment	Labour practices
B.2 Health and safety	Workplace health and safety
B.3 Development and training	Employee development and training
B.4 Labour standards	Child labour and forced labor Business Social Compliance Initiative
B.5 Supply chain management	Supplier management
B.6 Product responsibility	Product safety and quality
B.7 Anti-corruption	Anti-corruption and anti-money laundering
B.8 Community investment	Community involvement

ABOUT THE GROUP

Lisi Group (Holdings) Limited is one of the largest plastic and metal co. in Asia. The Group also operates retailing, wholesales, car-sale and investments holding business all over districts of PRC and Hong Kong. Being one of the leading household products suppliers with multiproduct categories in Asia, the Group shall also focus on aspects that have been identified as material to the business and its valuable stakeholders.

The Group name-associated with quality, dependability and value is recognized by its customers. In light of promoting ESG concept, transparency, openness, integrity and fairness are the four main keystones that it aims to conserve. There is also an opportunity for investors to evaluate these ESG factors when assessing the value of long-term investment decision.

A. ENVIRONMENTAL

A. 1 Emissions

The Group is committed to persistently improving its environmental performance. Since the Group mainly manufactured plastic products for wholesaling and exporting, it is a vital concern to mitigate the environmental impact of its operations, products and services.

As a socially responsible enterprise in both PRC and Hong Kong, the Group would provide substantial and meaningful information for ESG Report. Three aspects among many are particularly outstanding when the Group is considering the environment of the future generation, which are climate change due to emission, use of resources and natural environmental resources.

The Group are under governed by Environmental Protection of the People's Republic of China Prevention 《中華人民共和國環境保護法》, Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》 and Urban Drainage and Sewage Treatment Ordinance 《城鎮排水與污水處理條例》. Violating these environmental regulations may result in temporary suspension of production. During the year ended 31 March 2017, the Group has been fully complied with these environmental regulations.

Greenhouse gases emissions

The Group would consume electricity, natural gas and petrol for the operations of its manufacturing, retails, wholesales and trading business. The emission of carbon dioxide (CO_2) has been calculated by the quantity of energy consumed multiple by the emission factors and the emission of CO_2 are used kg as unit. The emission of CO_2 for the year ended 31 March 2017 has been summarised as follow:

	Emission factor	Quantity of energy consumed	CO_2 equivalent emissions (Kg)
CO_2 emission from consumption of electricity	0.63 kg/unit(kWh)	29,619,568 kWh	18,660,328
CO_2 emission from Natural gas consumption	1.89 kg/M^3	123,768M^3	233,922
Total CO_2 consumption	/	/	18,894,250

The major greenhouse gases emissions are produced from the two manufacturing bases located in the PRC as the manufacturing machineries are powered by the electricity. The supermarkets operated by the Group also required significant consumption of electricity for powering the light and air conditioners to facilitate a better shopping environment to the consumer.

VOCs emission management

The Group has been mainly focusing on reducing the emission of pollutants and wastes due to its business activities and consuming resources with efficiency. The Group's factories during the production are completely based on ISO 14001 standard, the environmental management system.

The Group has proposed a set of VOCs emission reduction analysis which has cooperated with Zhejiang RenXin Huankeyuan Limited Co. The analysis included a potential emission reduction diagnosis which has suggested some actual tactics in order to minimise VOCs emission and get better processing efficiency and cleaner environment.

The use of production plants is the Group primary direct impact on the environment. When it produces plastic goods, the Group also exerts an impact on the environment through the use of energy and water. The Group aims to minimise consumption through more targeted efforts by implementing pollutant-reduction scheme.

Waste management

As the Group is engaging in manufacture sanitary ware, strict control has been taken for emissions of air, water and land waste. It is the Group's policy to maintain the manufacture process in order to continue minimising environmental impact.

A.2 Use of Resources

Energy and water consumption

The Group is committed to efficiently consume resources during production. During the reporting period, factories consumed approximately 123,768 M^3 of natural gas consumption and approximately 29,619,568 kWh of total electricity from supermarket, factory and offices.

The Group's total resources consumption is listed in the below tables.

Resources Consumption	Unit	Sum
Electricity consumption	kWh	29,619,568
Paper consumption	Ream (A4)	1,293
Water consumption	Tons	181,142
Natural gas consumption	M^3	123,768

It is the Group's policy to maintain the manufacture process accordingly to reduce the energy waste in production. This is the key for the Group to attribute to the environmental friendly strategies. The Group is committed to perform regular assessment in analysing data in aims for better management in the use of resource. By using the manufacturing facilities of the Company in Ningbo, the production process would result in greenhouse gas emission, such as carbon dioxide (CO_2).

It is the Group's policy to maintain the manufacture process in efficiency and effective manner to mitigate the usage of energy and materials and consequently the emissions. According to the Company's training and working guidelines, employees must follow them to work on energy conservation.

According to the Company's record, 2,827 kg of papers were used for office operations during the reporting period. Therefore, the Group has established a host of paper-saving initiatives to reuse and recycle. This is an opportunity to enhance environmental benefits by undertaking such conservative actions. In order to control and reduce the amount of product wastes, the Group would promote Special-offer market and outlet events to sell out its products as much as possible.

A.3 Environmental and Natural Resources

Measures in reducing environmental impact

The Group has been dedicated to promoting the sustainable use of natural resources. Some plastics and metals used were not able to be recycled and caused land pollution. By adopting the new technology of oil painting spray-lacquer can considerably increase over 90% of work efficiency and also reduce the extensive VOCs emissions of waste gas.

Meanwhile, the Group always believe that using degradable plastics to manufacture its product can greatly and effectively help and contribute to the environment. Besides, the Group has been improving the quality of plastic products to extend their useful life accordingly.

In a bid to create sustainable environmental value, the Group has implemented a set of energy saving initiative. Every single employee (including employer) is required to save energy at offices or factories such as controlling the use of electric power for lighting and air-conditioning. Also, the Group focuses on daily maintenance and perseverance and implements a waste gas processing system in order to set up a comprehensive policy and retain the efficient level of facilities.

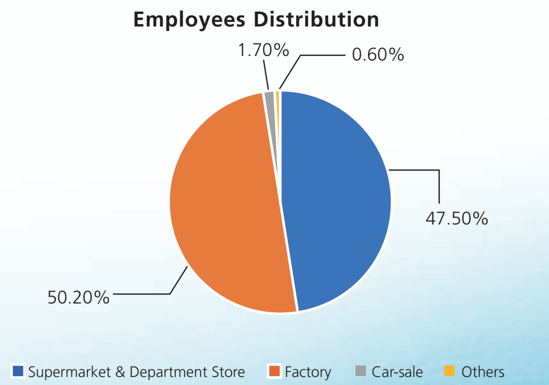
B. SOCIAL

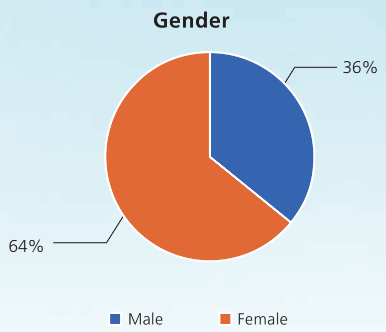
As a socially responsible enterprise in Hong Kong and PRC, focus is on all stakeholders, including employee, customer, supplier, government, etc. Although the Group is currently expanding and on developing progress, it would never forget to contribute to the society.

B.1 Employment

Labour practices

The Group believes the idea that "employees are the most valuable assets and policies should be people-oriented". It is also an important element for building social sustainable value. During the reporting period, the total number of the employees of the Group in Hong Kong and PRC was 1,792. Due to the nature of the retail and manufacturing business, it is a labour-intensive industry.





In order to motivate employees, the Group provided a host of beneficial package such as in-house training, severance payment and so on. In the year end, the employees would be given double-pay and performance bonus for good performances.

On the other hand, the Group has a set of staff handbook for employees to understand the conditions of employment, policies in workplace, working procedures, benefits, etc.

To ensure an equal and fair working environment, the Group has adopted practices and policies of Labour Law of the People's Republic of China 《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China 《中華人民共和國勞動合同法》and other relevant laws. During the reporting period, the Group has complied with all relevant labour and employment law and regulation.

(Photo 1: Regular team-leader-voting election)

B.2 Health and Safety

Workplace health and safety

The Group has always put the health and safety of the employees as the priority of productions so every worker who operates factory plants would be required to train for how to use the equipment. In order to mitigate workplace incidents and strengthen the health care taken for employees who have suffered from a workplace incident, the Group has established sufficient policies on safety in staff handbook.

(Photo 2&3: Employees are attending safety training programme)

The Group has been fully complied with law and regulations regarding the health and safety such as Labour Law of the People's Republic of China 《中華人民共和國勞動法》of occupational safety and health and other applicable regulations to provide a safe, healthy and comfortable working environment.

Workplace is equipped with fire and safety equipment to prevent outbreak of fire accident and the validity of the fire facilities have been regularly checked. Fire exits are also constantly kept clear. Staffs will be trained and ensure basic knowledge of using fire extinguish equipment. Practice fire drill has also been regularly conducted.

B.3 Development and Training

Employee development and training

All staffs are required to attend training section before starting their work in the manufacturing base. Different training programmes are developed to train and equip employees professionally.

Internal trainings are consisted of three aspects, new employees' programme (including enterprise's culture, history, rules and regulations, etc.), in-service employees' programme (such as experts' lectures) and specialist-position programme.

(Photo 4: Training programme for the new-employees)

Also, the Group encourages the senior management and directors to attend external professional training as the Group would provide allowance for them.

Overall, the Group have certain areas of training programmes for all levels of employees:

1 New-comer training
2 Post-transferring programme
3 Professional training
4 Organising development programme
5 Middle/high-level-management programme
6 General secretary/assistant training programme

(Photo 5: The Group has organised development programme for its employees)

The Group also motivates employees' job enthusiasm and welcome challenges, thereby creating greater corporate value and future development.

B.4 Labour Standards

Child labour and forced labor

The Group has strictly complied with Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》. According to the Employment Ordinance Chapter 57 of the Laws of Hong Kong and the Provisions on the Prohibition of Using Child Labour and the Law of the People's Republic of China on the Protection of Minors《關於禁止使用童工及中華人民共和國保護未成年人法》and as stipulated by the Labour Law of the People's Republic of China《中華人民共和國勞動法》in terms of employment management, there is neither child nor forced labour in the Group's operation. Undoubtedly, during the year ended 31 March 2017, the Group is prohibited to employ any staffs who has under the legal working age for protecting the young people at work.

Business Social Compliance Initiative

For the labour standards of the Group, it follows an initiative of the Foreign Trade Association (FTA) which is called the Business Social Compliance Initiative (BSCI). There are several principles for the BSCI such as freedom of collective negotiation with the Group, fair reward and compensation, anti-discrimination, safety of workplace, ethical behavior, etc.

In addition, the recruitment process of the Group is strictly based on the recruitment policy and guideline which is designed by the human resource department. Human resource department must gather all employees' details for legal compliance and also for internal record only.

Insurance and work security packages:

Hong Kong	PRC
Mandatory Provident Fund (MPF)	Medical Insurance
Medical Insurance	Unemployment Insurance
Performance Bonus	Work-related Injury Insurance
Severance Payment/Long Service Payment	Childbirth Insurance
Maternity/Paternity Leave with Pay	Hosing Accumulation Funds
Employment Compensation Insurance	Health and Safety Endowment Insurance

Besides, The Group tends to provide equal job opportunities for everyone. Employees would not be discriminated against of such opportunities on the basis of gender, nationality, religious belief or even disability. As soon as the candidates meet the requirement of the job description, the Company would then provide them a suitable job position.

B.5 Supply Chain Management

Supplier management

The Group expects all suppliers to embrace corporate social responsible value since the supply chain management is an essential part of the corporate responsibility. The Group would evaluate the performance of the major suppliers or vendors of the Group on whether the quality of raw materials have met the Group's requirement as well as timing of the delivery.

Raw materials suppliers and design services vendors are the major suppliers of the Group. The Group has upheld restrict control over quality offer by the suppliers or vendors. When the Group manufactures its plastic products, all products would need to pass a series of thermal testing such as dynamic stability control, dynamic mechanical thermal analysis, thermomechanical analysis, etc. Once the Group ensure the products are safe and standardized, they would be sold into the market.

B.6 Product Responsibility

Product safety and quality

The Group has dedicated to put the products quality as its first priority as the performance of the products would affect the long-term relationship with customers and the reputation and success of the business. Therefore, the Group would ensure all goods are subjected to the Product Quality law of the People's Republic China《中華人民共和國產品質量法》which makes the Company have responsibility to compensate for the damage done if the products are defected.

Similarly, the products are subjected to the Law on Protection of the Rights and Interests of Consumers of the People's Republic China《中華人民共和國消費者權益保護法》, the Group may need to refund or pay compensation for damage cause by the products due to defected. However, During the year end 31 March 2017, the Group has not received any complaint regarding to the quality of the products.

B.7 Anti-Corruption

Anti-corruption and anti-money laundering

The Group has been maintaining the integrity, the most significant principle in the operation of its business, and effectiveness of the Group. All employees are required to thoroughly read the related regulations and rules of the company as well as the employees' Code of Conduct. The Group would regularly provide training and updating employees about the latest law.

The Group complied with all relevant laws and regulations such as Criminal law of the People's Republic of China 《中華人民共和國刑法》and the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》.

Moreover, The Group has policy to comply with guidelines on anti-money laundering so if any suspicious transactions identified by the company, the responsible person would notify and report it to the relevant governing body.

B.8 Community Investment

Community involvement

Contributing to society is a part of the Group's sustainable development strategy. The culture of the Group is based on a fundamental desire to grow together with local and overseas communities in order to build a more sustainable society in the world.

The Group has worked with the government for developing a better and more convenient district to improve the whole area of Beilun port (北崙港) so then this area will be joint with Ningbo. The Group believes that the operation will bring convenience to people who lived in those faraway places.

(Photo 6: Meeting with co-worker for development of whole area in Beilun District)

In the future, the Group will:

- Seek more opportunities to work with charitable organisations to get involved in various community programmes and contribute to society; and

(Photo 7: Employees participated in money donation for the charity)

- promote the health of its employees and customers by organising and taking part in sports and fitness activities.

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on page 43 of this annual report.

A management discussion and analysis of the results of the Group for the Year is set out on page 9 to 14 of this annual report.

The Board do not recommend the payment of final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 48 of this annual report and in note 27 to the consolidated financial statements respectively.

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in notes 12 and 13 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2017 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in note 27(c) to the consolidated financial statements and on page 32 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval, and contributed surplus, subject to satisfaction of the related laws and regulations) available for distribution to the equity shareholders of the Company was RMB236,379,000 (31 March 2016: RMB828,635,000). The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: RMBNIL).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 134 of this annual report.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Li Lixin *(Chairman)*
Cheng Jianhe *(Chief Executive Officer)*
Jin Yaxue
Tong Xin (appointed on 7 February 2017)

Non-Executive Director

Lau Kin Hon

Independent Non-Executive Directors

He Chengying
Shin Yick Fabian
Cheung Kiu Cho Vincent

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr Tong Xin, Mr Cheng Jianhe, Ms Jin Yaxue and Mr Lau Kin Hon will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND A CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as set out in note 30 of the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2017:

(a) Lease of properties

(i) Lease agreement signed with Da Mei (Ningbo) New Materials Company Limited

Pursuant to a lease agreement signed on 31 December 2012 and renewed on 16 December 2015 between Ningbo Lisi Household Products Company Limited ("Ningbo Lisi"), the Company's subsidiary, and Da Mei (Ningbo) New Materials Company Limited ("Da Mei"), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, Da Mei agreed to lease east part of its property at 518 Cheng Xin Lu, Yinzhou Investment and Business Incubation of Ningbo, the People's Republic of China (the "East District") to Ningbo Lisi for a term of 6 years commencing from 1 January 2013 to 31 December 2018 as its factory space and office premises with monthly rent of RMB537,930. At 30 June 2016, Ningbo Lisi and Da Mei signed a supplementary agreement to decrease the monthly rent to RMB532,242 from 1 July 2016 to 31 December 2018.

The maximum aggregate annual value (the "Annual Cap") of the rental expenses and rental expenses incurred for leasing of the East District is as follow:

	Annual Cap	Rental expenses
	RMB	RMB
From 1 April 2016 to 31 March 2017	6,455,160	6,403,968

(ii) Lease agreement signed with Ningbo Lisi Electrical Appliances Manufacturing Company Limited

Pursuant to a lease agreement signed on 30 May 2012 and renewed on 29 May 2015 between Ningbo Lisi, the Company's subsidiary, and Ningbo Lisi Electrical Appliances Manufacturing Company Limited ("NLEAM"), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, NLEAM agreed to lease west part of its property at 518 Cheng Xin Lu, Yinzhou Investment and Business Incubation of Ningbo, the People's Republic of China (the "West District") to Ningbo Lisi for a term of 6 years commencing from 1 June 2012 to 31 May 2018 as its factory space and office premises with monthly rent of RMB635,100.

The Annual Cap of the rental expenses and rental expenses incurred for leasing of the West District is as follows:

	Annual Cap	**Rental expenses**
	RMB	RMB
From 1 April 2016 to 31 March 2017	7,621,200	7,621,200

(b) Export agency services

Pursuant to an export agency agreement signed on 31 December 2012 and renewed on 16 December 2015 between Ningbo Lisi and Lisi Import and Export Company Limited ("Lisi I&E"), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, Lisi I&E agreed to provide Ningbo Lisi export agency services which include assisting Ningbo Lisi on handling government applications, settlement services and other liaison services between local government departments and the customers for a term of 6 years commencing from 1 January 2013 to 31 December 2018.

The Annual Cap of the export agency service fee and the amount of export agency fee incurred for the provision of export agency is as follow:

	Annual Cap	**Export agency fee**
	RMB	RMB
From 1 April 2016 to 31 March 2017	7,000,000	3,444,972

(c) Import agency services

Pursuant to an import agency agreement signed on 31 December 2012 and renewed on 16 December 2015 between Ningbo Lisi and Lisi I&E, Lisi I&E agreed to provide Ningbo Lisi import agency services for a term of 6 years commencing from 1 January 2013 to 31 December 2018. The import agency services include assisting Ningbo Lisi on handling government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Ningbo Lisi with other third parties.

The Annual Cap of the gross transaction amount for the provision of Import agency service, gross transaction amount and the amount of import agency fee incurred for raw material purchased is as follow:

	Annual Cap	**Gross transaction amount**	**Import agency fee incurred**
	RMB	RMB	RMB
From 1 April 2016 to 31 March 2017	180,000,000	70,295,291	421,772

(d) Mutual supply of products

Pursuant to a mutual supply framework agreement signed on 5 March 2013 and renewed on 16 December 2015 between New JoySun Corp. (for itself and on behalf of its subsidiaries), the Company's subsidiary, and Lisi Group Co. Ltd. (for itself and on behalf of its subsidiaries), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, it was agreed that members of the group of New JoySun Corp. will supply to members of the group of Lisi Group Co. Ltd. electrical appliance products, food and beverage products and various domestic products, and reciprocally, members of the group of Lisi Group Co. Ltd. will supply to members of the group of New JoySun Corp. household products. The term of the mutual supply agreement is commencing from 5 March 2013 to 31 December 2018. Subsidiaries from both sides will enter into individual supply contracts with the pricing of the products transacted and the payment terms determined and negotiated based on normal commercial terms, with reference to the prevailing fair market prices of comparable products and no less favorable than those offered to or from members of the group of New JoySun Corp. by or to independent third parties.

The annual caps for the leasing transactions contemplated under the mutual supply framework agreement are as follows:

	Annual Cap From 1 April 2016 to 31 March 2017 RMB	Transaction amount From 1 April 2016 to 31 March 2017 RMB
Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd.	4,300,000	1,505,568
Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp.	1,060,000	-

(e) Purchase of parallel imported cars from Tianjin Binhai International Car City Co., Ltd

Pursuant to a strategic cooperative agreement, signed on 2 June 2016 between Tianjin Calistar Automall Operation Management Co., Ltd. ("Tianjin Calistar"), the Company's subsidiary which was acquired on 7 February 2017, and Tianjin Binhai International Car City Co., Ltd ("Binhai Car City"), a company under the control of Cheng Weihong, a non-controlling shareholder of the Company, it was agreed that Binhai Car City supply to Tianjin Calistar such parallel imported cars as may order from time to time, and procure the completion of all necessary procedures for the purpose of overseas procurement. The purchase prices of the parallel imported cars payable by Tianjin Calistar to Binhai Car City will be determined with reference to the prevailing market prices of similar products available on the market, and on terms no less favorable to the terms other independent third parties may offer to Tianjin Calistar. The term of the strategic cooperative agreement is commencing from 1 January 2016 and ended on 31 December 2018.

DIRECTORS' REPORT

The Annual Cap and the amount for the purchase of parallel imported cars are as follow:

	Annual Cap From 1 January 2017 to 31 December 2017 RMB	Transaction amount From 7 February 2017 to 31 March 2017 RMB
Purchase of parallel imported cars	1,000,000,000	57,575,043

The agreements of (a)(i), (b) and (c) for the continuing connected transactions listed above were approved by the independent shareholders of the Company in the special general meeting on 26 February 2013 and 15 February 2016.

The agreements of (d) were approved by the independent shareholders of the Company in the special general meeting on 7 June 2013 and is subject to reporting and announcement requirements and annual review requirement but is exempted from independent shareholders' approval requirement which was approved by the Board on 16 December 2015. The agreement of (a)(ii), which is subject to reporting and announcement requirements and annual review requirement but is exempted from independent shareholders' approval requirement, was approved by the Board on 30 May 2012 and 29 May 2015.

The agreement of (e) was approved by the shareholders of the Company in the special general meeting on 18 October 2016 and the acquisition of Mega Convention completed on 7 February 2017 in accordance with the terms and conditions of the acquisition agreement after the conditions precedent set out in the acquisition agreement have been fulfilled. For details of the acquisition and agreement, please refers to the announcements of the Company dated 25 September 2015, 9 August 2016, 29 September 2016, 27 October 2016, 3 January 2017 and 7 February 2017 and the circular of the Company dated 30 September 2016.

Having reviewed the Continuing Connected Transactions, the independent non-executive Directors, pursuant to Rule 14A.54 of the Listing Rules on the requirement to carry out an annual review on all continuing connected transactions, other than fully exempt continuing connected transactions under the Listing Rules (if any), confirmed that the continuing connected transactions were made in the ordinary and usual course of business of the Company, were made on normal commercial terms and in accordance with the relevant agreements governing the continuing connected transactions on terms that were fair and reasonable and in the interests of the shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter had been submitted by the Company to the Stock Exchange.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company confirmed that the Continuing Connected Transactions:

(1) had received the approval of the Board;

(2) had been in accordance with the pricing policies of the Group or the comparable transactions as identified by the Management,

(3) had been entered into in accordance with the relevant agreements governing the continuing connection transactions; and

(4) with respect of the disclosed continuing connected transactions (a) to (e) listed above, had not exceeded the Annual Cap disclosed in the previous announcements dated 29 May 2015, 16 December 2015, 22 January 2016 and circulars dated 22 May 2013 and 30 September 2016.

Save as mentioned above, there was no other disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the Year.

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in note 30 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in note 30 to the consolidated financial statements which constituted continuing connected transactions, the Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Year save as otherwise provided herein.

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

As at 31 March 2017, 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 Li Lixin	Note 2	2,843,631,680 (L)	52.46%
		2,814,550,681 (S)	51.93%

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

Note 2: Mr Li Lixin's interest in 2,843,631,680 shares is held as to 9,822,000 shares personally, 19,258,000 shares through his spouse Jin Yaer, 1,332,139,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,482,412,666 shares through Shi Hui Holdings Limited which is wholly-owned by Big-Max. The issued share capital of Big-Max is beneficially owned as to 90% by Mr Li Lixin and as to 10% by his spouse, Jin Yaer.

Furthermore, no share options had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there were no other options outstanding at the beginning or the end of the year ended 31 March 2017. Other than that, at no time during the year ended 31 March 2017 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 year ended 31 March 2017.

Save as disclosed herein, as at 31 March 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Share option scheme

The company adopted a share option scheme (the "Scheme") on 31 August 2012, the particulars of the Scheme are as follows:

Purpose of the Scheme:

To reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Company.

Participants:

(a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.

Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report:

247,696,379 ordinary shares (10% of the issued share capital of the Company at the date of approval of the refreshed Scheme Mandate Limit).

Maximum entitlement of each participant:

Shall not exceed 1% of the aggregate number of ordinary shares issued and issuable under the Scheme.

Period within which the securities must be taken up as an option:

No option will be exercisable later than 10 years after its date of grant.

Minimum holding period before an option can be exercised:

Will be defined by Directors based on grantee's seniority and other relevant factors.

Period within which payments or loans must be made or repaid:

Not applicable

Basis of determining the exercise price:

Determined by the Board and shall be:

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of offer; and

(2) the average of closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer,

whichever is higher provided that it shall not be lower than the nominal value of the shares.

The remaining life of the Scheme:

The Scheme remains in force until 31 August 2022.

No share options had been granted under the Scheme up to 31 March 2017 and there were no other options outstanding at the beginning or at the end of the Year.

Saved as disclosed above, at no time during the Year 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 shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or their 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 Year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, 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
Jin Yaer	Beneficial owner/ interest in controlled corporation	2,843,631,680 (L) 2,814,550,681 (S)	52.46% 51.93%
Big-Max Manufacturing Co., Limited	Beneficial owner	2,814,551,680 (L) 2,814,550,681 (S)	51.93% 51.93%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666 (L) 1,482,411,667 (S)	27.35% 27.35%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	1,960,009,680 (L)	36.16%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	1,960,009,680 (L)	36.16%

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
浙江省財務開發公司	Person having a security interest in shares	999,999,001 (L)	21.83%
財通證券股份有限公司	Person having a security interest in shares	999,999,001 (L)	21.83%
Pacific Sun Advisors Limited	Person having a security interest in shares	370,786,000 (L)	8.09%
Mighty Mark Investments Limited	Beneficial owner	2,934,579,307 (L)	54.14%
Cheng Wei Hong	Beneficial owner/ Interest in controlled corporation	3,079,231,042 (L)	56.81%

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	10.6%
– five largest suppliers	29.9%
Sales	
– the largest customer	10.2%
– five largest customers	22.7%

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

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 the Year.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float at all times during the Year.

AUDITOR

The consolidated financial statements for the Year were audited by KPMG, Certified Public Accountants. A resolution for its reappointment as auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Lixin
Chairman

Hong Kong, 30 June 2017

KPMG

Independent auditor's report to the shareholders of
Lisi Group (Holdings) Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 133, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Assessing the valuation of contingent consideration and identifiable net assets in relation to an acquisition and assessing potential goodwill impairment

Refer to Notes 15 and 28 to the consolidated financial statements and the accounting policies on pages 52 and 55.

The Key Audit Matter	How the matter was addressed in our audit
On 7 February 2017, the Group acquired a 100% equity interest in Mega Convention Group Limited and its subsidiaries ("the Mega Convention Group"). Subject to achieving the net profit target for the year ending 31 December 2017, the consideration for the acquisition may be up to RMB1.65 billion. Goodwill arising from the acquisition amounted to RMB1.33 billion which represented the excess of the fair value of the estimated consideration payable over the fair value of the identifiable net assets, including intangible assets which represent customer relationships, of the acquired business. The fair value of the consideration and potential impairment of the goodwill arising on the acquisition were assessed by the directors based on a discounted cash flow forecast of the future performance of the business acquired.	Our audit procedures to assess the valuation of the identifiable net assets acquired included the following: • inspecting the sale and purchase agreement and evaluating management's accounting treatment for the acquisition with reference to the terms set out in the agreement and the requirements of the prevailing accounting standards; • assessing the external valuers' qualifications experience and expertise and considering their objectivity and independence; • obtaining and inspecting the valuation report prepared by the external valuers engaged by the Group on which the directors' assessment of the fair value of the assets and liabilities acquired was based; • with the assistance of our internal valuation specialists, assessing the valuation methodology adopted by the external valuers with reference to the requirements of the prevailing accounting standards and challenging the key assumptions adopted in the valuation, including forecast sales volumes and prices and the gross profit ratio by comparing the key assumptions with budgets approved by management and market and other external available information;

KEY AUDIT MATTERS (CONTINUED)

Assessing the valuation of contingent consideration and identifiable net assets in relation to an acquisition and assessing potential goodwill impairment

Refer to Notes 15 and 28 to the consolidated financial statements and the accounting policies on pages 52 and 55.

The Key Audit Matter	How the matter was addressed in our audit
The preparation of a discounted cash flow forecast involves the exercise of significant management judgement in particular in determining the key assumptions adopted, which include sales volumes, sales prices and the gross profit ratio and in calculating the discount rate applied. The fair values of the identifiable net assets acquired were assessed by the directors based on an independent valuation prepared by a firm of external valuers. The fair value assessment required the exercise of significant judgement and estimation, in particular in forecasting the future performance of the business acquired. We identified assessing the valuation of the contingent consideration and the identifiable net assets in relation to the acquisition and assessing potential impairment of goodwill as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because the assessment of the fair value of the consideration and the identifiable net assets acquired and the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.	• involving our internal valuation specialists to assist us in evaluating the discount rate applied in the discounted cash flow forecast by assessing if the parameters adopted in calculating the discount rate were in line with market rates and whether the discount rate was within the range of those adopted by other companies in the same industry and with similar risk profile. Our audit procedures to assess the valuation of the contingent consideration and potential impairment of goodwill in relation to the acquisition included the following: • examining the directors' profit forecast and cash flow forecast for the acquired business, comparing these with board-approved plans, challenging the key assumptions, which included sales volumes and prices, by comparing the key assumptions with market and other external available information, comparing the forecasts with the historical performance of the acquired businesses and industry forecasts and evaluating the discount rate used in the discounted cash flow forecast by benchmarking the discount rate against the discount rates for similar companies in the same industry, with the assistance of our internal valuation specialists;

KEY AUDIT MATTERS (CONTINUED)

Assessing the valuation of contingent consideration and identifiable net assets in relation to an acquisition and assessing potential goodwill impairment

Refer to Notes 15 and 28 to the consolidated financial statements and the accounting policies on pages 52 and 55.

The Key Audit Matter	How the matter was addressed in our audit
	• obtaining management's sensitivity analyses for the key assumptions, including the annual growth rate and the discount rate, adopted in the preparation of the discounted cash flow forecast and assessing the impact of changes in the key assumptions on the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias; and • assessing the disclosures in the consolidated financial statements in respect of the acquisition and the assessment of potential impairment of goodwill with reference to the requirements of the prevailing accounting standards.

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies on pages 67 and 68.

The Key Audit Matter	How the matter was addressed in our audit
The Group has several distinct revenue streams which comprise retail (the operation of department stores and supermarkets), the wholesale of wine and beverages and electrical appliances, the manufacturing and trading of household products and the trading of motor vehicles. In general, retail revenue is recognised when sales are made to customers over the counter, wholesale revenue and revenue from trading of motor vehicles is recognised when the goods are delivered to and accepted by the customers and revenue from the trading of household products is recognised when the goods are loaded onto shipping vessels for export.	Our audit procedures to assess the recognition of revenue included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue; • involving our internal IT specialists to assist us in assessing the operating effectiveness of those IT controls which were critical to the recognition of revenue from retail operations;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies on pages 67 and 68.

The Key Audit Matter	How the matter was addressed in our audit
Revenue is a key performance measure for the Group and a key driver of gross margin and profitability. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	• inspecting sales contracts with customers for the wholesale and trading operations, on a sample basis, to understand the terms of sales transactions in order to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • scrutinising all sales journals raised during the financial year and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documentation; • inspecting a sample of manual adjustments to revenue raised during the financial year, which met certain risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation; • selecting a sample of sales transactions around the financial year end and assessing the timing of revenue recognition by comparing details of the sales with underlying documentation, which included goods delivery notes, customer acceptance forms and/or shipping documents; and • obtaining audit confirmations of sales transaction amounts during the year with certain customers, on a sample basis, for wholesale and trading revenue and performing alternative procedures for unreturned confirmations by comparing details of the sales transactions with individual customers with relevant underlying documents.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	1,239,692	1,085,709
Cost of sales		(991,097)	(833,150)
Gross profit	4(b)	248,595	252,559
Other income	5	19,993	18,976
Selling and distribution expenses		(72,830)	(70,004)
Administrative expenses		(128,774)	(285,531)
Profit/(loss) from operations		66,984	(84,000)
Net valuation gain/(loss) on investment properties	13	1,000	(8,800)
Impairment loss on goodwill	15	(693,391)	–
Share of losses of an associate	17	(21,327)	(13,960)
Net loss on disposal of an available-for-sale investment		–	(10,687)
Finance costs	6(a)	298	(162,361)
Loss before taxation	6	(646,436)	(279,808)
Income tax	7	(10,322)	304,820
(Loss)/profit for the year		(656,758)	25,012
Attributable to:			
Equity shareholders of the Company		(656,758)	24,998
Non-controlling interests		–	14
(Loss)/profit for the year		(656,758)	25,012
(Loss)/earnings per share (RMB cent)			
Basic and diluted	11	(13.85)	0.55

The notes on pages 51 to 133 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
(Loss)/profit for the year		(656,758)	25,012
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale debt securities net movement in fair value reserve		(1,086)	(4,774)
– Exchange differences on translation into presentation currency		1,902	3,019
Other comprehensive income for the year		816	(1,755)
Total comprehensive income for the year		(655,942)	23,257
Attributable to:			
Equity shareholders of the Company		(655,942)	23,243
Non-controlling interests		–	14
Total comprehensive income for the year		(655,942)	23,257

The notes on pages 51 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	847,209	865,488
Investment properties	13	426,390	425,390
Goodwill	15	679,766	43,313
Intangible assets	16	8,063	7,001
Interests in an associate	17	4,857	26,184
Available-for-sale investments	18	70,194	72,194
Deferred tax assets	26(b)	33,109	32,892
		2,069,588	1,472,462
Current assets			
Available-for-sale investments	18	673,406	644,924
Inventories	19	209,178	148,087
Trade and other receivables	20	517,204	718,671
Restricted bank deposits	21	439,958	319,416
Cash and cash equivalents	22	128,424	258,198
		1,968,170	2,089,296
Current liabilities			
Trade and other payables	23	632,272	506,345
Bank and other loans	24(a)	964,712	790,227
Income tax payable	26(a)	5,318	4,314
		1,602,302	1,300,886
Net current assets		365,868	788,410
Total assets less current liabilities		2,435,456	2,260,872

The notes on pages 51 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2017

(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank and other loans	24(b)	248,550	271,615
Contingent consideration	25	784,812	–
Deferred tax liabilities	26(b)	248,008	249,472
		1,281,370	521,087
NET ASSETS		1,154,086	1,739,785
CAPITAL AND RESERVES	27		
Share capital		46,789	39,374
Reserves		1,107,297	1,631,191
Total equity attributable to equity shareholders of the Company		1,154,086	1,670,565
Non-controlling interests		–	69,220
TOTAL EQUITY		1,154,086	1,739,785

Approved and authorised for issue by the board of directors on 30 June 2017.

Li Lixin
Chairman

Cheng Jianhe
Director

The notes on pages 51 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017
(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital redemption reserve RMB'000 (Note 27(d)(i))	Statutory reserves RMB'000 (Note 27(d)(ii))	Contributed surplus RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(iv))	Fair value reserve RMB'000 (Note 27(d)(v))	Other reserve RMB'000 (Note 27(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 April 2015	36,138	541,228	1,341	12,825	56,236	(20,180)	8,467	–	1,007,950	1,644,005	69,206	1,713,211
Changes in equity for the year ended 31 March 2016:												
Profit for the year	–	–	–	–	–	–	–	–	24,998	24,998	14	25,012
Other comprehensive income	–	–	–	–	–	3,019	(4,774)	–	–	(1,755)	–	(1,755)
Total comprehensive income for the year	–	–	–	–	–	3,019	(4,774)	–	24,998	23,243	14	23,257
Issuance of ordinary shares upon conversion of convertible bonds	3,236	222,158	–	–	–	–	–	–	–	225,394	–	225,394
Special distribution approved and paid during the year (Note 27(b)(ii))	–	(183,197)	–	–	–	–	–	–	–	(183,197)	–	(183,197)
Transfer between share premium accounts and contributed surplus accounts of the Company (Note 27(d)(iii))	–	(580,189)	–	–	580,189	–	–	–	–	–	–	–
Entering into an acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	(38,880)	–	(38,880)	–	(38,880)
Appropriation to reserves	–	–	–	3,452	–	–	–	–	(3,452)	–	–	–
	3,236	(541,228)	–	3,452	580,189	–	–	(38,880)	(3,452)	3,317	–	3,317
Balance at 31 March 2016	39,374	–	1,341	16,277	636,425	(17,161)	3,693	(38,880)	1,029,496	1,670,565	69,220	1,739,785

The notes on pages 51 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 March 2017

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital redemption reserve RMB'000 (Note 27(d)(i))	Statutory reserves RMB'000 (Note 27(d)(ii))	Contributed surplus RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(iv))	Fair value reserve RMB'000 (Note 27(d)(v))	Other reserve RMB'000 (Note 27(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 April 2016	39,374	–	1,341	16,277	636,425	(17,161)	3,693	(38,880)	1,029,496	1,670,565	69,220	1,739,785
Changes in equity for the year ended 31 March 2017:												
Loss for the year	–	–	–	–	–	–	–	–	(656,758)	(656,758)	–	(656,758)
Other comprehensive income	–	–	–	–	–	1,902	(1,086)	–	–	816	–	816
Total comprehensive income for the year	–	–	–	–	–	1,902	(1,086)	–	(656,758)	(655,942)	–	(655,942)
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	7,415	496,804	–	–	–	–	–	–	–	504,219	–	504,219
Acquisition of non-controlling interests of a subsidiary (Note 27(d)(vi))	–	–	–	–	–	–	–	69,220	–	69,220	(69,220)	–
Special distribution approved and paid during the year (Note 27(b)(ii))	–	–	–	–	(433,976)	–	–	–	–	(433,976)	–	(433,976)
Appropriation to reserves	–	–	–	2,479	–	–	–	–	(2,479)	–	–	–
	7,415	496,804	–	2,479	(433,976)	–	–	69,220	(2,479)	139,463	(69,220)	70,243
Balance at 31 March 2017	46,789	496,804	1,341	18,756	202,449	(15,259)	2,607	30,340	370,259	1,154,086	–	1,154,086

The notes on pages 51 to 133 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Loss before taxation		(646,436)	(279,808)
Adjustments for:			
Depreciation and amortisation	6(c)	55,682	56,018
Net loss on disposal of property, plant and equipment	5	116	271
Net loss on disposal of an available-for-sale investment		–	10,687
Interest income on cash at bank and advances due from related parties	5	(12,644)	(14,048)
Net valuation (gain)/loss on investment properties	13	(1,000)	8,800
Finance costs	6(a)	(298)	162,361
Share of losses of an associate	17	21,327	13,960
Impairment loss on goodwill	15	693,391	–
Impairment losses on trade and other receivables	6(c)	–	50,000
Net foreign exchange loss		9,166	12,666
Investment and dividend income	4(a)	(42,616)	(34,936)
Changes in working capital:			
Decrease in inventories		15,488	3,971
(Increase)/decrease in trade and other receivables		(106)	22,322
Decrease in trade and other payables		(65,776)	(10,114)
Cash generated from operations		26,294	2,150
The People's Republic of China (the "PRC") Income Tax paid	26(a)	(12,987)	(42,352)
Net cash generated from/(used in) operating activities		13,307	(40,202)
Investing activities			
Cash acquired through the acquisition of subsidiaries	28	1,573	–
Payments for the purchase of available-for-sale investments		(769,930)	(640,000)
Proceeds from sale of available-for-sale investments		742,000	520,000
Payments for purchase of property, plant and equipment		(40,161)	(43,506)
Proceeds from disposal of property, plant and equipment		346	1,260
Proceeds from disposal of an investment property		350,000	612,360
Net increase in restricted bank deposits		(119,579)	(186,442)
Interest received		12,450	9,092
Investment and dividend income received	4(a)	42,616	34,936
Net cash generated from investing activities		219,315	307,700

The notes on pages 51 to 133 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 March 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from new bank and other loans		940,580	809,981
Repayment of bank and other loans		(811,288)	(655,332)
Payments for acquisitions of non-controlling interests of a subsidiary		–	(38,880)
Special distribution paid to the equity shareholders of the Company		(433,976)	(183,197)
Finance costs paid		(57,816)	(77,346)
Net cash used in financing activities		(362,500)	(144,774)
Net (decrease)/increase in cash and cash equivalents		(129,878)	122,724
Cash and cash equivalents at 1 April	22	258,198	135,395
Effect of foreign exchange rate changes		104	79
Cash and cash equivalents at 31 March	22	128,424	258,198

The notes on pages 51 to 133 form part of these financial statements.

1 CORPORATE INFORMATION

Lisi Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 1995. The consolidated financial statements of the Company for the year ended 31 March 2017 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate. The principal activities of the Group are the manufacturing and trading of household products, the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances, the trading and sales of imported cars, and investments holding.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments (see Note 2(i)), available-for-sale investments (see Note 2(h)), investment properties (see Note 2(j)) and contingent consideration (see Note 2(w)) which are stated at their fair values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Business combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group (see Note 2(e)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill or gain on bargain purchase is accounted for in accordance with Note 2(g). Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity interests in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(f)) or joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(o)(ii)), unless the investment is classified as held-for-sale.

(f) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(o)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated statement of profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a finance asset.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated statement of profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see Note 2(o)(ii)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(o)(ii)).

(h) Other investments in debt and equity securities

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in debt and equity securities which do not fall into the categories of investments in securities held for trading and held-to-maturity are classified as available-for-sale investments. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(o)(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method is recognised in profit or loss in accordance with the policies set out in Note 2(x)(v) and Note 2(x)(vi), respectively.

When the investments are derecognised or impaired (see Note 2(o)(i)), the cumulative gain or loss is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(m)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(x)(iii).

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(o)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Leasehold land and buildings	Over the shorter of the term of lease and their estimated useful lives
Leasehold improvements	3-10 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	3-10 years
Moulds	7-10 years
Motor vehicles	4-5 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

When a property held for own use becomes an investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the property revaluation reserve within equity. Any such revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss on the date of retirement or disposal. Any loss is recognised immediately in profit or loss.

(l) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(o)(ii)).

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Customer and supplier relationships	2-6 years

Both the period and method of amortisation are reviewed annually.

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(k). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(o)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment property (see Note 2(j)).

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(o)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(o)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets

(i) Impairment of investments in debt and equity securities and receivables

Investments in debt and equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– for investment in an associate accounted for under the equity method in the consolidated financial statements (see Note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(o)(ii).

– for unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows: (continued)

– for trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– for available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease (except properties classified as investment properties);

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(o)(i) and 2(o)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(q) Convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative components of the convertible bonds are measured at fair value (see Note 2(i)). Any excess of proceeds over the amount initially recognised as the derivative components is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative components is recognised immediately in profit or loss.

The derivative components are subsequently remeasured in accordance with Note 2(i). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, have been with within three months of maturity at acquisition.

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to profit or loss when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or cost of construction in progress not yet transferred to property, plant and equipment.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objectives is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of goods and net income from concession sales*

Revenue arising from the sale of goods and net income from concession sales are recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue or net income excludes value added tax or other sales tax and is after deduction of any sales discounts. No revenue or net income is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or continuing management involvement with the goods.

(ii) *Service fee and commission income*

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is recognized when the related agent services are rendered at the net amount of commission received or to be received by the Group.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Customer loyalty programme*

The Group's customer loyalty programme awards customers credits which entitle the customers to the right to exchange for programme credits. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the programme credits and the other components of the sale. The amount allocated to the programme credits is estimated by reference to the fair value of the right to exchange for programme credits offered under the customer loyalty programme, adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised when the programme credits are redeemed and the Group has fulfilled its obligations to supply the programme credits offered under the customer loyalty programme. Deferred revenue is also released to revenue when it is no longer considered probable that the programme credits will be redeemed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(y) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 15 and 33 contain information about the assumptions and their risk factors relating to valuation of investment properties, goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the customers and debtors to make the required payments. The management bases the estimates on the ageing of the individual receivable balance, customer and debtor credit-worthiness and historical write-off experience. If the financial condition of the customers or debtors were to deteriorate, actual write-offs would be higher than estimated.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Impairment of assets

If circumstances indicate that the carrying amount of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of assets as described in Note 2(o). The carrying amounts of assets are reviewed and tested for impairment, where applicable, periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(c) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The management reviews the estimated useful lives and the residual values, if any, of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The determination of the useful lives and the residual values, if any, are based on historical experience with similar assets. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(d) Deferred taxation

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and trading of household products, the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances, the trading and sales of imported cars and investments holding.

The amount of each significant category of revenue and net income recognised during the year is as follows:

	2017 RMB'000	2016 RMB'000
Sales of goods:		
– manufacturing and trading of household products	340,827	369,387
– retail operation of department stores and supermarkets	333,299	316,126
– wholesale of wine and beverages and electrical appliances	264,809	257,637
– trading and sales of imported cars	159,513	–
	1,098,448	943,150
Net income from concession sales#	10,097	17,071
Rental income from operating leases	29,809	35,350
Service fee and commission income	58,722	55,202
Investment and dividend income	42,616	34,936
	1,239,692	1,085,709

The gross revenue arising from concession sales charged to retailed customer for the year ended 31 March 2017 is RMB82,240,000 (2016: RMB124,697,000).

Information on revenue from external customers contributing over 10% of the Group's sales of goods which arose from the manufacturing and trading of household products business, is as follows:

	2017 RMB'000	2016 RMB'000
Customer A	112,029	130,555

In respect of the Group's retail operation of department stores and supermarkets, wholesale of wine and beverages and electrical appliances and trading and sales of imported cars, the directors of the Company consider that the customer bases are diversified and have no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 March 2017 and 2016.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

Details of concentrations of credit risk are set out in Note 33(a).

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its business by lines of business. In view of the acquisition of a new line of business through the acquisition of subsidiaries as mentioned in Note 28, namely the car-sale business for the trading and sales of imported cars, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has decided to add car-sale business as a separate reportable segment and present the following five reportable segments for the year ended 31 March 2017:

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

– Retail: this segment manages the department stores and supermarket operations.

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

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

– 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 securities and interest expenses is presented.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

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 years ended 31 March 2017 and 2016 is set out below.

	2017					
	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Car-sale RMB'000	Investments holding RMB'000	Total RMB'000
Revenue and net income from external customers	340,827	430,375	266,162	159,537	42,616	1,239,517
Inter-segment revenue	–	–	3,343	–	–	3,343
Reportable segment revenue and net income	340,827	430,375	269,505	159,537	42,616	1,242,860
Reportable segment gross profit	91,058	77,202	27,353	10,191	42,616	248,420

	2016				
	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Investments holding RMB'000	Total RMB'000
Revenue and net income from external customers	369,387	422,086	258,599	34,936	1,085,008
Inter-segment revenue	–	–	3,437	–	3,437
Reportable segment revenue and net income	369,387	422,086	262,036	34,936	1,088,445
Reportable segment gross profit	104,023	99,005	13,894	34,936	251,858

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue and net income

	2017 RMB'000	2016 RMB'000
Revenue and net income		
Reportable segment revenue and net income	1,242,860	1,088,445
Elimination of inter-segment revenue	(3,343)	(3,437)
Unallocated revenue	175	701
Consolidated revenue	1,239,692	1,085,709
Gross profit		
Reportable segment gross profit	248,420	251,858
Gross gain of unallocated items	175	701
Consolidated gross profit	248,595	252,559

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue and net income from external customers and (ii) the Group's property, plant and equipment, investment properties, intangible assets, goodwill and available-for-sale investments (together as "specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and investment properties, and the location of the operations to which they are allocated, in the case of intangible assets, goodwill and available-for-sale investments.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

	Revenue and net income from external customers		Specified non-current assets	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
The PRC (including Hong Kong) (place of domicile)	904,453	721,608	2,031,622	1,413,386
The United States	273,709	308,910	–	–
Europe	22,358	17,184	–	–
Canada	15,588	10,467	–	–
Others	23,584	27,540	–	–
	1,239,692	1,085,709	2,031,622	1,413,386

5 OTHER INCOME

	2017 RMB'000	2016 RMB'000
Interest income on cash at bank and advances due from related parties	12,644	14,048
Government grants	6,609	2,814
Net gain from sale of scrap materials	175	394
Net loss on disposal of property, plant and equipment	(116)	(271)
Others	681	1,991
	19,993	18,976

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2017 RMB'000	2016 RMB'000
Interest on bank and other borrowings	46,857	58,203
Finance charges on convertible bonds	–	1,649
Bank charges and other finance costs	11,370	11,962
Total borrowing costs	58,227	71,814
Changes in fair value of contingent consideration (Note 25)	(56,338)	–
Changes in fair value of the derivative components of convertible bonds	–	90,547
Changes in fair value of forward foreign exchange contract	(2,187)	–
	(298)	162,361

No borrowing costs have been capitalised for the year ended 31 March 2017 (2016: RMBNil).

(b) Staff costs#

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	110,336	118,902
Contributions to defined contribution retirement plans	9,290	6,839
	119,626	125,741

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 14% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of Hong Kong Dollars ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs# (continued)

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items

	2017 RMB'000	2016 RMB'000
Cost of inventories# (Note 19)	961,434	807,927
Auditors' remuneration		
– statutory audit service	2,800	1,800
– other services related to acquisition of subsidiaries	2,700	–
Depreciation and amortisation# (Notes 12 and 16)	55,682	56,018
Impairment losses on trade and other receivables (Note 20(ii))	–	50,000
Operating lease charges in respect of properties	33,557	35,257
Net foreign exchange loss	9,166	12,787

Cost of inventories includes RMB60,564,000 (2016: RMB67,639,000) for the year ended 31 March 2017, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current taxation – PRC Corporate Income Tax (Note 26(a)):		
– Provision for the year	13,929	12,018
– Over-provision in respect of prior years	(1,171)	(314,745)
	12,758	(302,727)
Deferred taxation (Note 26(b)):		
– Origination and reversal of temporary differences	(2,436)	(4,186)
– Write-down of deferred tax assets	–	2,093
	(2,436)	(2,093)
	10,322	(304,820)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2017 RMB'000	2016 RMB'000
Loss before taxation	(646,436)	(279,808)
Expected tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	(105,767)	(59,500)
Tax effect of non-deductible expenses (Note (v))	120,910	63,378
Tax effect of non-taxable income	(10,169)	(131)
Tax effect of share of losses of an associate	5,332	3,490
Tax effect of write-down of deferred tax assets	–	2,093
Tax effect of unused tax losses not recognised (Note 26(c))	5,012	595
Tax effect of PRC tax concessions (Note (iv))	(3,825)	–
Over-provision in respect of prior years	(1,171)	(314,745)
Income tax	10,322	(304,820)

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 March 2017 is 16.5% (2016: 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 year ended 31 March 2017 (2016: RMBNil).

(ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) Certain subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2016: 25%).

(iv) One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2016 to 2018 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 March 2017.

(v) Non-deductible expenses for the year ended 31 March 2017 mainly represents the impairment loss of goodwill arising from the acquisition of subsidiaries and certain expenses without invoices.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr Li Lixin	–	–	–	–	–
Mr Cheng Jianhe	–	–	–	–	–
Ms Jin Yaxue	–	420	159	12	591
Mr Tong Xin (appointed on 7 February 2017)	–	–	–	–	–
Non-Executive Director					
Mr Lau Kin Hon	–	–	–	–	–
Independent Non-Executive Directors					
Mr He Chengying	104	–	–	–	104
Mr Cheung Kiu Cho Vincent	104	–	–	–	104
Mr Shin Yick Fabian	125	–	–	–	125
	333	420	159	12	924

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2016				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr Li Lixin	–	–	–	–	–
Mr Cheng Jianhe	–	–	–	–	–
Ms Jin Yaxue	–	420	218	12	650
Non-Executive Director					
Mr Lau Kin Hon	–	–	–	–	–
Independent Non-Executive Directors					
Mr He Chengying	98	–	–	–	98
Mr Cheung Kiu Cho Vincent	98	–	–	–	98
Mr Shin Yick Fabian	117	–	–	–	117
	313	420	218	12	963

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: one) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining four (2016: four) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	2,283	2,199
Discretionary bonuses	639	564
Retirement scheme contributions	55	53
	2,977	2,816

The emoluments of the employees who are not director and who are amongst the five highest paid individuals of the Group are within the following bands:

	2017	2016
(In HK$)		
Nil – 1,000,000	2	2
1,000,001 – 1,500,000	2	2

10 OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Available-for-sale debt securities:						
Net movement in fair value reserve	(1,448)	362	(1,086)	(6,365)	1,591	(4,774)
Exchange differences on translation into presentation currency	1,902	–	1,902	3,019	–	3,019
Other comprehensive income	454	362	816	(3,346)	1,591	(1,755)

11 (LOSS)/EARNINGS PER SHARE

(a) **Basic (loss)/earnings per share**

The calculation of basic loss per share for the year ended 31 March 2017 is based on the loss attributable to ordinary equity shareholders of the Company of RMB656,758,000 (2016: profit attributable to ordinary equity shareholders of the Company of RMB24,998,000) and the weighted average of 4,740,836,000 ordinary shares (2016: 4,509,765,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2017 '000	2016 '000
Issued ordinary shares at 1 April	4,581,632	4,176,964
Effect of issuance of ordinary shares on 7 February 2017 (Note 27(c)(ii))	121,751	–
Effect of contingently issuable shares on 31 March 2017 (Note 35)	37,453	–
Effect of issuance of ordinary shares upon conversion of convertible bonds	–	332,801
Weighted average number of ordinary shares at 31 March	4,740,836	4,509,765

(b) **Diluted (loss)/earnings per share**

There are no dilutive potential ordinary shares during the year ended 31 March 2017 and 2016.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Moulds RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 April 2015	849,782	94,143	46,355	71,189	159,413	5,894	5,547	1,232,323
Exchange adjustments	–	10	–	34	–	–	–	44
Additions	–	5,505	6,618	1,509	–	2,058	21,495	37,185
Transfer in/(out)	–	–	–	–	19,415	–	(19,415)	–
Disposals	–	–	(1,032)	(4,253)	–	(1,134)	–	(6,419)
At 31 March 2016	849,782	99,658	51,941	68,479	178,828	6,818	7,627	1,263,133
Accumulated depreciation and impairment losses:								
At 1 April 2015	(111,584)	(46,616)	(13,191)	(59,607)	(117,906)	(2,955)	–	(351,859)
Exchange adjustments	–	(2)	–	(28)	–	–	–	(30)
Charge for the year	(22,714)	(11,756)	(4,478)	(3,684)	(6,777)	(1,235)	–	(50,644)
Written back on disposals	–	–	454	3,778	–	656	–	4,888
At 31 March 2016	(134,298)	(58,374)	(17,215)	(59,541)	(124,683)	(3,534)	–	(397,645)
Net book value:								
At 31 March 2016	715,484	41,284	34,726	8,938	54,145	3,284	7,627	865,488

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Moulds RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 April 2016	849,782	99,658	51,941	68,479	178,828	6,818	7,627	1,263,133
Exchange adjustments	–	15	–	55	–	–	–	70
Additions	–	9,646	4,351	4,632	10,588	1,571	3,538	34,326
Additions through acquisition of subsidiaries (Note 28)	–	202	–	101	–	–	–	303
Transfer in/(out)	–	–	–	–	11,098	–	(11,098)	–
Disposals	–	(16)	(550)	(1,484)	–	(892)	(67)	(3,009)
At 31 March 2017	849,782	109,505	55,742	71,783	200,514	7,497	–	1,294,823
Accumulated depreciation and impairment losses:								
At 1 April 2016	(134,298)	(58,374)	(17,215)	(59,541)	(124,683)	(3,534)	–	(397,645)
Exchange adjustments	–	(6)	–	(43)	–	–	–	(49)
Additions through acquisition of subsidiaries (Note 28)	–	(152)	–	(39)	–	–	–	(191)
Charge for the year	(22,624)	(12,367)	(4,681)	(2,735)	(8,804)	(1,065)	–	(52,276)
Written back on disposals	–	16	362	1,410	–	759	–	2,547
At 31 March 2017	(156,922)	(70,883)	(21,534)	(60,948)	(133,487)	(3,840)	–	(447,614)
Net book value:								
At 31 March 2017	692,860	38,622	34,208	10,835	67,027	3,657	–	847,209

(i) At 31 March 2017, property certificates of certain properties with an aggregate net book value of RMB16,272,000 (31 March 2016: RMB16,739,000) are yet to be obtained.

(ii) Certain of the Group's leasehold land and buildings were pledged against bank loans drawn by the Group (see Note 24(c)).

13 INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Valuation:		
At 1 April	425,390	434,190
Fair value adjustments:		
– gains/(losses) included in the consolidated statement of profit or loss	1,000	(8,800)
At 31 March	426,390	425,390

Notes:

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

13 INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

(a) Fair value measurement of investment properties (continued)

(i) Fair value hierarchy (continued)

Recurring fair value measurements	**Fair value measurements categorised into Level 2 at 31 March**	
	2017 RMB'000	2016 RMB'000
Investment properties	426,390	425,390

During the year ended 31 March 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 March 2017. The valuations were carried out by a qualified surveyor, DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd., who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The Group's Chief Financial Officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties located in the PRC is determined using income capitalisation approach.

(b) Certain of the Group's investment properties were pledged against bank loans drawn by the Group (see Note 24(c)).

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Da Mei (Ningbo) Electrical Appliance Limited* 達美(寧波)電器有限公司	The PRC	Registered and paid-up capital of United States dollar ("US$") 49,217,379	100%	–	100%	Manufacture and sale of household electrical appliances and plastic products
Jinda Plastic Metal Products (Shenzhen) Company Limited* 金達塑膠五金製品(深圳)有限公司	The PRC	Registered and paid-up capital of HK$180,000,000	100%	–	100%	Property holding
Ningbo New JoySun Corp.* ("New JoySun") 寧波新江廈股份有限公司	The PRC	Registered and paid-up capital of RMB60,000,000	100%	–	100%	Wholesale of household products and wine and beverages, operation of department stores, and provision of financing to group companies
Ningbo New JoySun HVAC equipment Limited* (AKA: Ningbo New JoySun Electrical Appliance Departmental Store Wholesale Limited) 寧波新江廈暖通設備有限公司(原寧波新江廈家電百貨批發有限公司)	The PRC	Registered and paid-up capital of RMB10,000,000	100%	–	100%	Wholesale and installation of household electrical appliances and HVAC equipment
Ningbo New JoySun Supermarket Chain Limited*/*** ("New JoySun Supermarket") 寧波新江廈連鎖超市有限公司	The PRC	Registered and paid-up capital of RMB30,000,000	100%	–	100%	Operation of supermarkets
Ningbo New JoySun Logistic Limited*/*** 寧波新江廈物流有限公司	The PRC	Registered and paid-up capital of RMB5,000,000	100%	–	100%	Provision of transportation and logistic services to group companies

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Quzhou Lisi Supermarket Limited*/*** 衢州利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	100%	–	100%	Operation of supermarket
Tonglu Lisi Supermarket Limited*/*** 桐廬利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	100%	–	100%	Operation of supermarket
Xiangshan Lisi Department Store Limited* 象山利時百貨有限公司	The PRC	Registered and paid-up capital of RMB20,000,000	100%	–	100%	Operation of department store
Ningbo Lisi Household Products Company Limited* 寧波利時日用品有限公司	The PRC	Registered and paid-up capital of HK$50,000,000	100%	–	100%	Manufacturing and trading of plastic and metallic household products
Tonglu New JoySun Supermarket Limited* 桐廬新江廈超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	100%	–	100%	Operation of supermarket
Haiyan New JoySun Supermarket Limited* 海鹽新江廈超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	100%	–	100%	Operation of supermarket
Mega Convention Group Limited**("Mega Convention")	British Virgin Islands	Registered and paid-up capital of US$50,000	100%	100%	–	Investment holding
Tianjin Calistar Automall Operation Management Company Limited*/** 天津開利星空汽車城運營管理有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Trading and sales of Imported cars and providing related services, and the provision of agency services for trading of cars

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

** These companies were acquired by the Group on 7 February 2017 as mentioned in Note 28.

*** As disclosed in Note 29, New JoySun Supermarket became a wholly-owned subsidiary of the Group on 7 April 2016.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Following the acquisition of all the then non-controlling interests of New JoySun Supermarket on 7 April 2016 (see Note 29), the Group does not have any non-controlling interests ("NCI") as at 31 March 2017 and the NCI for the year then ended are considered as immaterial. The following table lists out the combined financial information of Ningbo New JoySun Supermarket Chain Limited and its subsidiaries, the only sub-group within the Group which has material NCI for the year ended 31 March 2016. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016 RMB'000
NCI percentage	18%
Non-current assets	561,054
Current assets	573,676
Current liabilities	(645,307)
Non-current liabilities	(104,870)
Net assets	384,553
Carrying amount of NCI	69,220
Revenue	443,684
Profit for the year	78
Profit allocated to NCI	14

15 GOODWILL

	RMB'000
Cost:	
At 1 April 2015, 31 March 2016 and 1 April 2016	43,313
Addition through acquisition of subsidiaries (Note 28)	1,329,844
At 31 March 2017	1,373,157
Accumulated impairment losses:	
At 1 April 2015, 31 March 2016 and 1 April 2016	–
Impairment losses	(693,391)
At 31 March 2017	(693,391)
Carrying amount:	
At 31 March 2017	679,766
At 31 March 2016	43,313

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:

	2017 RMB'000	2016 RMB'000
Manufacturing and trading	43,313	43,313
Car-sale	636,453	–
	679,766	43,313

15 GOODWILL (CONTINUED)

Manufacturing and trading

On 31 March 2011, the Group acquired the 100% equity interests of Wealthy Glory Holdings Limited for a consideration of RMB90,000,000. The excess of the cost of the purchase over the net fair value of the identifiable net assets of Wealthy Glory Holdings Limited and its subsidiaries (the "Wealthy Glory Group") of RMB43,313,000 was recorded as goodwill and allocated to the Wealthy Glory Group's manufacturing and trading of household products business (the "manufacturing and trading CGU").

The recoverable amount of the manufacturing and trading CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. These cash flow projections adopted annual growth rates ranging from 3% to 8% (2016: from 5% to 10%), which are based on the Group's historical experience with this business and adjusted for other factors that are specific to the manufacturing and trading CGU. Cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate (2016: 2%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 18% (2016: 22%). The discount rates used are pre-tax and reflect specific risks relating to the manufacturing and trading CGU.

Car-sale

On 7 February 2017, the Group acquired the 100% equity interest of Mega Convention for a consideration of RMB1,491,625,000 (see Note 28). The excess of the cost of the purchase over the net fair value of the identifiable net assets of Mega Convention and its subsidiaries (the "Mega Convention Group") of RMB1,329,844,000 was recorded as goodwill and allocated to the Mega Convention Group's car-sale business (the "car-sale CGU").

The recoverable amount of the car-sale CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. These cash flow projections adopted annual growth rates ranging from 10% to 12%, which are based on the Group's historical experience with this business and adjusted for other factors that are specific to the car-sale CGU. Cash flows beyond the five-year period are extrapolated using a 2.5% long-term growth rate, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 19%. The discount rates used are pre-tax and reflect specific risks relating to the car-sale CGU.

The impairment loss recognised during the year relates to the Group's car-sale CGU. As the car-sale CGU has been reduced to its recoverable amount of RMB798,235,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

16 INTANGIBLE ASSETS

	Customer and supplier relationships RMB'000
Cost:	
At 1 April 2015, 31 March 2016 and 1 April 2016	29,456
Addition through acquisition of subsidiaries (Note 28)	4,468
At 31 March 2017	33,924
Accumulated amortisation:	
At 1 April 2015	(17,081)
Charge for the year	(5,374)
At 31 March 2016	(22,455)
Charge for the year	(3,406)
At 31 March 2017	(25,861)
Net book value:	
At 31 March 2017	8,063
At 31 March 2016	7,001

The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

17 INTERESTS IN AN ASSOCIATE

The following list contains the particulars of the Group's associate, which is an unlisted entity whose quoted market price is not available:

			Proportion of ownership interest			
Name of associate	Place of establishment and operations	Particulars of registered and paid-up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Veritas-Msi (China) Company Limited 寧波威瑞泰默賽多相流儀器設備有限公司	The PRC	Registered and paid-up capital of RMB32,832,887	24.76%	–	24.76%	Development and provision of separation technology on natural resources

The above associate is accounted for using the equity method in the consolidated financial statements.

17 INTERESTS IN AN ASSOCIATE (CONTINUED)

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2017 RMB'000	2016 RMB'000
Gross amounts of the associate:		
Non-current assets	145,251	149,129
Current assets	62,790	157,248
Current liabilities	(219,053)	(232,526)
Non-current liabilities	(20,717)	(19,445)
Net (liabilities)/assets	(31,729)	54,406
Revenue	23,405	99,336
Loss for the year	(86,137)	(56,380)
Group's effective interest	24.76%	24.76%
Group's share of losses of the associate	(21,327)	(13,960)
Reconciliation to the Group's interests in the associate		
Gross amounts of net (liabilities)/assets of the associate	(31,729)	54,406
Group's effective interest	24.76%	24.76%
Group's share of net assets of the associate	–	13,471
Goodwill	4,857	12,713
Carrying amount in the consolidated financial statements	4,857	26,184

18 AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Non-current assets		
Unlisted equity securities (Note (i))	70,194	72,194
Current assets		
Unlisted debt securities (Note (ii))		
– with original maturity more than three months	653,476	524,924
– with original maturity within three months	19,930	120,000
	673,406	644,924

Note (i): The balance represents the Group's investments in unquoted equity securities of a PRC company and are measured in accordance with the accounting policy set out in Note 2(h).

Note (ii): The unlisted debt securities represent wealth management products issued by financial institutions with variable returns, and are measured in accordance with the accounting policies set out in Note 2(h).

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Raw materials	32,291	32,438
Work in progress	16,225	12,823
Finished goods	11,437	12,240
Merchandises	149,225	90,586
	209,178	148,087

(b) An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	961,434	807,927

All of the inventories are expected to be recovered within one year.

20 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables from (Notes 20(i) and 20(iii)):		
– Third parties	27,589	28,609
– Companies under the control of the controlling equity shareholder of the Company (the "Controlling Shareholder") (Note (a))	167,061	154,981
– A then non-controlling equity holder of a subsidiary of the Group	–	11,245
Bills receivable	3,899	4,076
	198,549	198,911
Less: allowance for doubtful debts (Note 20(ii))	–	–
	198,549	198,911
Amounts due from related companies:		
– Amounts due from companies under the control of the Controlling Shareholder (Note (b))	334	1,005
– Amount due from an associate (Note (c))	5,956	5,556
– Amount due from a company under the control of a non-controlling shareholder of the Company (Note (b))	200	–
	6,490	6,561
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	4,233	4,690
– Prepayments for purchase of inventories (Note (d))	102,259	20,362
– Advances to third parties	31,410	3,104
– Receivable from the disposal of investment property	104,000	469,040
– Deposits for parallel importation of cars to a company under the control of a non-controlling shareholder of the Company	50,000	–
– Derivative financial instruments (Notes 33(d)(i) & (e))	2,187	–
– Others	18,076	16,003
	312,165	513,199
Less: allowance for doubtful debts (Note 20(ii))	–	–
	312,165	513,199
	517,204	718,671

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note (a): The balance mainly related to transactions under an export agency agreement entered into between the Group and a company under the control of the Controlling Shareholder which has been approved by the independent equity shareholders of the Company on 26 February 2013. The agreement has been renewed on 16 December 2015 and approved by the independent equity shareholders of the Company on 15 February 2016.

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

Note (c): The amount is unsecured, bears interest at 8% per annum (31 March 2016: 8% per annum) and is repayable in November 2017 (31 March 2016: repayable in November 2016).

Note (d): Included in the balance are prepayments of RMB15,907,000 at 31 March 2017 (2016: RMBNil) made to a company under the control of a non-controlling shareholder of the Company.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(i) Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Within 1 month	38,192	43,793
More than 1 month but less than 3 months	110,611	88,685
Over 3 months	49,746	66,433
	198,549	198,911

Further details on the Group's credit policy are set out in Note 33(a).

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 2(o)(i)).

The movements in the allowance for doubtful debts during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 April	–	–
Impairment losses recognised	–	50,000
Uncollectible amounts written off	–	(50,000)
At 31 March	–	–

At 31 March 2017, none of the Group's trade and other receivables are individually determined to be impaired (31 March 2016: other receivable of RMB519,040,000 was partially impaired).

(iii) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	139,706	123,708
Less than 1 month past due	44,004	59,767
More than 1 month but less than 3 months past due	10,894	9,108
More than 3 months past due	3,945	6,328
	58,843	75,203
	198,549	198,911

Receivables that were neither past due nor impaired relate to bills receivable from the issuing banks and customers for whom there was no recent history of default.

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21 RESTRICTED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Pledged deposits for issuance of bank bills	105,850	139,416
Pledged deposits for issuance of letter of credit	334,108	180,000
	439,958	319,416

22 CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	128,424	258,198

The Group's operations in the PRC conduct their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

23 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables to:		
– Third parties	164,727	166,955
– Companies under the control of the Controlling Shareholder	47,068	52,370
	211,795	219,325
Bills payable	40,423	101,522
	252,218	320,847
Amounts due to related companies:		
– Companies under the control of the Controlling Shareholder (Note (i))	29,202	27,212
– Companies under the control of a non-controlling shareholder of the Company (Note (i))	580	–
	29,782	27,212
Accrued charges and other payables:		
– Accrued expenses	20,321	23,977
– Payables for staff related costs	39,290	34,965
– Deposits from customers and suppliers	40,555	6,226
– Payables for interest expenses	4,822	4,390
– Payables for miscellaneous taxes	6,771	4,912
– Others	17,545	15,099
	129,304	89,569
Financial liabilities measured at amortised cost	411,304	437,628
Current portion of contingent consideration (Note 25)	146,256	–
Advances received from customers	74,712	68,717
	632,272	506,345

Note:

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

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

23 TRADE AND OTHER PAYABLES (CONTINUED)

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:

	2017 RMB'000	2016 RMB'000
Within 1 month	104,618	116,916
Over 1 month but within 3 months	92,495	76,222
Over 3 months but within 6 months	43,261	106,896
Over 6 months	11,844	20,813
	252,218	320,847

24 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans are analysed as follows:

	2017 RMB'000	2016 RMB'000
Bank loans:		
– Pledged by bank bills	111,200	138,250
– Pledged by bank deposits	308,076	192,205
– Pledged by bills of mechandises' ownership	22,141	–
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(c))	322,400	267,300
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder (Note 24(c))	80,000	100,000
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder and secured by their property, plant and equipment (Note 24(c))	49,000	39,000
– Secured by leasehold land of a company under the control of the Controlling Shareholder and guaranteed by companies under the control of the Controlling Shareholder	30,000	–
– Guaranteed by companies under the control of the Controlling Shareholder	–	30,000
	922,817	766,755

24 BANK AND OTHER LOANS (CONTINUED)

(a) The Group's short-term bank and other loans are analysed as follows: (continued)

	2017 RMB'000	2016 RMB'000
Loans from third parties:		
– Unguaranteed and unsecured	5,631	5,291
Loans from a company under the control of the Controlling Shareholder:		
– Unguaranteed and unsecured	13,199	416
	941,647	772,462
Add:		
– Current portion of long-term bank loans (Note 24(b))	23,065	17,765
	964,712	790,227

(b) The Group's long-term bank loans are analysed as follows:

	2017 RMB'000	2016 RMB'000
Bank loans:		
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(c))	271,615	289,380
Less:		
– Current portion of long-term bank loans (Note 24(a))	(23,065)	(17,765)
	248,550	271,615

The Group's long-term bank loans are repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	23,065	17,765
After 1 year but within 2 years	45,950	23,065
After 2 years but within 5 years	202,600	205,950
After 5 years	–	42,600
	271,615	289,380

24 BANK AND OTHER LOANS (CONTINUED)

(b) The Group's long-term bank loans are analysed as follows: (continued)

All of the non-current interest-bearing borrowings are carried at amortised cost and are not expected to be settled within one year.

At 31 March 2017, the Group's banking facilities amounted to RMB1,509,190,000 (31 March 2016: RMB562,752,000) were utilised to the extent of RMB510,397,000 (31 March 2016: RMB386,205,000).

(c) Certain of the Group's bank loans are secured by the Group's leasehold land and buildings and investment properties. The aggregate carrying values of the secured leasehold land and buildings and investment properties are analysed as follows:

	2017 RMB'000	2016 RMB'000
Pledged for short-term bank loans:		
Leasehold land and buildings (Note 12)	195,786	185,606
Investment properties (Note 13)	358,390	357,390
	554,176	542,996
Pledged for long-term bank loans:		
Leasehold land and buildings (Note 12)	449,289	465,029
Investment properties (Note 13)	54,000	54,000
	503,289	519,029
	1,057,465	1,062,025

(d) Certain of the Group's bank loans are subject to the fulfillment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 33(b). At 31 March 2017, none of the covenants relating to the bank loans had been breached (31 March 2016: None).

25 CONTINGENT CONSIDERATION

	Contingent consideration RMB'000
At 1 April 2016	–
Acquisition of subsidiaries (Note 28)	987,406
Fair value changes (Note 6(a))	(56,338)
	931,068
Less: current portion (Note 23)	(146,256)
At 31 March 2017	784,812

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements in current taxation in the consolidated statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Balance of income tax payable at 1 April	4,314	349,393
Additions through acquisition of subsidiaries (Note 28)	1,233	–
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	13,929	12,018
Over-provision in respect of prior years (Note 7(a))	(1,171)	(314,745)
Income tax paid	(12,987)	(42,352)
Balance of income tax payable at 31 March	5,318	4,314

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets					Liabilities				
Deferred tax arising from:	Unused tax losses	Accrued operating lease expenses	Impairment losses on property, plant and equipment	Accrued expenses	Total	Fair value adjustments on property, plant and equipment, investment properties and intangible assets and related depreciation and amortisation	Tax allowance in excess of depreciation on property, plant and equipment	Fair value adjustments on available-for-sale debt securities	Total	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2015	28,768	3,272	3,080	–	35,120	(239,411)	(13,151)	(2,822)	(255,384)	(220,264)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	–	(82)	(2,146)	–	(2,228)	5,191	(870)	–	4,321	2,093
Credited to reserves (Note 10)	–	–	–	–	–	–	–	1,591	1,591	1,591
At 31 March 2016 and 1 April 2016	28,768	3,190	934	–	32,892	(234,220)	(14,021)	(1,231)	(249,472)	(216,580)
Additions through acquisition of subsidiaries (Note 28)	–	–	–	–	–	(1,117)	–	–	(1,117)	(1,117)
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	–	41	(54)	230	217	2,829	(610)	–	2,219	2,436
Credited to reserves (Note 10)	–	–	–	–	–	–	–	362	362	362
At 31 March 2017	28,768	3,231	880	230	33,109	(232,508)	(14,631)	(869)	(248,008)	(214,899)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(v), the Group has not recognised deferred tax assets in respect of unused tax losses arising from certain subsidiaries of the Group of RMB119,248,000 (31 March 2016: RMB98,165,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB73,617,000 (31 March 2016: RMB70,573,000) which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2017 will expire on or before 31 December 2022.

(d) Deferred tax liabilities not recognised

At 31 March 2017, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB1,546,310,000 (31 March 2016: RMB1,486,982,000). Deferred tax liabilities of RMB77,316,000 (31 March 2016: RMB74,349,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

The Company

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital redemption reserve RMB'000 (Note 27(d)(i))	Contributed surplus RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(iv))	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 April 2015	36,138	541,228	1,341	80,583	(20,648)	(105,653)	532,989
Changes in equity for the year ended 31 March 2016:							
Profit and total comprehensive income	–	–	–	–	–	273,516	273,516
Issuance of ordinary shares upon conversion of convertible bonds	3,236	222,158	–	–	–	–	225,394
Special distribution approved and paid during the year (Note 27(b)(ii))	–	(183,197)	–	–	–	–	(183,197)
Transfer between share premium accounts and contributed surplus accounts of the Company	–	(580,189)	–	580,189	–	–	–
	3,236	(541,228)	–	580,189	–	273,516	315,713
At 31 March 2016 and 1 April 2016	39,374	–	1,341	660,772	(20,648)	167,863	848,702
Changes in equity for the year ended 31 March 2017:							
Loss and total comprehensive income	–	–	–	–	–	(655,084)	(655,084)
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	7,415	496,804	–	–	–	–	504,219
Special distribution approved and paid during the year (Note 27(b)(ii))	–	–	–	(433,976)	–	–	(433,976)
	7,415	496,804	–	(433,976)	–	(655,084)	(584,841)
At 31 March 2017	46,789	496,804	1,341	226,796	(20,648)	(487,221)	263,861

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends/distribution

(i) The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: RMBNil).

(ii) Special distribution payable to equity shareholders of the Company approved and paid during the year:

	2017 RMB'000	2016 RMB'000
Special distribution approved and paid during the year	433,976	183,197

(c) Share capital

(i) Issued share capital

	2017		2016	
	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

	2017		2016	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 April	4,581,632	39,374	4,176,964	36,138
Issuance of ordinary shares on acquisition of subsidiaries (Notes 27(c)(ii) and 28)	838,477	7,415	–	–
Issuance of ordinary shares upon conversion of convertible bonds	–	–	404,668	3,236
At 31 March	5,420,109	46,789	4,581,632	39,374

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.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) On 7 February 2017, the Company issued 838,477,319 new ordinary shares to Mighty Mark Investments Limited ("Mighty Mark") as the first tranche consideration shares ("Tranche A consideration shares") for acquisition of 100% equity interests in Mega Convention (see Note 28) from Mighty Mark, at a price of HK$0.68 each (determined based on the closing price of the Company's ordinary shares on the Stock Exchange on 7 February 2017). HK$8,384,773 (equivalent to approximately RMB7,415,000) of the deemed proceeds from the Tranche A consideration shares were credited to the Company's share capital. The remaining deemed proceeds from the Tranche A consideration shares of HK$561,780,000 (equivalent to approximately RMB496,804,000) were credited to the Company's share premium account.

(d) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium and capital redemption reserve accounts is governed by Section 40 and Section 42A of the Bermuda Companies Act 1981, respectively.

(ii) Statutory reserves

In accordance with the articles of association of the subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfer of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(iii) Contributed surplus

The contributed surplus of the Group represented the difference between the nominal value of the aggregate share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal value of the Company's shares issued as consideration for the acquisition took place during a reorganisation of the Group in 1995.

Pursuant to a resolution passed by the Directors of the Company on 16 December 2015, the Company proposed to transfer full amount from share premium accounts to contributed surplus accounts of the Company.

Upon completion of the above transfer, which was approved by the equity shareholders of the Company at the Company's Special General Meeting on 15 February 2016, an amount of HK$715.3 million (equivalent to approximately RMB580.2 million) was transferred from share premium accounts to contributed surplus accounts of the Company.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which have a functional currency other than RMB into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(y).

(v) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale debt securities held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in Note 2(h).

(vi) Other reserve

The balance of other reserve as at 31 March 2017 represents the difference between the consideration paid and the carrying values of the non-controlling interests of New JoySun Supermarket acquired by the Group in April 2016 as mentioned in Note 29. The balance as at 31 March 2016 represented recognition for the present value of exercise price of the equity transfer agreement the Company entered into on 3 August 2015 to acquire 18% equity interests in New JoySun Supermarket from the then non-controlling equity holder of New JoySun Supermarket at a consideration of RMB38.9 million.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other loans, convertible bonds, and trade and other payables) plus unaccrued proposed dividends/distributions, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends/distributions.

During 2017, the Group's strategy was to maintain the adjusted net debt-to-capital ratio to a similar level in 2016. In order to improve the Group's capital structure, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 March 2017 and 2016 was as follows:

	2017 RMB'000	2016 RMB'000
Current liabilities:		
Trade and other payables	632,272	506,345
Bank and other loans	964,712	790,227
	1,596,984	1,296,572
Non-current liabilities:		
Bank and other loans	248,550	271,615
Total debt	1,845,534	1,568,187
Less: Cash and cash equivalents	(128,424)	(258,198)
Contingent consideration to be settled by issuance of ordinary shares	(146,256)	–
Adjusted net debt	1,570,854	1,309,989
Total equity and adjusted capital	1,154,086	1,739,785
Adjusted net debt-to-capital ratio	136%	75%

28 ACQUISITION OF SUBSIDIARIES

On 9 August 2016, the Company enter into an acquisition agreement with Mighty Mark, pursuant to which the Company agreed to acquire 100% interests in Mega Convention from Mighty Mark through issuance of ordinary shares in the Company in three tranches as consideration.

Upon completion of the above acquisition on 7 February 2017, the Company issued 838,477,319 ordinary shares as Tranche A consideration shares to Mighty Mark and its two designated parties (see Note 27(c)(ii)), and acquired 100% equity interests in Mega Convention and its subsidiaries.

The second tranche consideration shares ("Tranche B consideration shares") are conditional and will only be issued if the audited net profit of the Mega Convention Group for the year ending 31 December 2016 is no less than RMB30.0 million. The number of Tranche B consideration shares to be issued will be equal to RMB85.0 million after being converted into equivalent amount in Hong Kong dollar at the exchange rate of the date of audit report of the Mega Convention Group for the year ending 31 December 2016 and divided by the issue price of HK$0.3712. As disclosed in Note 35, on 18 April 2017, the Company issued Tranche B consideration shares of 257,929,317 ordinary shares to Mighty Mark and its three designated parties.

The third tranche consideration shares ("Tranche C consideration shares") are conditional and will only be issued if the audited net profit of the Mega Convention Group for the year ending 31 December 2017 is no less than RMB80.0million. The number of Tranche C consideration shares to be issued will be equal to difference between the actual audited net profit of the Mega Convention Group for the year ending 31 December 2017 and RMB30.0 million, multiplied by 8.5, subject to a maximum amount being RMB66.0 million multiplied by 8.5, after being converted into equivalent amount in Hong Kong dollar at the exchange rate of the date of audit report of the Mega Convention Group for the year ending 31 December 2017 and divided by the issue price of HK$0.3712.

Upon completion of the above acquisition on 7 February 2017, the Group recorded a goodwill of RMB1,329,844,000, calculated as below:

	RMB'000
Fair value of consideration shares issued upon completion (Note (i))	504,219
Fair value of contingent consideration (Note (i) and Note 25)	987,406
Total consideration	1,491,625
Less: Fair value of identifiable net assets acquired (Note (ii))	(161,781)
Goodwill (Note 15)	1,329,844

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

(i) Fair value of consideration

The fair value of Tranche A consideration shares was HK$570,165,000 (equivalent to approximately RMB504,219,000), which was calculated based on 838,477,319 ordinary shares in the Company issued for the acquisition and the closing price of the Company's ordinary shares on the Stock Exchange of HK$0.68 per share (equivalent to approximately RMB0.59 per share) on 7 February 2017.

On 7 February 2017, the fair value of Tranche B and Tranche C consideration shares to be issued was estimated at HK$1,116,546,000 (equivalent to approximately RMB987,406,000). The estimated fair value of the consideration shares to be issued was calculated based on the expected number of Tranche B and Tranche C consideration shares to be issued, and at the closing price of the Company's ordinary shares on the Stock Exchange of HK$0.68 per share (equivalent to approximately RMB0.59 per share) on 7 February 2017. The Group recognised the contingent Tranche B and Tranche C consideration shares in accordance with accounting policy set out in Note 2(d).

(ii) Fair value of identifiable net assets acquired

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment (Note 12)	112	–	112
Intangible assets (Note 16)	–	4,468	4,468
Trade and other receivables	126,888	–	126,888
Inventories	76,579	–	76,579
Cash and cash equivalents	1,573	–	1,573
Restricted bank deposits	963	–	963
Trade and other payables	(28,429)	–	(28,429)
Bank loan	(18,023)	–	(18,023)
Income tax payable (Note 26(a))	(1,233)	–	(1,233)
Deferred tax liabilities (Note 26(b))	–	(1,117)	(1,117)
Total identifiable net assets	158,430	3,351	
Fair value of identifiable net assets acquired			161,781

Pre-acquisition carrying amounts of the acquirees' assets and liabilities were determined based on applicable HKFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of intangible assets, the directors of the Company have referenced the fair value adjustments to valuation report issued by Vigers Appraisal & Consulting Limited, an independent professional valuer.

From the date of the above acquisition to 31 March 2017, the above acquisition contributed revenue of RMB159,537,000 and net profit of RMB5,368,000 to the Group for the year ended 31 March 2017. Had the above acquisition been completed on 1 April 2016, the directors of the Company estimated the consolidated revenue and consolidated net loss for the year ended 31 March 2017 would have been RMB1,823,344,000 and RMB624,515,000, respectively.

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes: (continued)

(iii) Net cash inflow arising on acquisition

	RMB'000
Cash and cash equivalents acquired	1,573

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.

29 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY OF THE GROUP

On 3 August 2015, the Company, through a wholly-owned subsidiary of the Group, entered into an equity transfer agreement to acquire 18% equity interests in New JoySun Supermarket from the then non-controlling equity holder of New JoySun Supermarket at a consideration of RMB38.9 million.

Upon completion of the above acquisition on 7 April 2016, New JoySun Supermarket became a wholly-owned subsidiary of the Group. Consequently, the Group recognised a decrease in non-controlling interests of RMB69.2 million.

30 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Transactions with companies under the control of the Controlling Shareholder

	Note	2017 RMB'000	2016 RMB'000
Sales of goods		1,506	2,135
Purchases of goods		70,295	73,803
Import and export handling charges		3,867	4,178
Rental income from operating leases		2,360	4,200
Operating lease expenses		14,043	14,076
Interest expenses	(i)	1,601	759
Net increase in non-interest bearing advances received from related parties	(ii)	1,987	4,351
Net increase in non-interest bearing advances granted to related parties	(ii)	103,178	98,152
Net decrease in loans received from related parties	(iii)	12,756	1,647
Guarantees received from and property, plant and equipment pledged by related companies for the Group's bank loans at the end of the reporting period		159,000	169,000

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with a non-controlling equity holder of a subsidiary of the Group

	2017 RMB'000	2016 RMB'000
Sales of goods	–	31,139

(c) Transactions with companies under the control of a non-controlling equity shareholder of the Company

	2017 RMB'000	2016 RMB'000
Purchase of goods	57,575	–

(d) Transactions with an associate of the Group

	Note	2017 RMB'000	2016 RMB'000
Interest income	(iv)	400	556

(e) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employees as disclosed in Note 9, is as follows:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	5,350	4,928
Contributions to defined contribution retirement plans	119	124
	5,469	5,052

Total remuneration is included in "staff costs" (see Note 6(b)).

Notes:

(i) Interest expenses represented interest charges on loans and convertible bonds received from related parties.

(ii) The advances are unsecured and have no fixed terms of repayment.

(iii) The loan is unsecured, bear interest ranging from 2.59% to 3.02% (2016: 2.56%) per annum and is repayable in February 2018 (2016: March 2017).

(iv) Interest income represented interest charges on the advances granted to related parties.

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions included in Notes 30(a), 30(b) and 30(c) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Report of the Board of Directors as required by Chapter 14A of the Listing Rules, except for rental income from operating leases, interest expenses, interest income, net increase in non-interest bearing advances received from related parties and net decrease in loans received from related parties which are exempted from the disclosure requirement.

31 COMMITMENTS

(a) Capital commitments

At 31 March 2017, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Commitments in respect of leasehold land and buildings, and plant and machinery		
– Contracted for	108	1,462

(b) Operating lease commitments

(i) At 31 March 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	33,563	35,091
After 1 year but within 5 years	40,318	65,770
After 5 years	21,401	24,523
	95,282	125,384

The Group leases a number of properties for the use by its supermarkets and manufacturing operations under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(ii) At 31 March 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	29,583	30,766
After 1 year but within 5 years	34,976	39,125
After 5 years	63	1,052
	64,622	70,943

The Group leases out part or whole of its department stores and supermarkets and certain of its leasehold land and buildings under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease when all terms are renegotiated. One of the leases includes contingent rentals which are calculated based on a fixed percentage on the tenant's revenue.

32 CONTINGENT LIABILITIES

At 31 March 2017, the Group pledged certain leasehold land and buildings and investment properties to secure bank loans borrowed by a company under the control of the Controlling Shareholder. The carrying values of the leasehold land and buildings and investment properties are analysed as follows:

	2017 RMB'000	2016 RMB'000
Leasehold land and buildings	3,403	7,715
Investment properties	14,000	14,000
	17,403	21,715

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group under the pledge. The exposure of the Group at the end of the reporting period under the pledge is RMB18,000,000, being the aggregate principal amount of the bank loans drawn by the related companies of the Group (31 March 2016: RMB36,700,000).

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group considers its exposure to equity price risk arising from its equity investments in other entities to be insignificant.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and available-for-sale debt investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of available-for-sale debt investments, the Group's strategy is to place the investments with well known funds management companies or financial institutions. Accordingly, the Group considers its exposure to credit risk to be low in this respect.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates. Credit terms of one to three months from the date of billing or separately negotiated repayment schedules may be granted to customers and debtors, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers and debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 March 2017, 27.1% (31 March 2016: 26.8%) and 59.0% (31 March 2016: 55.6%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

Except for the pledges of certain of the Group's properties for bank loans drawn by related companies as set out in Note 32, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these pledges is disclosed in Note 32.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from available-for-sale debt investments and trade and other receivables are set out in Notes 18 and 20, respectively.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The treasury function is centrally managed by the Group, which including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay.

For the bank loan subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the bank was to invoke its unconditional rights to call the loan with immediate effect.

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 March RMB'000
Trade and other payables measured at amortised cost	411,304	–	–	–	411,304	411,304
Bank and other loans	991,853	64,336	224,545	–	1,280,734	1,213,262
	1,403,157	64,336	224,545	–	1,692,038	1,624,566

	2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 March RMB'000
Trade and other payables measured at amortised cost	437,628	–	–	–	437,628	437,628
Bank and other loans	819,962	43,501	244,913	43,968	1,152,344	1,061,842
	1,257,590	43,501	244,913	43,968	1,589,972	1,499,470

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

	2017 Contractual undiscounted cash (outflow)/ inflow within 1 year or on demand RMB'000
Derivative settled:	
Forward foreign exchange contracts	
– outflow	(190,624)
– inflow	192,812

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2017 Effective interest rate %	 RMB'000	2016 Effective interest rate %	 RMB'000
Fixed rate borrowings:				
Bank and other loans	4.53%	1,213,262	5.38%	1,061,842
Fixed rate borrowings as a percentage of total borrowings		100%		100%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, RMB, HK$, CAD and EUR. The Group manages this risk as follows:

(i) Recognised assets and liabilities

Change in the fair value of forward foreign exchange contract that economically hedge monetary liability denominated in foreign currency is recognised in profit or loss (see Note 6(a)). At 31 March 2017, the net fair value of forward foreign exchange contract used by the Group as economic hedge of monetary liability denominated in foreign currency was a gain of RMB2,187,000 (31 March 2016: RMBNil) recognised as derivative financial instruments.

In respect of the remaining receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2017 Exposure to foreign currencies			
	US$ RMB'000	HK$ RMB'000	EUR RMB'000	CAD RMB'000
Loan to a subsidiary	–	9,607	–	–
Cash and cash equivalents	925	666	970	475
Trade and other payables	–	(75,244)	–	–
Bank and other loans	(21,253)	(13,199)	(311,085)	(5,729)
Gross exposure arising from recognised assets and liabilities	(20,328)	(78,170)	(310,115)	(5,254)
Notional amounts of forward foreign exchange contracts	–	(190,624)	192,842	–
Net exposure arising from recognised assets and liabilities	(20,328)	(268,794)	(117,273)	(5,254)

	2016 Exposure to foreign currencies			
	US$ RMB'000	HK$ RMB'000	EUR RMB'000	CAD RMB'000
Loan to a subsidiary	–	9,607	–	–
Cash and cash equivalents	703	556	53	–
Trade and other payables	–	(72,921)	–	–
Bank and other loans	(5,291)	(10,023)	(192,205)	–
Gross exposure arising from recognised assets and liabilities	(4,588)	(72,781)	(192,152)	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and (decrease)/ increase in retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000
US$	10%	(1,660)	10%	(384)
	(10%)	1,660	(10%)	384
HK$	10%	(26,872)	10%	(5,424)
	(10%)	26,872	(10%)	5,424
EUR	10%	(11,709)	10%	(16,045)
	(10%)	11,709	(10%)	16,045
CAD	10%	(394)	–	–
	(10%)	394	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 March 2017 RMB'000	Fair value measurements as at 31 March 2017 categorised into Level 2 RMB'000	Fair value measurements as at 31 March 2017 categorised into Level 3 RMB'000	Fair value at 31 March 2016 RMB'000	Fair value measurements as at 31 March 2016 categorised into Level 2 RMB'000	Fair value measurements as at 31 March 2016 categorised into Level 3 RMB'000
Recurring fair value measurements						
Assets:						
Unlisted debt securities (Note 18)	673,406	–	673,406	644,924	–	644,924
Derivative financial instruments:						
Forward foreign exchange contract (Note 20)	2,187	2,187	–	–	–	–
Liabilities:						
Contingent consideration (Note 25)	931,068	–	931,068	–	–	–

(Expressed in RMB unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the difference between the contractual foreign exchange rate and the foreign exchange forward rate multiplied by the transaction notional. The discount rate used is derived from HK$ cash rate curve.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted debt securities	Discounted cash flow model	Discount rate	4.8% to 7.9%
Contingent consideration	Income approach	Gross profit margin	5.4%

The fair value of unlisted debt securities is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate. The fair value measurement is negatively correlated to the discount rate. As at 31 March 2017, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decreased/increased the Group's other comprehensive income by RMB1,282,000.

The fair value of contingent consideration is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is gross profit margin. The fair value measurement is positively correlated to the gross profit margin. As at 31 March 2017, it is estimated that with all other variables held constant, an increase/decrease in the gross profit margin by 5% would have increased/decreased the fair value of contingent consideration by RMB74,301,000.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

The movements during the period in the balance of the Level 3 fair value measurement are as follow:

	2017 RMB'000	2016 RMB'000
Unlisted debt securities:		
At 1 April	644,924	531,289
Payment for purchases	769,930	640,000
Total gains recognised in other comprehensive income during the year	39,117	28,049
Proceeds from sales	(780,565)	(554,414)
At 31 March	673,406	644,924
Total gains for the year reclassified from other comprehensive income	40,565	34,414

The movements of contingent consideration during the period are disclosed in Note 25.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2017 and 2016 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2017		2016	
	Carrying amount at 31 March RMB'000	Fair value measurements at 31 March categorised into Level 3 RMB'000	Carrying amount at 31 March RMB'000	Fair value measurements at 31 March categorised into Level 3 RMB'000
Assets				
Available-for-sale equity investments	70,194	*	72,194	*
Liabilities				
Long-term bank loans (Note (aa))	248,550	266,455	271,615	290,062

* The available-for-sale equity investments represent unquoted equity securities in companies established in the PRC and are measured at cost less any impairment losses. These investments do not have quoted market price in an active market and accordingly, the fair values of the investments cannot be measured reliably. Hence, the directors of the Company consider it is not meaningful to disclose their fair values.

Note (aa): Valuation techniques and inputs used in Level 3 fair value measurements

Long-term bank loans

The fair values are estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount long-term bank loans. The interest rates used are as follows:

	2017	2016
Long-term bank loans	5.48%	5.72%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At 31 March 2017

(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		266	350
Investments in subsidiaries		2,074,325	1,273,678
		2,074,591	1,274,028
Current assets			
Loan to a subsidiary		9,607	9,607
Other receivables		2,665	674
Cash and cash equivalents		1,543	440
		13,815	10,721
Current liabilities			
Other payables		712,827	238,136
Bank and other loans		326,906	197,911
		1,039,733	436,047
Net current liabilities		(1,025,918)	(425,326)
Total assets less current liabilities		1,048,673	848,702
Non-current liabilities			
Contingent consideration		784,812	–
		784,812	–
NET ASSETS		263,861	848,702
CAPITAL AND RESERVES	27		
Share capital		46,789	39,374
Reserves		217,072	809,328
TOTAL EQUITY		263,861	848,702

Approved and authorised for issue by the board of directors on 30 June 2017.

Li Lixin
Chairman

Cheng Jianhe
Director

(Expressed in RMB unless otherwise indicated)

35 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

Issuance of Tranche B consideration shares

On 18 April 2017, the Company issued 257,929,317 new ordinary shares to Mighty Mark as Tranche B consideration shares for the Company's acquisition of 100% equity interest in Mega Convention. The fair value of Tranche B consideration shares was HK$159,916,000 (equivalent to approximately RMB141,654,000), which was calculated based on 257,929,317 ordinary shares in the Company issued for the acquisition and at the closing price of the Company's ordinary shares on the Stock Exchange of HK$0.62 per share (equivalent to approximately RMB0.55 per share) on 18 April 2017.

36 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 March 2017 to be Shi Hui Holdings Limited, a company incorporated in the British Virgin Islands and Big-Max Manufacturing Co., Ltd., a company incorporated in Hong Kong, respectively. Neither of these companies produces financial statements available for public use.

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKAS 40, *Transfers of investment property*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 9, *Financial instruments* (continued)

(a) Classification and measurement (continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group's financial liabilities designated at FVTPL are contingent consideration. The fair value change of these financial liabilities is not attributable to their own credit risk and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 2(x). Currently, revenue arising from the sales of goods are generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 15, *Revenue from contracts with customers* (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

HKFRS 16, *Leases*

As disclosed in Note 2(m), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 16, *Leases* (continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 31(b), at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB95,282,000 for a number of properties, with a significant portion payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

5-YEAR FINANCIAL SUMMARY

(Expressed in RMB unless otherwise indicated)

GENERAL INFORMATION

The consolidated results and the assets and liabilities of the Group of the last five financial years, as extracted from the Group's published audited accounts and reclassified as appropriate, are set below:

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	1,239,692	1,085,709	1,158,042	783,003	301,205
(Loss)/profit before taxation	(646,436)	(279,808)	100,512	1,294,724	(29,411)
Income tax	(10,322)	304,820	(20,202)	(333,131)	(2,620)
(Loss)/profit for the year	(656,758)	25,012	80,310	961,593	(32,031)
Assets and liabilities					
Total assets	4,037,758	3,561,758	3,994,600	3,982,598	531,705
Total liabilities	(2,883,672)	(1,821,973)	(2,281,389)	(2,355,093)	(347,493)
Net assets	1,154,086	1,739,785	1,713,211	1,627,505	184,212

LISI GROUP (HOLDINGS) LIMITED
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