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 2019 年報

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr LI Lixin *(Chairman)*
Mr TONG Shiping *(appointed on 18 July 2018)*
Mr CHENG Jianhe *(Chief Executive Officer)*
Ms JIN Yaxue

Non-Executive Directors

Ms CHENG Weihong
(appointed on 28 September 2018)

Independent Non-Executive Directors

Mr SHIN Yick Fabian
Mr CHEUNG Kiu Cho Vincent
Mr HE Chengying
Mr KWONG Kwan Tong
(appointed on 28 September 2018)

COMPANY SECRETARY

Mr PUN Kam Wai Peter
(appointed on 1 January 2019)

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
Shengjing Bank, Tianjin Branch, 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

Effective from 19 July 2019
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Effective from 11 July 2019
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN

Mr LI Lixin, aged 51, 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, chain supermarkets, commercial real estate development and operation management, 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 28 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, an executive committee member of National Industrial and Commercial Union. He is currently a committee member of the Twelfth Zhejiang Province Committee of the Chinese People's Political Consultative Conference, the vice chairman of the China Plastics Processing Industry Association and 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 redesignated as executive Director in April 2011.

EXECUTIVE DIRECTOR

Mr TONG Shiping, aged 59, executive Director. Mr Tong graduated from the Department of Computer Applications, Air Force Engineering University, People's Republic of China. Mr Tong served in the Air Force of the Chinese People's Liberation Army from 1983 to 1995. From 1995 to 2018, Mr Tong was the chairman of Tianjin Binhai New District Shisheng Business Trading Group Co. Ltd. (天津濱海世盛商貿集團有限公司) ("Shisheng"), a wholly owned subsidiary of China Auto Logistics Inc. which is listed on NASDAQ. Mr Tong was a director of China Auto Logistics Inc. until July 2018.

Mr Tong has extensive experience in car imports and sales in China. In 2002, Mr Tong served as a director of the Tianjin Automobile Logistics Association. In 2003, Shisheng was awarded the title of "Accelerating the Development of Advanced Units" by the Tianjin Port Bonded Area Management Committee, and was awarded the title of "Excellent Enterprise for Achievements in the Industry" by Tianjin Automobile Logistics Association. Shisheng was also awarded the title of "100 Private Entrepreneurs" by the Ministry of Commerce and the Tianjin Municipal Government in 2005 and 2006 respectively. In 2006, Shisheng was rated as "Top Ten Enterprises in China's Imported Automobile Sales Service" by China Automobile Dealers Association. Mr Tong was elected as the vice president of the Tianjin Binhai New Area Parallel Imported Automobiles Chamber of Commerce in 2016. Mr Tong is the husband of Ms Cheng Weihong, non-executive Director of the Company. He joined the Group in July 2018.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr CHENG Jianhe, aged 53, is the Chief Executive Officer of the Group. Mr Cheng has over 30 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 49, 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 23 years experience in development and sales of household products and sundries. 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.

NON-EXECUTIVE DIRECTOR

Ms CHENG Weihong, aged 57, non-executive Director. Ms Cheng is the founder of 天津開利星空實業有限公司 (Tianjin Kaili Xingkong Industrial Co. Ltd.), a company incorporated in China principally engaged in resources consolidation and strategic planning for parallel imports of cars in China. She has over 20 years' experience in car imports and sales in China. Ms Cheng was a director of China Auto Logistics Inc. a company listed on NASDAQ, until December 2017. Ms Cheng is the spouse of Mr Tong Shiping, executive Director of the Company. She joined the Group in September 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr SHIN Yick Fabian, aged 50, independent non-executive Director, chairman of the audit committee and member of the remuneration committee and nomination committee. Mr Shin is currently a non-executive director of Pak Tak International Limited (2668.HK), an independent director of BIO-Key International, Inc (NASDAQ: BKYI), and an independent non-executive director of Newton Resources Limited (1231.HK), Zhengye International Holdings Company Limited (3363.HK) and China Tianrui Automotive Interiors Co., Ltd (6162.HK). Mr Shin was an independent non-executive director of China Shun Ke Long Holdings Ltd. (974.HK) and Huabang Financial Holdings Limited (3638.HK).

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 CHEUNG Kiu Cho, Vincent, aged 43, is independent non-executive Director, chairman of the nomination committee and member of the audit committee and remuneration committee of the Company. 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. He 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. He was also admitted as a member of Hong Kong Securities and Investment Institute in June 2017. Mr Cheung was qualified as a member of The Chine Institute of Real Estate Appraisers and Agents and admitted as a registered Real Estate Appraiser People's Republic of China.

Mr Cheung has over 21 years of experience in real estate industry and asset valuations section and is currently the Managing Director of Vincorn Consulting and Appraisal Limited. He has also been an independent non-executive director and a member of the audit committee and nomination committee of RMH Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8437), which is primarily engaged in provision of medical and surgical services in dermatology in Singapore, since September 2017 and an independent non-executive director and chairman of the nomination committee and a member of both audit committee and remuneration committee of MECOM Power and Construction Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1183), which is primarily engaged in integrated construction engineering and power substations construction in Macau, since February 2018.

Mr Cheung was appointed as independent non-executive Director in June 2006.

Mr HE Chengying, aged 56, 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, Guosen Securities and United Securities. He is 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 KWONG Kwan Tong, aged 53, independent non-executive Director. Mr Kwong is currently the Chief Financial Officer, Company Secretary and Authorised Representative of Weichai Power Co., Ltd., a company listed on Hong Kong stock exchange (stock code: 2338) and Shenzhen stock exchange (stock code: 000338). Mr Kwong obtained a diploma in accountancy from the Morrison Hill Technical Institute in Hong Kong in 1987. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He has worked for companies listed on The Stock Exchange of Hong Kong Limited and has over 25 years' experience in the accounting, internal audit and financial management fields. He joined the Group in September 2018.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr PUN Kam Wai Peter, aged 57, is the Chief Financial Officer of the Group and Company Secretary of the Company. Mr Pun possesses over 29 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 GEM 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 and has been responsible for the finance and accounting function of the Group. He was further appointed as a Company Secretary of the Company in January 2019.

Madam ZHENG Rong, aged 48, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 25 years of experience in the retail industry and around 22 years of experience in financial management in various industries. Madam Zheng has an Executive Master of Business Administration degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr ZHANG Yao, aged 42, is the deputy general manager of New JoySun non-staple food wholesale and is responsible for the daily management and direction of operations of New JoySun Group since 2017. Mr Zhang has worked in the wholesale of wine industry for a long time and has a certain level of reputation in the wine industry. He joined the Group in 2013.

Mr WANG Chaohong, aged 46, 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 55, 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 28 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 41, 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 24 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 TONG Lu, aged 37, 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 14 years' experience in overseas studies and business management. In particular, he has a high level of skills and knowledge in the field of domestic and foreign trade. Mr Tong is the nephew of Mr Tong Shiping, executive Director and Cheng Weihong, non-executive Director of the Company. He joined the Group when the acquisition of Mega Convention Group Limited was completed in February 2017.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018/19 was another year with immense challenges in business environment, but our group still managed to deliver satisfactory business performance. For the year ended 31 March 2019 (the "Year"), our revenue was RMB3,960.0 million which represented an increase of 1.9% versus 2017/18. Our net profit for the Year was RMB210.7 million compared to a net loss of RMB939.0 million in 2017/18. The improvement was attributable to the recognition of the loss in fair value change of approximately RMB1,019.7 million from the contingent consideration shares for the car-sale business project in Tianjin still outstanding in 2017/18, while the gain in fair value change of approximately RMB85.0 million from the Tranche C consideration shares in 2018/19. Excluding the impact of the change in fair value of the contingent consideration, our business still delivered satisfactory operating and financial results in 2018/19.

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

FURTHER EXPANSION IN A PROMISING CAR-SALE BUSINESS MARKET

The Group commenced its business in car-sale market in mainland China through the acquisition of car-sale business in Tianjin in early 2017. The actual business results in terms of revenue and profit from operations generated directly from this business segment in 2017/18 and 2018/19 has proven the success of this acquisition.

On 2 March 2019, the Company took a further step to expand in this business segment and entered into a sale and purchase agreement (the "SPA") with Valuable Peace Limited (the "Vendor"). Pursuant to the SPA, the Company intends to acquire and the Vendor intends to sell entire issued share capital of Robust Cooperation Limited which holds indirectly the entire equity interest in 天津濱海國際汽車城有限公司 ("Tianjin Binhai International Automobile City Company Ltd.") (the "Acquisition"). The Acquisition was approved by the Shareholders of the Company on 27 June 2019. For details of this Acquisition, please refer to the announcements of the Company dated 3 March 2019 and 30 April 2019 and the circular of the Company dated 28 May 2019.

The Company expects car-sale business will continue to bring very positive contribution to the financial results, the asset base and the cash flow generation to the Group. We are optimistic with the prospect and potential of our development in car-sale business in mainland China.

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.

CHAIRMAN'S STATEMENT

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.

Our business growth in manufacturing and trading segment in a really tough global market in 2018/19 was a good affirmation of the business strategies we adopt.

LOOKING FOR NEW BUSINESSES WITH GROWTH POTENTIAL

With substantial funding available from the disposal of the land in Shenzhen, 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 of the Company.

APPRECIATION

With the growth momentum of household products business recovered from plant relocation transition, the disposal of land in Shenzhen for substantial consideration and the continuous expansion of car business through generic growth and acquisition, 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 of the Company 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 2018/19. We shall continue to target for long term business growth of the Group and strive for improving financial results and return to the Shareholders of the Company.

Li Lixin
Chairman

Hong Kong, 28 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2019 (the "Year"), the Group recorded a revenue of approximately RMB3,960.0 million, representing an increase of 1.91% when compared with the revenue of approximately RMB3,885.6 million reported for the last year. Net profit for the Year was approximately RMB210.7 million compared to a net loss of RMB939.0 million for the last year. The Group's basic and diluted earnings per share for the Year were RMB2.79 cent and RMB1.67 cent while the Group's basic and diluted loss per share were RMB15.69 cent for the corresponding period last year.

Net Assets, Liquidity and Financial Resources

As at 31 March 2019, the Group's net assets increased to RMB2,312.3 million, rendering net asset value per share at RMB30.65 cents. The increase in net assets was mainly the result of reclassification of RMB1,724.1 million from liabilities to shareholders' equity upon successful issuance of the Tranche C consideration shares on 28 September 2018 for the acquisition of car business in Tianjin in early 2017.

As at 31 March 2019, the Group's total assets were valued at RMB4,305.9 million, including cash and bank deposits of approximately RMB281.1 million and current non-equity investments of RMB786.8 million. Consolidated bank loans and other borrowings amounted to RMB1,064.6 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been decreased from 427.2% as at 31 March 2018 to 46.0% as at 31 March 2019. The huge change in the debt-to-equity ratio was due to the increase in equity resulted from reclassification of the contingent liabilities of RMB1,724.1 million arising from the issuance of the Tranche C consideration shares during the Year.

Most of the Group's business transactions were conducted in RMB and US$. As at 31 March 2019, the Group's major borrowings included bank loans, which had an outstanding balance of RMB886.0 million, other borrowings from shareholders and a third party totaling RMB178.6 million. All of the Group's borrowings are denominated in RMB and HK$.

Pledge of Assets

The Group's leasehold land and buildings, investment properties and trade receivables with a carrying amount of RMB934.5 million as at 31 March 2019 were pledged to secure bank borrowing and facilities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Segment Information

Car-sale business was the most important business segment of the Group in the Year and accounted for 68.9% of total revenue. Retail and wholesale business, manufacturing and trading business and investments holding business had 18.8%, 11.0% and 1.3% of the remaining respectively.

In terms of geographical location, China is the primary market of the Group, which accounted for 90.0% of total revenue of the Group for the Year. The remaining comprised of revenue from North America 8.4%, Europe 0.6% and others 1.0%.

Contingent Liabilities

As at 31 March 2019, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB17.6 million to secure bank loans borrowed by the related companies under the control of MrLi 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in New Businesses

Our Group have been investing in QL Electronics Co., Ltd. ("QLEC") for a number of years. 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 and 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 of JRH and HLMC.

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

The Directors consider the new businesses are in challenging market situations but 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 2019, the Group employed a workforce of 1,929 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 profit of RMB210.7 million, compared to the net loss of RMB939.0 million for the corresponding last year. The improvement was attributable to the recognition of the loss in fair value change of approximately RMB1,019.7 million from the contingent consideration shares for the car-sale business project in Tianjin still outstanding in the last year, while the gain in fair value change of approximately RMB85.0 million from the Tranche C consideration shares in the Year.

Revenue

During the Year, the Group recorded total revenue of approximately RMB3,960.0 million, representing an increase of 1.9% when compared with the total revenue of approximately RMB3,885.6 million reported for the last year.

Car-sale Business

The trading sales of imported cars business decreased slightly by 0.5% to RMB2,729.9 million for the Year as compared with the last year. Although the trade war between The United States of America and the People's Republic of China (the "PRC") did have some adverse impact on the business and investment environment in the PRC and affected the mood of consumers in the PRC especially in the market of durable goods. Some customers have a wait-and-see attitude on their purchase plan which affected the transactions of imported cars in the year of 2018. However, the market of imported cars was be back to normal as the Chinese government implement measures to encourage imports in response to trade war in the year of 2019. Ultimately, sales performance caught up in early 2019 and deliver satisfactory results for the Year as a whole.

Retail and Wholesale Business

Retail business decreased slightly by 4.9% to RMB461.8 million while wholesale business increased by 0.8% to RMB281.8 million for the Year as compared with last year. Due to keen market competition from e-commerce, large supermarket chains and new shopping malls nearby, the retail business was difficult and recorded a decrease in revenue. On the other hand, the wholesale business in wine and beverages has stabilized and recorded a satisfactory increase in revenue contributed by the hard work of the sale team for the Year.

Manufacturing and Trading Business

During the Year, the manufacturing and trading business contributed approximately RMB433.9 million to the total revenue of the Group. The business of this segment increased by RMB104.9 million when compared with the last year of approximately RMB329.0 million. The competition in overseas market has been severe and our management team in this business line works very hard to look for further opportunities in the market. Their contribution successfully strengthen our established customer base, and the base can cope with short term fluctuation in the market. The business of this segment performed quite well in the Year.

Investments Holding Business

Dividend income increased by 116.6% to RMB7.1 million and investment income decreased by 0.5% to RMB45.5 million during the Year as compared with the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Further Expansion in a Promising Car-Sale Business Market

On 2 March 2019, the Company and Valuable Peace Limited (the "Vendor") entered into a sale and purchase agreement (the "SPA") pursuant to the SPA, the Company intends to acquire and the Vendor intends to sell entire issued share capital of Robust Cooperation Limited which holds indirectly the entire equity interest in 天津濱海國際汽車城有限公司 ("Tianjin Binhai International Automobile City Company Ltd.")(the "Acquisition"). The Acquisition was approved by the Shareholders of the Company on 27 June 2019. For details of this Acquisition, please refer to the announcements of the Company dated 3 March 2019 and 30 April 2019 and the circular of the Company dated 28 May 2019.

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

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

Looking for New Business Opportunities with Growth Potential

With substantial funding available from the disposal of the land in Shenzhen, 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.

CORPORATE GOVERNANCE REPORT

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 comprised of four executive Directors, one non-executive Director and four independent non-executive Directors as follows:

Executive Directors
Mr Li Lixin *(Chairman)*
Mr Tong Shiping *(appointed on 18 July 2018)*
Mr Cheng Jianhe *(Chief Executive Officer)*
Ms Jin Yaxue
Mr Tong Xin *(resigned on 18 July 2018)*

Non-Executive Directors
Ms Cheng Weihong
(appointed on 28 September 2018)
Mr Lau Kin Hon *(resigned on 1 January 2019)*

Independent Non-Executive Directors
Mr Shin Yick Fabian
Mr Cheung Kiu Cho Vincent
Mr He Chengying
Mr Kwong Kwan Tong
(appointed on 28 September 2018)

During the Year, sixteen 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, the Directors were provided with reading materials, video 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 Kwong Kwan Tong 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 DIRECTORS

Non-executive Directors are 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.

CORPORATE GOVERNANCE REPORT

During the Year, the remuneration committee 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). Two meetings were 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.

For the measurable objectives, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, and length of service) will be disclosed in the corporate governance report of the Company annually.

During the Year, the nomination committee comprised of two independent non-executive Directors, Mr Cheung Kiu Cho Vincent (chairman) and Mr Shin Yick Fabian, and one non-executive Director, Ms Cheng Weihong. 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

During the Year, the audit committee 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 2018 and interim results for the six months ended 30 September 2018. 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.

CORPORATE GOVERNANCE REPORT

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					
Mr Li Lixin	10/16	NA	NA	NA	0/2
Mr Tong Shiping *(appointed on 18 July 2018)*	10/15	NA	NA	NA	0/2
Mr Cheng Jianhe	16/16	NA	NA	NA	1/2
Ms Jin Yaxue	7/16	NA	2/2	NA	0/2
Mr Tong Xin *(resigned on 18 July 2018)*	1/1	NA	NA	NA	0/0
Non-Executive Director					
Ms Cheng Weihong *(appointed on 28 September 2018)*	9/12	NA	NA	0/0	0/2
Mr Lau Kin Hon *(resigned on 1 January 2019)*	8/11	NA	NA	1/1	1/1
Independent Non-Executive Directors					
Mr Shin Yick Fabian	9/16	2/2	2/2	1/1	2/2
Mr Cheung Kiu Cho Vincent	9/16	2/2	2/2	1/1	2/2
Mr He Chengying	5/16	0/2	NA	NA	0/2
Mr Kwong Kwan Tong *(appointed on 28 September 2018)*	8/12	NA	NA	NA	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 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 and other services, provided by the auditor of the Company to the Group amounted to RMB3,300,000 and RMB1,000,000, respectively.

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.

CORPORATE GOVERNANCE REPORT

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 has reviewed the risk management and internal control system adopted by the Group for the year ended 31 March 2019 and considered that it was effective and adequate.

For the inside information, the Company recognises its obligations under the Securities and Futures Ordinance and the Listing Rules, pursuant to which the Company is required to announce the inside information immediately after such information comes to its attention. The Company conducts its affairs with reference to the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission and regularly reminds the directors and employees of the compliance with Listing Rules and other regulatory requirements for the handling and dissemination of inside information.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

This report will present mainly policies, initiatives and performance of the Group for the year ended 31 March 2019 and highlight material aspects identified during the period from 1 April 2018 to 31 March 2019 (the "Reporting Period").

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 for the year ended 31 March 2019.

LISI APPROACH TO SUSTAINABILITY

The Group would seek ways to create a corporate value with sustainability in mind. The Group identified the significant aspects which are highlighted throughout the report. The Group approaches to sustainability begins with the Group's product manufacturing (fully integrated production facility) and service offering (OEM/ODM). 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	Consumption of natural resources
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 labour 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 money laundering
B.8 Community investment	Community involvement

ABOUT THE GROUP

Lisi Group (Holdings) Limited is one of the largest plastic and metallic household product manufacturing company in Asia. The Group also operates retailing, wholesales, car-sale and investments holding business all over districts including the United States, Europe, Canada, People Republic of China (the "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 the Group aims to conserve.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A.1 Emissions

The Group is committed to persistently improving its environmental performance. Since the Group engaged in manufacturing and trading of plastic products, 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 the 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 Law of the People's Republic of China 《中華人民共和國環境保護法》, Prevention and Control of Atmospheric Pollution Law of the People's Republic of China《中華人民共和國大氣污染防治法》and Urban drainage and sewage treatment regulations《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 2019, the Group has been fully complied with these environmental regulations.

Greenhouse gases emissions

The Group would consume electricity, natural gas and petroleum 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 are used kg as unit.

The emission CO_2 for the year ended 31 March 2019 has been summarised as follow:

Source of CO_2 emissions		**CO_2 equivalent emissions** (tons)
Scope 1 –	Direct emissions from combustion of fuels	
	Natural gas consumption	639
	Motor vehicles – Diesel and Unleaded petroleum	310
Scope 2 –	Energy indirect emissions	
	Electricity consumption	24,914
Scope 3 –	Other indirect emissions	
	Paper consumption	19
	Water processing	16
	Business travel	25
Total CO_2 emissions		25,923

The Group has implemented the policies to mitigate the adverse effect of carbon dioxide emission as follows:

- The manufacturing base has been designed to have more windows for more natural light and use less electronic light;
- The manufacturing base has single-storey building with higher roof to increase the space and to reduce the use of fan or air-conditioner; and
- the office light and office equipment would be turned off during the luncheon rest time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Air pollutants emissions

The Group holds 17 goods vehicles driven by diesel for logistics of the supermarket and the department store and 1 private car driven by unleaded petroleum to provide transportation to senior management. During the process of combustion of fuels, other air pollutants, such as nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and particulate matters ("PM") are also produced. The combustion of 109,597 litres of diesel and 2,630 litres of petrol lead to the emissions of NO_x, SO_x, and PM of 930 kg, 28 kg and 2 kg respectively.

VOCs emission management

The use of production plants is the Group primary direct impact on the environment. During the production of plastic goods, the use of energy and water brings impact to the environment. The Group aims to minimise resources consumption through more targeted efforts by implementing pollutant-reduction scheme.

Waste management

As the Group is engaging in manufacture of plastic and metallic household wares, 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. All hazardous wastes produced are disposed after harmless treatment or directly collected by the environmental department of the local government.

The following waste produced was recorded in the 31 March 2019:

- Non-hazardous waste produced: 13.6 tons
- Hazardous waste produced: 15.7 tons

The Group had conducted environment impact assessment on the production facilities and result indicated that emissions of air pollutants, greenhouse gases, water, sewage, hazardous and non-hazardous wastes comply with the PRC regulations, including the Integrated Wastewater Discharge Standard of PRC《中華人民共和國污水綜合排放標準》and Solid Waste Pollution Prevention and Control Law 《中華人民共和國固體廢物污染環境防治法》.

The Group has established policy to improve the manufacturing efficiency and reduce error productions to reduce the land contamination. The Group will continue looking for ways to reduce carbon dioxide, VOCs emissions and land contamination through measures such as:

- Reduction of VOCs emissions through using low-styrene emissions resins;
- Efficient usage of raw materials monitoring;
- Repairing defective products rather than scrapping products; and
- Other basic household garbage was fully entrusted to the government to handle.

During the year ended 31 March 2019, the Group has complied with applicable environmental laws and regulations such as Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, Prevention and Control of Atmospheric Pollution Law of the People's Republic of China《中華人民共和國大氣污染防治法》and Urban drainage and sewage treatment regulations《城鎮排水與污水處理條例》.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A.2 Use of Resources

Consumption of natural resources

The Group is committed to efficiently consume resources during production. The Group's total resources consumption is listed in the below tables.

	Electricity	Water	Natural gas
Consumption	30,963,856 kWh	250,139 Tons	250,290 m^3
Consumption intensity (per m^2 of factory area)	1,683 kWh	14 Tons	35 m^3

	Paper
Consumption	3,970 kg
Consumption intensity (per employee)	2 kg

It is the Group's policy to maintain the manufacture process with an objective 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.

According to the Group's training and working guidelines, employees must follow them to work on energy conservation. The Group has established a host of paper-saving initiatives to reuse and recycle paper. 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.

Packing material usage

For manufacturing of household products, the Group used about 935 tons of packaging materials, including roll bags and wooden pallets, in the year ended 31 March 2019. The Group mainly uses packaging material for protecting the quality of products and uses the least packaging material 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. In the past, 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 other gaseous waste.

Meanwhile, the Group strongly believes 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.

In a bid to create sustainable environmental value, the Group has implemented a set of energy saving initiative. Every single employee 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 gaseous waste processing system in order to set up a comprehensive policy and uphold the efficient level of facilities.

B. SOCIAL

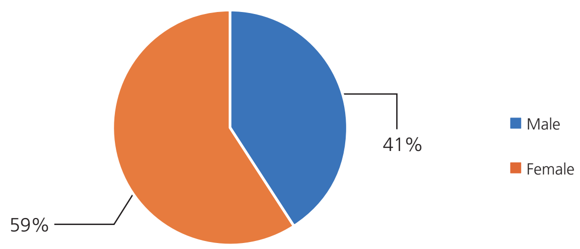
As a socially responsible enterprise in Hong Kong and PRC, focus is on all stakeholders, including employee, customer, supplier, government, etc. Although the Group is currently expanding and on developing progress, it would never forget to contribute to the society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.1 Employment

The Group believes staff is one of the most valuable assets to a corporate. Human resource meetings are held to ensure staff are in a suitable position while staff to realise their work values and achievement to the Group. The Group gives opportunities to staff within the Group and conduct internal promotion to fill the job vacancy such that skills and knowledges cultivated by the Group could be leveraged for the future.

STAFF GENDER DISTRIBUTION



Recruitments are carried out strictly according to the Group's policy. For the year ended 31 March 2019, the aggregate number of staff of the Group was 1,929 staff and the male/female ratio is approximately 1: 1.44. Due to the operation of the Company is in PRC, almost all staff of the Group are situated there.

The Group strictly complies with relevant employment laws and regulations in China and Hong Kong. We offer mandatory fund to staff in Hong Kong and pension insurance to staff in China, Nevertheless, we also offer insurance, maternity leaves, sick leaves and marriage leave to all staff.

The Group also promotes equal opportunity. Remuneration scheme and job appraisal are based on the ability, speciality and working performance of each staff. During the reporting period, there is no complaint regarding equal opportunity.

Business Social Compliance Initiative

For the labour standards of the Group, it follows an initiative of the Foreign Trade Association which is called the Business Social Compliance Initiative (the "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 behaviour, 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 Group would then provide them a suitable job position.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.2 Health and Safety

Workplace health and safety

The Group implements national law and regulations and other standards related to work safety and occupational health. The Group provides regular safety training and free physical examination to all staff.

The indoor environment of new Joysun Supermarket chain in Ningbo all comply with "The Health Standards of Shopping Mall (Store), Bookshop" 《中華人民共和國商場(店)、書店衛生標準》. The standards cover the area of temperature, humidity, carbon monoxide level, inhalable particles Class A (PM10), formaldehyde, bacterial content. The standard also concerns about the ventilation systems and disinfection policy and procedures.

Employees have to attend training before operating the heavy machines, such as hydraulic vehicles for unloading stocks. Employees in charge of works with high risks, such as operating heavy machines must wear safety protection while working. In addition, the Group conducts fire drills to enhance the awareness of safety and emergency response management.

The Group did not record any significant job-related injuries and work-related fatal incidents. The Group will continue to provide a pleasant working environment to the staff and minimise the possibility of accidents. During the year, we have not detected any breach of the laws and regulations to relating to health and safety in the workplace.

B.3 Development and Training

The Group believes the personal development of staff not only enable them to discover their value within the Group, but also contribute to and grow along with the Group.

Furthermore, the Group also promotes senior management and directors to attend external professional training to boost their career development and support the Group's development in pursuant with the provision of allowance. Overall, the Group have certain areas of training programmes for all levels of employees:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.4 Labour Standards

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《中華人民共和國禁止使用童工規定及保護未成年人法》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, at the year ended 31 March 2019, the Group is prohibited to employ any staffs who has under the legal working age for protecting the young people at work.

B.5 Supply Chain 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. Only when the Group ensured the products are safe and standardized, they would be sold into the market.

In order to minimise the transportation required, suppliers are mainly located in Mainland China, especially the city and province nearby, such as Jiangsu province and Quanzhou. The Group's policy on the supply chain management is as follows:

- great emphasis is placed on the communication and relationship with the suppliers towards sustainable development;
- assessment on the environmental and social risks of the supply chain is carried out regularly; and
- suppliers are urged to take measures to reduce their environmental and social risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.6 Product Responsibility

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 Group 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 of 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. During the year ended 31 March 2019, the Group has not received any complaint regarding to the quality of the products.

B.7 Anti-Corruption

A system with good moral integrity and anti-corruption mechanism is the cornerstone for a sustainable and healthy development of the Group and therefore, the Group is committed to the compliance with the Criminal Law of the People's Republic of China《中華人民共和國刑法》, 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》and other relevant laws and regulations. The staff manual provides guidance on employees' behaviours, for example the acceptance of gifts and conflict of interests, to further enhance the awareness of employees. The Group encourages staff to report suspected corruption cases.

During the year ended 31 March 2019, the Group did not aware of any non-compliances of anti-corruption and money laundering.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.8 COMMUNITY INVESTMENT

Community involvement

Giving back to the society is an important element of the Group's sustainable development strategy. The Group has made certain contribution to charity through expanding its efforts in the areas of charity work. The Group encouraged staff to participate in the volunteer activities held by the Group and other charity organisations. The Group concerns about elderly with specials needs and the development of teenagers. During Tuen Ng Festival and Mid-Autumn Festival, the volunteer team of the Group has visited the nursing homes for demented elderly in Ningbo.

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.

BUSINESS REVIEW

A review of the business of the Group during the year and discussion on the Group's prospects, as well as discussion and analysis of the Group's performance using financial key performance indicators during the year ended 31 March 2019 and the material factors underlying its financial performance are set out in the "Chairman's Statement" on pages 7 to 8, "Management Discussion and Analysis" on pages 9 to 13 and "Environmental, Social and Governance Report" on pages 18 to 26, respectively, of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has strived to ensure ongoing compliance with relevant rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Year, to the best of the Directors' knowledge, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces various risks such as foreign currency risk and market uncertainties in operations. To cope with the risks and uncertainties, the Group's risk management and internal control systems are in place to ensure the principal risks are continuously identified, monitored and managed on an established bases. The policies and procedures of risk management and internal control that the Group is adopting are set out in the "Corporate Governance Report" on pages 14 to 17 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in Note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on pages 43 to 44 of this annual report.

A management discussion and analysis of the results of the Group for the Year is set out on pages 9 to 13 of this annual report.

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: RMB nil).

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on pages 47 to 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 2019 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 pages 33 to 35 of this annual report respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 March 2019, 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 RMB1,108,064,000 (2018: RMB nil).

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 138 of this annual report.

DIRECTORS

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

Executive Directors

Mr Li Lixin *(Chairman)*
Mr Tong Shiping *(appointed on 18 July 2018)*
Mr Cheng Jianhe *(Chief Executive Officer)*
Ms Jin Yaxue
Mr Tong Xin *(resigned on 18 July 2018)*

Non-Executive Directors

Ms Cheng Weihong *(appointed on 28 September 2018)*
Mr Lau Kin Hon *(resigned on 1 January 2019)*

Independent Non-Executive Directors

Mr He Chengying
Mr Shin Yick Fabian
Mr Cheung Kiu Cho Vincent
Mr Kwong Kwan Tong *(appointed on 28 September 2018)*

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr Cheng Jianhe, Ms Cheng Weihong, Mr Shin Yick Fabian and Mr Kwong Kwan Tong 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 28 of the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or its fellow subsidiaries, 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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2019:

(a) Lease of properties

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

Pursuant to a lease agreement signed 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 substantial shareholder 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 3 years commencing from 1 January 2016 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. At 22 November 2018, Ningbo Lisi and Da Mei renewed the lease agreement with monthly rent of RMB532,242 for the period from 1 January 2019 to 31 December 2021.

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 RMB	Rental expenses RMB
From 1 April 2018 to 31 December 2018	4,841,370	4,790,178
From 1 January 2019 to 31 March 2019	1,596,726	1,596,726
	6,438,096	6,386,904

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

Pursuant to a lease agreement signed 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 substantial shareholder 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 3 years commencing from 1 June 2015 to 31 May 2018 as its factory space and office premises with monthly rent of RMB635,100. At 31 October 2018, Ningbo Lisi and NLEAM renewed the lease agreement with the same monthly rent for the period from 1 November 2018 to 31 May 2021.

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

	Annual Cap RMB	Rental expenses RMB
From 1 April 2018 to 31 May 2018	1,270,200	1,270,200
From 1 November 2018 to 31 March 2019	3,175,500	3,175,500
	4,445,700	4,445,700

DIRECTORS' REPORT

(b) Export agency services

Pursuant to an export agency agreement signed on 16 December 2015 and renewed on 22 November 2018 between Ningbo Lisi and Lisi Import and Export Company Limited ("Lisi I&E"), a company owned by Mr Li Lixin, a director and substantial shareholder 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 2016 to 31 December 2021.

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 RMB	Export agency fee RMB
From 1 April 2018 to 31 December 2018	8,300,000	3,168,404
From 1 January 2019 to 31 March 2019	1,250,000	1,056,135
	9,550,000	4,224,539

(c) Import agency services

Pursuant to an import agency agreement signed on 16 December 2015 and renewed on 22 November 2018 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 2016 to 31 December 2021. 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 RMB	Gross transaction amount RMB	Import agency fee incurred RMB
From 1 April 2018 to 31 December 2018	210,000,000	41,726,071	250,356
From 1 January 2019 to 31 March 2019	18,750,000	10,019,776	60,119
	228,750,000	51,745,847	310,475

(d) Mutual supply of products

Pursuant to a mutual supply framework agreement signed on 16 December 2015 and then renewed on 22 November 2018 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 substantial shareholder 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 1 January 2016 to 31 December 2021. 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 favourable than those offered to or from members of the group of New JoySun Corp. by or to independent third parties.

DIRECTORS' REPORT

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

	Annual Cap From 1 April 2018 to 31 December 2018	Transaction amount From 1 April 2018 to 31 December 2018	Annual Cap From 1 January 2019 to 31 March 2019	Transaction amount From 1 January 2019 to 31 March 2019
	RMB	RMB	RMB	RMB
Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd.	4,200,000	2,118,209	330,000	256,650
Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp.	1,050,000	-	300,000	-

(e) Purchase of products from Tianjin Binhai International Car City Co., Ltd.

Pursuant to a strategic cooperative agreement, signed on 2 June 2016 and renewed on 22 November 2018 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 substantial 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 favourable 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 2021.

The annual cap for the supply of products from Binhai Car City to Tianjiin Calistar are as follow:

	Annual Cap From 1 January 2018 to 31 December 2018	Transaction amount From 1 April 2018 to 31 December 2018	Annual Cap From 1 January 2019 to 31 December 2019	Transaction amount From 1 January 2019 to 31 March 2019
	RMB	RMB	RMB	RMB
Supply of products from Binhai Car City to Tianjiin Calistar	900,000,000	441,317,042	800,000,000	330,140,345

DIRECTORS' REPORT

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.55 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.55 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, 30 September 2016 and 22 November 2018.

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 28 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in Note 28 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' REPORT

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

As at 31 March 2019, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Capacity	Number of shares/ underlying shares (Note 1)	Approximate percentage of the issued share capital of the Company
Mr Li Lixin	Note 2	2,832,373,680 (L) 2,814,550,681 (S)	37.54% 37.31%
Mr Tong Shiping	Note 3	1,689,407,702 (L)	22.39%
Ms Cheng Weihong	Note 3	1,689,407,702 (L)	22.39%

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

Note 2: Mr Li Lixin's interest in 2,832,373,680 Shares is held as to 17,822,000 Shares personally, 1,332,139,014 Shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,482,412,666 Shares through Shi Hui Holdings Limited ("Shi Hui"). The issued share capital of Big-Max and Shi Hui are wholly owned by Mr Li Lixin.

Note 3: Mr Tong Shiping is the husband of Ms Cheng Weihong. Ms Cheng Weihong's interest in 1,389,407,702 Shares and 300,000,000 Shares are held through Mighty Mark Investments Limited ("Mighty Mark") and Hopeful Glad Limited ("Hopeful Glad") respectively. The issued share capital of Mighty Mark and Hopeful Glad are wholly owned by Ms Cheng Weihong.

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 2019. Other than that, at no time during the year ended 31 March 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 March 2019.

Save as disclosed herein, as at 31 March 2019, 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.

DIRECTORS' REPORT

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 2019 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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,332,139,014 (L) 1,332,139,014 (S)	17.66% 17.66%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666 (L) 1,482,411,667 (S)	19.65% 19.65%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	2,865,009,680 (L)	37.98%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	2,865,009,680 (L)	37.98%
Mighty Mark Investments Limited	Beneficial owner	1,389,407,702 (L)	18.42%
浙江省財務開發公司	Person having a security interest in shares	999,999,001 (L)	13.26%
Caitong Securities Co., Limited	Person having a security interest in shares	999,999,001 (L)	13.26%
Asia United Limited	Investment manager	625,587,237 (L)	8.29%
Valuable Peace Limited	Beneficial owner	500,000,000 (L)	6.63%
Munoz Fierro Jorge Patricio	Interest in controlled corporation	500,000,000 (L)	6.63%

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

DIVIDEND POLICY

The Company has a dividend policy, pursuant to which the Company may declare and distribute dividends to the shareholders of the Company, provided that the Group is profitable and having retained adequate reserves for future growth. In proposing any dividend payout, the Board shall take into account the following factors:

- the Group's current and future operations;
- the Group's capital requirements;
- the Group's liquidity position;
- the Group's debt to equity ratios and the debt level;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- statutory and regulatory restrictions;
- other internal or external factors that may have an impact on the business or financial performance and positions of the Company; and
- other factors that the Board deems relevant.

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.

DIRECTORS' REPORT

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	28.1%
– five largest suppliers	63.2%
Sales	
– the largest customer	4.2%
– five largest customers	18.3%

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.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that employees, suppliers and customers are crucial for the Group's sustainable development. We strive to maintain a close relationship with our employees and provide them with a competitive remuneration package and opportunities within the Group for career advancement. We commit to provide high quality products and services to our customers in order to enhance our competitiveness and strengthen the cooperation with our suppliers.

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, 28 June 2019

INDEPENDENT AUDITOR'S REPORT

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 137, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019 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 ("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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Assessing potential goodwill impairment

Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(g).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2019, goodwill attributable to the car-sale business amounted to RMB636 million. Goodwill is assessed annually for potential impairment by the management based on a discounted cash flow forecast of the future performance of the car-sale business. This involves the exercise of significant management judgement in particular in determining the key assumptions adopted, which include sales and the gross profit ratio and in calculating the discount rate applied. We identified assessing potential impairment of goodwill attributable to the car-sale business as a key audit matter because the assessment of potential impairment of goodwill is inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess potential impairment of goodwill in relation to the car-sale business included the following: • examining the management's discounted cash flow forecast for the car-sale business, challenging the key assumptions, which included sales and gross profit ratio by comparing the key assumptions with available market information; • with the assistance of our internal valuation specialists, 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; • performing a retrospective review of the prior year's discounted cash flow forecast and comparing the forecast revenue and profit with the current year's actual results to assess the reliability of management's forecasting process; • obtaining management's sensitivity analyses for the key assumptions, including sales 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 assessment of potential impairment of goodwill with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(x).

The Key Audit Matter	How the matter was addressed in our audit
The Group has several distinct revenue streams which include 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 or delivered to customers' premises for domestic sales. 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.	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; • 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; • inspecting a sample of journal entries affecting revenue raised during the financial year, which met certain risk-based criteria, enquiring of management the reasons for such entries and comparing the details of the entries with relevant underlying documentation;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(x).

The Key Audit Matter	How the matter was addressed in our audit
	• 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 • In respect of wholesale and trading revenue, obtaining audit confirmations of sales transaction amounts during the year from customers on a sample basis, 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.

INDEPENDENT AUDITOR'S REPORT

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

- 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.

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 Yu Wai Sum.

KPMG
Certified Public Accountants

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

28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019
(Expressed in Renminbi ("RMB"))

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	4	3,960,034	3,885,647
Cost of sales		(3,466,682)	(3,493,974)
Gross profit	4(b)	493,352	391,673
Other income	5	41,207	20,172
Selling and distribution expenses		(87,483)	(80,920)
Administrative expenses		(140,463)	(136,069)
Profit from operations		306,613	194,856
Net valuation loss on investment properties	13	(59,226)	(22,500)
Share of losses of an associate	17	–	(4,857)
Finance income/(costs)	6(a)	31,394	(1,066,566)
Profit/(loss) before taxation	6	278,781	(899,067)
Income tax	7	(68,081)	(39,925)
Profit/(loss) for the year attributable to equity shareholders of the Company		210,700	(938,992)
Earnings/(loss) per share (RMB cent)			
Basic	11(a)	2.79	(15.69)
Diluted	11(b)	1.67	(15.69)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Profit/(loss) for the year		210,700	(938,992)
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Item that will not be reclassified to profit or loss:			
– Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(71,468)	–
Items that may be reclassified subsequently to profit or loss:			
– Non-equity investments at fair value through other comprehensive income – net movement in fair value reserve (recycling)		–	1,282
– Exchange differences on translation into presentation currency		(4,891)	(3,852)
Other comprehensive income for the year		(76,359)	(2,570)
Total comprehensive income for the year attributable to equity shareholders of the Company		134,341	(941,562)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	12	425,987	852,858
Investment properties	13	771,050	403,890
Goodwill	15	679,766	679,766
Intangible assets	16	–	3,028
Equity investment	18	109,420	–
Available-for-sale investments	18	–	70,194
Deferred tax assets	26(b)	8,009	32,978
		1,994,232	2,042,714
Current assets			
Inventories	19	430,997	385,467
Trade and other receivables	20	812,908	702,969
Non-equity investments	18	786,758	–
Available-for-sale investments	18	–	766,075
Restricted bank deposits	21	116,673	621,134
Cash and cash equivalents	22	164,381	162,474
		2,311,717	2,638,119
Current liabilities			
Trade and other payables	23	675,102	2,555,605
Bank and other loans	24	942,004	1,310,575
Income tax payable	26(a)	20,332	17,318
		1,637,438	3,883,498
Net current assets/(liabilities)		674,279	(1,245,379)
Total assets less current liabilities		2,668,511	797,335

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Non-current liabilities			
Bank and other loans	24	122,600	202,600
Deferred tax liabilities	26(b)	233,584	240,557
		356,184	443,157
NET ASSETS		2,312,327	354,178
CAPITAL AND RESERVES	27		
Share capital		65,494	49,074
Reserves		2,246,833	305,104
TOTAL EQUITY		2,312,327	354,178

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

Approved and authorised for issue by the board of directors on 28 June 2019.

Li Lixin
Chairman

Cheng Jianhe
Director

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019
(Expressed in RMB)

	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)(vii))	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 April 2017	46,789	496,804	1,341	18,756	202,449	(15,259)	2,607	30,340	370,259	1,154,086
Changes in equity for the year ended 31 March 2018:										
Loss for the year	–	–	–	–	–	–	–	–	(938,992)	(938,992)
Other comprehensive income	–	–	–	–	–	(3,852)	1,282	–	–	(2,570)
Total comprehensive income for the year	–	–	–	–	–	(3,852)	1,282	–	(938,992)	(941,562)
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	2,285	139,369	–	–	–	–	–	–	–	141,654
Appropriation to reserves	–	–	–	15,663	–	–	–	–	(15,663)	–
	2,285	139,369	–	15,663	–	–	–	–	(15,663)	141,654
Balance at 31 March 2018 (Note)	49,074	636,173	1,341	34,419	202,449	(19,111)	3,889	30,340	(584,396)	354,178

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 March 2019

(Expressed in RMB)

	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 (recycling) RMB'000 (Note 27(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 27(d)(vi))	Other reserve RMB'000 (Note 27(d)(vii))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 31 March 2018	49,074	636,173	1,341	34,419	202,449	(19,111)	3,889	–	30,340	(584,396)	354,178
Impact on initial application of HKFRS 9 (Note 2(c))	–	–	–	–	–	–	(3,889)	100,889	–	2,738	99,738
Adjusted balance at 1 April 2018	49,074	636,173	1,341	34,419	202,449	(19,111)	–	100,889	30,340	(581,658)	453,916
Changes in equity for the year ended 31 March 2019:											
Profit for the year	–	–	–	–	–	–	–	–	–	210,700	210,700
Other comprehensive income	–	–	–	–	–	(4,891)	–	(71,468)	–	–	(76,359)
Total comprehensive income for the year	–	–	–	–	–	(4,891)	–	(71,468)	–	210,700	134,341
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	16,420	1,707,650	–	–	–	–	–	–	–	–	1,724,070
Appropriation to reserves	–	–	–	15,823	–	–	–	–	–	(15,823)	–
	16,420	1,707,650	–	15,823	–	–	–	–	–	(15,823)	1,724,070
Balance at 31 March 2019	65,494	2,343,823	1,341	50,242	202,449	(24,002)	–	29,421	30,340	(386,781)	2,312,327

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Profit/(loss) before taxation		278,781	(899,067)
Adjustments for:			
Depreciation and amortisation	6(c)	59,007	59,725
Net (gain)/loss on disposal of property, plant and equipment	5	(27,514)	240
Interest income on cash at bank and advances due from related parties	5	(6,508)	(11,509)
Net valuation loss on investment properties	13	59,226	22,500
Finance (income)/costs	6(a)	(31,394)	1,066,566
Share of losses of an associate	17	–	4,857
Impairment losses on trade and other receivables	6(c)	2,113	6,200
Net foreign exchange loss		15,361	10,578
Investment and dividend income	4(a)	(52,566)	(48,947)
Changes in working capital:			
Increase in inventories		(45,530)	(176,289)
Increase in trade and other receivables		(118,515)	(293,269)
(Decrease)/increase in trade and other payables		(47,596)	282,379
Cash generated from operations		84,865	23,964
Income tax paid	26(a)	(56,579)	(35,672)
Net cash generated from/(used in) operating activities		28,286	(11,708)
Investing activities			
Payments for purchase of non-equity investments	31(e)	(132,800)	(760,890)
Proceeds from sale of non-equity investments	31(e)	110,890	669,930
Payments for purchase of property, plant and equipment		(59,749)	(72,824)
Proceeds from disposal of property, plant and equipment		2,278	1,638
Proceeds from disposal of an investment property		–	104,000
Net decrease/(increase) in restricted bank deposits		504,461	(181,176)
Interest received		11,523	11,000
Investment and dividend income received		53,793	48,947
Net cash generated from/(used in) investing activities		490,396	(179,375)

The notes on pages 51 to 137 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 March 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 (Note) RMB'000
Financing activities			
Proceeds from new bank and other loans	22(b)	733,282	1,166,727
Repayment of bank and other loans	22(b)	(1,197,223)	(885,019)
Finance costs paid	22(b)	(53,359)	(54,798)
Net cash (used in)/generated from financing activities		(517,300)	226,910
Net increase in cash and cash equivalents		1,382	35,827
Cash and cash equivalents at 1 April	22	162,474	128,424
Effect of foreign exchange rate changes		525	(1,777)
Cash and cash equivalents at 31 March	22	164,381	162,474

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

The notes on pages 51 to 137 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 2019 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 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 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 of Hong Kong Limited (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 2019 comprise the Group and the Group's interest in an associate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

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

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 April 2018.

	RMB'000
Accumulated losses	
Transferred from fair value reserve (recycling) relating to non-equity investments now measured at fair value through profit or loss (FVPL)	5,185
Recognition of additional expected credit losses on financial assets measured at amortised cost	(1,448)
Related tax	(999)
Net decrease in accumulated loss at 1 April 2018	2,738
Fair value reserve (recycling)	
Transferred to accumulated losses relating to non-equity investments now measured at FVPL	5,185
Related tax	(1,296)
Net decrease in fair value reserve (recycling) at 1 April 2018	3,889
Fair value reserve (non-recycling)	
Remeasurement of equity investment	134,517
Related tax	(33,628)
Net increase in fair value reserve (non-recycling) at 1 April 2018	100,889

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

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

a. Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	Re-classification	Re-measurement	HKFRS 9 carrying amount at 1 April 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets carried at amortised cost				
Trade and other receivables	702,969	–	(1,448)	701,521
Financial assets carried at FVPL				
Non-equity investments (Note (i))	–	766,075	–	766,075
Financial assets measured at FVOCI (non-recyclable)				
Equity investment (Note (ii))	–	70,194	134,517	204,711
Financial assets classified as available-for-sale under HKAS 39 (Notes (i), (ii))	836,269	(836,269)	–	–

Notes:

(i) Under HKAS 39, wealth management products were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 April 2018, the Group designated its investment in equity security at FVOCI (non-recycling), as the investment is held for strategic purposes.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

a. *Classification of financial assets and financial liabilities (continued)*

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in Notes 2(h), 2(i), 2(n)(i), 2(p), 2(q) and 2(r).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see Note 2(n)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial assets or financial liability at FVPL at 1 April 2018.

b. *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables); and

– financial guarantee contract issued (see Note 2(n)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see Notes 2(n)(i) and (ii).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 March 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 April 2018.

	RMB'000
Loss allowance at 31 March 2018 under HKAS 39	(6,200)
Additional credit loss recognised at 1 April 2018 on:	
– Trade and other receivables	(1,448)
Loss allowance at 1 April 2018 under HKFRS 9	(7,648)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments* (continued)

c. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investment in equity instrument not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and there is no significant impact of transition to HKFRS 15 to the opening balance of equity at 1 April 2018 in this regard. The comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

The adoption of HKFRS 15 does not have a material impact on the financial position and the financial results of the Group.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. 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;

C. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

a. Timing of revenue recognition (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 goods 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 is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods or rendering of service.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see Note 2(x)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see Note 2(p)).

The adoption of HKFRS 15 does not have a significant impact on the presentation of assets and liabilities at 1 April 2018 and there is no adjustment in this regard.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

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

c. Consideration receivable from a supplier

An entity evaluates the consideration receivable from a supplier to determine whether the amount represents a reduction of the transaction price, provision a distinct goods or services, or a combination of the two.

If the entity cannot reasonably estimate the fair value of the goods or service provided to the supplier, then it accounts for the consideration receivable from the supplier as a reduction of the transaction price.

The Group provides venues for supplier to conduct promotional activities in the operation of department stores and supermarkets, and the fair value the service provided to the supplier cannot be reasonably estimated. Accordingly, the consideration receivable from a supplier arising from the service mentioned above are recognised as a reduction of purchase cost under HKFRS 15, whereas recognised as revenue for providing service to the supplier under HKAS 18.

The Group assessed that the impact of HKFRS 15 in other areas including customer rights of return and loyalty program is not significant as the respective volume of transactions are not material.

The adoption of HKFRS 15 does not have material impact on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if the superseded standard had continued to apply to the year ended 31 March 2019 instead of HKFRS 15.

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(e) Subsidiaries

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.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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). The cost of the investment includes purchase price, other cost directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. 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(n)(iii)). 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 any other 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 (see Note 2(h)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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(n)(iii)). 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(n)(iii)).

(h) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and an associate, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 April 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(x)(vi)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in debt and equity securities (continued)

(A) Policy applicable from 1 April 2018 (continued)

Investments other than equity investments (continued)

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(x)(v).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in debt and equity securities (continued)

(B) Policy applicable prior to 1 April 2018

Investments in debt and equity securities were initially stated at fair value, which was their transaction price unless it was determined that the fair value at initial recognition differs from the transaction price and that fair value was 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 included attributable transaction costs.

Investments in debt and equity securities which did not fall into the categories of investments in securities held for trading or held-to-maturity were classified as available-for-sale securities. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that did not have a quoted price in an active market for an identical instrument and whose fair value could not otherwise be reliably measured were recognised in the statement of financial position at cost less impairment losses (see Note 2(n)(i) – Policy applicable prior to 1 April 2018). Dividend income from equity investment and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in Notes 2(x)(v) and 2(x)(vi), respectively. When the investments were derecognised or impaired (see Note 2(n)(i) - policy applicable prior to 1 April 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(i) Derivative financial instruments

Derivative financial instruments are recognised 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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

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

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 of 11-47 years
Leasehold improvements	Over the shorter of the term of lease and their estimated useful lives of 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

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 reversed 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 of disposal. Any loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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(n)(iii)).

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.

(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 recognised as 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(n)(iii). 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(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) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

Financial assets measured at fair value, including non-equity investments measured at FVPL and equity investment designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(x)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties 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 existed, an impairment loss was determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss was 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 was material. Impairment losses for equity securities carried at cost were not reversed.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 April 2018 (continued)

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 April 2018 (continued)

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was 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 were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

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

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

(A) Policy applicable from 1 April 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(n)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current 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;

– investment in an associate; 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, for goodwill, the recoverable amount 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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current 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.

(iv) 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(n)(i) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

Cost is calculated using the weighted average cost formula or specific identification 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.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(o)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are expensed when incurred if the amortisation period of the asset that the Group otherwise would have recognised in one year or less, using the practical expedient in paragraph 94 of HKFRS 15.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(x).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(q)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(x)).

Policy prior to 1 April 2018

In the comparative period, amounts received before the related revenue was recognised were presented as “advances received from customers” under “trade and other payables”. These balances have been classified as “contract liabilities” under “trade and other payables” during the year ended 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(n)(i)).

(r) 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, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(n)(i).

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(n)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(z)).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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 objective 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Provisions and contingent liabilities

Provisions are recognised when the Group 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.

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services, the investment in debt or equity securities or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

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

Revenue arising from the sales of goods and income from concession sales are recognised when the customer takes possession of and accepts the goods. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

The goods can only be returned due to product quality issue. Because the number of return is extremely low in previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

(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 recognised 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 Group allocates a portion of the consideration received to programme credits. This allocation is based on the relative stand-alone selling price. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when programme credits are redeemed or the likelihood of the customer redeeming the programme credits becomes remote.

Policy prior to 1 April 2018

The fair value of the consideration received or receivable in respect of the initial sale was allocated between the programme credits and the other components of the sale. The amount allocated to the programme credits was 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 was deferred and revenue was recognised when the programme credits were redeemed and the Group had fulfilled its obligations to supply the programme credits offered under the customer loyalty programme. Deferred revenue was also released to revenue when it was no longer considered probable that the programme credits would be redeemed.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (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 under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(n)(i)).

(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 expense.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated 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 transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

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 ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 31 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 non-current assets

If circumstances indicate that the carrying amount of an asset may not be fully 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(n)(iii). 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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products of service lines is as follows:

	2019	2018 (Note)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– sales of goods	3,841,996	3,729,852
– rendering of services	21,827	74,679
	3,863,823	3,804,531
Revenue from other sources		
– rental income from operating leases	43,645	32,169
– investment income	52,566	48,947
	96,211	81,116
	3,960,034	3,885,647

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18. See Note 2(c)(ii).

Disaggregation of revenue from contracts with customers by timing of revenue recognition and by geographic markets is disclosed in Notes 4(b)(i) and 4(b)(iii) respectively.

The remaining performance is part of a contract that has an original expected duration of one year or less, therefore, such information is not disclosed as a practical expedient in paragraph 121 of HKFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

The directors of the Company consider that the customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 March 2019 and 2018. Details of concentrations of credit risk arising from customers are set out in Note 31(a).

(ii) Total future minimum lease payments receivable by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	51,050	29,116
After 1 year but within 5 years	121,725	33,321
After 5 years	96,146	1,179
	268,921	63,616

(b) Segment reporting

The Group manages its business by lines of business. 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 presented the following five reportable segments:

– 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 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results

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

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

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

Disaggregation of revenue from contracts by timing of revenue recognition, as well as 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 2019 and 2018 is set out below.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

	2019					
	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Car-sale RMB'000	Investments holding RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
Point in time	433,928	418,184	280,470	2,729,867	52,566	3,915,015
Over time	–	43,645	1,374	–	–	45,019
Revenue from external customers	433,928	461,829	281,844	2,729,867	52,566	3,960,034
Inter-segment revenue	–	–	38,735	–	–	38,735
Reportable segment revenue	433,928	461,829	320,579	2,729,867	52,566	3,998,769
Reportable segment profit	89,955	127,592	58,680	164,559	52,566	493,352

	2018					
	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Car-sale RMB'000	Investments holding RMB'000	Total (Note) RMB'000
Revenue from external customers	328,996	485,497	279,739	2,742,468	48,947	3,885,647
Inter-segment revenue	–	–	13,159	–	–	13,159
Reportable segment revenue	328,996	485,497	292,898	2,742,468	48,947	3,898,806
Reportable segment profit	62,943	81,266	50,940	147,577	48,947	391,673

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18. See Note 2(c)(ii).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue

	2019 RMB'000	2018 RMB'000
Reportable segment revenue	3,998,769	3,898,806
Elimination of inter-segment revenue	(38,735)	(13,159)
Consolidated revenue	3,960,034	3,885,647

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers, which is based on the location at which the services were provided or the goods were delivered.

	Revenue from external customers	
	2019 RMB'000	2018 RMB'000
Mainland China and Hong Kong (place of domicile)	3,563,376	3,579,635
The United States	316,052	254,347
Europe	21,869	15,518
Canada	15,494	13,726
Others	43,243	22,421
	3,960,034	3,885,647

The analysis above includes property rental income from external customers and investment income in Mainland China of RMB43,645,000 and RMB52,566,000, respectively, for the year ended 31 March 2019 (2018: RMB32,169,000 and RMB48,947,000).

All of the Group's non-current assets (excluding deferred tax assets) are located in Mainland China and Hong Kong as at 31 March 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

5 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants	8,452	3,010
Interest income on cash at bank and advances due from related parties	6,508	11,509
Net gain from sale of scrap materials	746	389
Net gain/(loss) on disposal of property, plant and equipment	27,514	(240)
Others	(2,013)	5,504
	41,207	20,172

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance income/(costs)

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	(37,965)	(41,380)
Bank charges and other finance costs	(15,664)	(13,776)
Total borrowing costs	(53,629)	(55,156)
Changes in fair value of contingent consideration (Note 25)	85,023	(1,019,679)
Net gain on a forward foreign exchange contract	–	8,269
	31,394	(1,066,566)

(b) Staff costs#

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	117,601	114,274
Contributions to defined contribution retirement plans	8,896	9,373
	126,497	123,647

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(b) Staff costs# (continued)

The employees of the subsidiaries of the Group established in the People's Republic of China (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% to 19% 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.

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

(c) Other items

	2019 RMB'000	2018 (Note) RMB'000
Cost of inventories# (Note 19)	3,442,644	3,463,029
Auditors' remuneration		
– statutory audit service	3,300	2,880
– other services	1,000	1,350
Depreciation and amortisation# (Notes 12 and 16)	59,007	59,725
Impairment losses on trade and other receivables (Note 31(a))	2,113	6,200
Operating lease charges in respect of properties	31,505	35,584
Net foreign exchange loss	17,474	10,578

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

Cost of inventories includes RMB61,332,000 (2018: RMB56,079,000) for the year ended 31 March 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
		(Note)
	RMB'000	RMB'000
Current taxation (Note 26(a)):		
– Provision for the year	60,039	47,867
– Over-provision in respect of prior years	(446)	(195)
	59,593	47,672
Deferred taxation (Note 26(b)):		
– Origination and reversal of temporary differences	8,488	(7,747)
	68,081	39,925

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018, under the transition methods chosen, the comparative information is not restated due to the initial application. See Note 2(c).

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

	2019	2018
		(Note)
	RMB'000	RMB'000
Profit/(loss) before taxation	278,781	(899,067)
Expected tax on profit/(loss) before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	64,753	(140,069)
Tax effect of non-deductible expenses	5,245	173,779
Tax effect of non-taxable income	(15,805)	(820)
Tax effect of share of losses of an associate	–	1,214
Tax effect of unused tax losses	26,988	6,593
Tax effect of utilisation of tax losses not recognised in previous year	(9,840)	–
Tax effect of PRC tax concessions (Note (ii))	(2,814)	(577)
Over-provision in respect of prior years	(446)	(195)
Income tax	68,081	39,925

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018, under the transition methods chosen, the comparative information is not restated due to the initial application. See Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

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

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 March 2019 is 16.5% (2018: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2019 (2018: RMBNil).

(ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% (2018: 25%). One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2016 to 2018 applicable for enterprise with advanced and new technologies.

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

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:

	2019				
	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	–	410	300	13	723
Mr Tong Shiping (appointed on 18 July 2018)	–	–	–	–	–
Mr Tong Xin (resigned on 18 July 2018)	–	–	–	–	–
Non-executive directors					
Ms Cheng Weihong (appointed on 28 September 2018)	–	–	–	–	–
Mr Lau Kin Hon (resigned on 31 December 2018)	–	–	–	–	–
Independent non-executive directors					
Mr He Chengying	137	–	–	–	137
Mr Cheung Kiu Cho Vincent	137	–	–	–	137
Mr Shin Yick Fabian	157	–	–	–	157
Mr Kwong Kwan Tong (appointed on 28 September 2018)	86	–	–	–	86
	517	410	300	13	1,240

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2018				
	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	142	13	575
Mr Tong Xin	–	–	–	–	–
Non-executive directors					
Mr Lau Kin Hon	–	–	–	–	–
Independent non-executive directors					
Mr He Chengying	102	–	–	–	102
Mr Cheung Kiu Cho Vincent	102	–	–	–	102
Mr Shin Yick Fabian	122	–	–	–	122
	326	420	142	13	901

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(Expressed in RMB unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining four (2018: four) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	2,480	2,251
Discretionary bonuses	627	516
Retirement scheme contributions	56	56
	3,163	2,823

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:

	2019	2018
(In HK$)		
Nil – 1,000,000	3	2
1,000,001 – 1,500,000	1	2

10 OTHER COMPREHENSIVE INCOME

	2019			2018		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before tax amount (Note) RMB'000	Tax expense (Note) RMB'000	Net-of-tax amount (Note) RMB'000
Equity investment at FVOCI:						
Net movement in fair value reserve (non-recycling)	(95,291)	23,823	(71,468)	–	–	–
Available-for-sale securities:						
Net movement in fair value reserve (recycling)	–	–	–	1,709	(427)	1,282
Exchange differences on translation into presentation currency	(4,891)	–	(4,891)	(3,852)	–	(3,852)
Other comprehensive income	(100,182)	23,823	(76,359)	(2,143)	(427)	(2,570)

Note: The Group has initially applied HKFRS 9 at 1 April 2018, under the transition methods chosen, the comparative information is not restated due to the initial application. See Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the year ended 31 March 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB210,700,000 (2018: loss attributable to ordinary equity shareholders of the Company of RMB938,992,000) and the weighted average of 7,544,020,000 ordinary shares (2018: 5,984,775,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2019 '000	2018 '000
Issued ordinary shares at 1 April	5,678,038	5,420,109
Effect of issuance of ordinary shares (Note 27(c)(ii))	945,772	245,916
Effect of contingently issuable shares	920,210	318,750
Weighted average number of ordinary shares at 31 March	7,544,020	5,984,775

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 March 2019 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB125,677,000 and the weighted average of 7,544,020,000 ordinary shares (diluted), calculated as follows:

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

	2019 RMB'000
Profit attributable to ordinary equity shareholders	210,700
After tax effect of changes in fair value of contingent consideration (Note 25)	(85,023)
Profit attributable to ordinary equity shareholders (diluted)	125,677

There were no potential dilutive ordinary shares during the year ended 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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	Total RMB'000
Cost:							
At 1 April 2017	849,782	109,505	55,742	71,783	200,514	7,497	1,294,823
Exchange adjustments	–	(25)	–	(85)	–	–	(110)
Additions	–	11,722	17,253	9,292	22,051	1,925	62,243
Disposals	–	–	(1,942)	(2,550)	(102,120)	(2,038)	(108,650)
At 31 March 2018	849,782	121,202	71,053	78,440	120,445	7,384	1,248,306
Accumulated depreciation and impairment losses:							
At 1 April 2017	(156,922)	(70,883)	(21,534)	(60,948)	(133,487)	(3,840)	(447,614)
Exchange adjustments	–	15	–	69	–	–	84
Charge for the year	(22,418)	(13,087)	(5,236)	(4,043)	(8,778)	(1,128)	(54,690)
Written back on disposals	–	–	1,193	2,400	101,990	1,189	106,772
At 31 March 2018	(179,340)	(83,955)	(25,577)	(62,522)	(40,275)	(3,779)	(395,448)
Net book value:							
At 31 March 2018	670,442	37,247	45,476	15,918	80,170	3,605	852,858

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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	Total RMB'000
Cost:							
At 1 April 2018	849,782	121,202	71,053	78,440	120,445	7,384	1,248,306
Exchange adjustments	–	16	–	54	–	–	70
Additions	–	7,830	27,498	3,506	19,216	1,699	59,749
Transfer to investment properties	(548,253)	–	–	–	–	–	(548,253)
Disposals	–	(1,866)	(4,788)	(18,465)	–	(1,407)	(26,526)
At 31 March 2019	301,529	127,182	93,763	63,535	139,661	7,676	733,346
Accumulated depreciation and impairment losses:							
At 1 April 2018	(179,340)	(83,955)	(25,577)	(62,522)	(40,275)	(3,779)	(395,448)
Exchange adjustments	–	(13)	–	(48)	–	–	(61)
Charge for the year	(15,651)	(14,155)	(6,641)	(5,873)	(12,508)	(1,151)	(55,979)
Transfer to investment properties	121,867	–	–	–	–	–	121,867
Written back on disposals	–	1,045	3,392	16,900	–	925	22,262
At 31 March 2019	(73,124)	(97,078)	(28,826)	(51,543)	(52,783)	(4,005)	(307,359)
Net book value:							
At 31 March 2019	228,405	30,104	64,937	11,992	86,878	3,671	425,987

(i) At 31 March 2019, property certificates of certain properties with an aggregate net book value of RMB15,338,000 (31 March 2018: RMB15,805,000) 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(a)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Valuation:		
At 1 April	403,890	426,390
Transfer from property, plant and equipment	426,386	–
Fair value adjustments:		
– Losses included in the consolidated statement of profit or loss	(59,226)	(22,500)
At 31 March	771,050	403,890

Notes:

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

At the end of the reporting period, the Group's investment properties are measured at fair value 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.

The fair value measurement of the Group's investment properties fall into level 3 of the fair value hierarchy described above.

During the year ended 31 March 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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 2019. The valuations were carried out by a qualified independent surveyor, RHL Appraisal Limited, who has among their staff Members 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 3 fair value measurements

The fair value of investment properties located in the Mainland China is determined using income capitalisation approach. The significant unobservable input used in the fair value measurement is yield rate, ranged from 5.75% to 6% for the year ended 31 March 2019 (2018: 6% to 6.25%). The fair value measurement is negatively correlated to the yield rate.

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

NOTES TO THE FINANCIAL STATEMENTS

(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.

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
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
Ningbo New JoySun Corp.*^ 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*^ 寧波新江廈暖通設備有限公司	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
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
Tianjin Calistar Automall Operation Management Co., Ltd.*^ 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 are limited liability companies established in the mainland China.

\# These companies are wholly foreign owned enterprises established in the mainland China.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 GOODWILL

	RMB'000
Cost:	
At 1 April 2017, 31 March 2018 and 31 March 2019	1,373,157
Accumulated impairment losses:	
At 1 April 2017, 31 March 2018 and 31 March 2019	(693,391)
Carrying amount:	
At 31 March 2018 and 31 March 2019	679,766

Impairment tests for cash-generating units containing goodwill

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

	2019 RMB'000	2018 RMB'000
Manufacturing and trading	43,313	43,313
Car-sale	636,453	636,453
	679,766	679,766

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

	Manufacturing and trading		**Car-sale**	
	2019	2018	2019	2018
Long-term growth rate	2.0%	2.0%	2.5%	2.5%
Discount rate (pre-tax)	14.7%	15.3%	14.1%	14.7%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 INTANGIBLE ASSETS

	Customer and supplier relationships	
	2019 RMB'000	2018 RMB'000
Cost:		
At 1 April 2017, 31 March 2018 and 31 March 2019	33,924	33,924
Accumulated amortisation:		
At 1 April 2018/2017	(30,896)	(25,861)
Charge for the year	(3,028)	(5,035)
At 31 March 2019/2018	(33,924)	(30,896)
Net book value:		
At 31 March 2019/2018	–	3,028

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 particulars of the Group's associate, which is an unlisted entity whose quoted market price is not available, are as follows:

Name of associate	Place of establishment and operations	Particulars of registered and paid-up capital	Proportion of ownership interest: 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

17 INTERESTS IN AN ASSOCIATE (CONTINUED)

Summarised financial information of the associate is disclosed below:

	2019 RMB'000	2018 RMB'000
Group's effective interest	24.76%	24.76%
Equity pick up of share of loss	–	–
Impairment of goodwill	–	(4,857)
Other comprehensive income	–	–
Carrying amount in the consolidated financial statements	–	–

18 OTHER INVESTMENTS

	Note	31 March 2019 RMB'000	1 April 2018 RMB'000	31 March 2018 RMB'000
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity investment	(i)	109,420	204,711	–
Financial assets measured at FVPL				
– Non-equity investments	(ii)	786,758	766,075	–
Available-for-sale investments	(iii)			
– Unlisted equity investment		–	–	70,194
– Non-equity investments		–	–	766,075
		896,178	970,786	836,269

Notes:

(i) The balance represents the Group's investments in unquoted equity securities of Hangzhou Lion Microelectronics Co., Ltd., a company incorporated in the Mainland China and engaged in production of electronic device.

(ii) The non-equity investments represent wealth management products issued by financial institutions with variable returns.

(iii) Available-for-sale financial assets were reclassified to financial assets measured at FVPL and equity investment designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018 (see Note 2(c)(i)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

19 INVENTORIES

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

	2019 RMB'000	2018 RMB'000
Raw materials	30,776	45,504
Work in progress	13,621	15,204
Finished goods	19,677	22,881
Merchandises	366,923	301,878
	430,997	385,467

(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:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	3,442,644	3,463,029

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES

	31 March 2019 RMB'000	1 April 2018 (Note (e)) RMB'000	31 March 2018 RMB'000
Trade receivables from:			
– Third parties	64,423	31,441	31,441
– Companies under the control of a non-controlling shareholder of the Company (Note (a))	207,541	–	–
– Companies under the control of the controlling shareholder of the Company (the "Controlling Shareholder")	–	192,381	192,381
Bills receivable	2,696	2,442	2,442
	274,660	226,264	226,264
Less: loss allowance (Note (e))	(2,868)	(929)	–
	271,792	225,335	226,264
Amounts due from related companies:			
– Amounts due from companies under the control of the Controlling Shareholder (Note (b))	–	46	46
– Amounts due from companies under the control of non-controlling shareholders of the Company (Note (b))	4,326	172	172
– Amount due from an associate (Note (c))	6,200	6,200	6,200
	10,526	6,418	6,418
Less: loss allowance	(6,200)	(6,200)	(6,200)
	4,326	218	218
Other receivables:			
– Advances to third parties	892	22,664	22,664
– Others	3,491	9,859	9,859
	4,383	32,523	32,523
Less: loss allowance (Note (e))	(693)	(519)	–
	3,690	32,004	32,523
Financial assets measured at amortised cost	279,808	257,557	259,005
Prepayments and deposits:			
– Prepayments and deposits for operating leases expenses	3,672	4,187	4,187
– Prepayments for purchase of inventories (Note (d))	473,454	377,822	377,822
– Deposits for parallel importation of cars to a company under the control of a non-controlling shareholder of the Company	50,000	50,000	50,000
– Others	5,974	11,955	11,955
	533,100	443,964	443,964
	812,908	701,521	702,969

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

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

(c) The amount is unsecured, bears interest at 8% per annum (31 March 2018: 8% per annum) and is individually determined to be impaired.

(d) Included in the balance are prepayments of RMB90,948,000 at 31 March 2019 (2018: RMB89,491,000) made to a company under the control of a non-controlling shareholder of the Company.

(e) Upon the adoption of HKFRS 9, an opening adjustment as at 1 April 2018 was made to recognise additional ECLs on trade and other receivables (see Note 2(c)(i)).

The amount of deposits expected to be recovered or recognised as expense after more than one year is RMB50,000,000 (2018: RMBNil). All of the other trade and other receivables are expected to be recovered or recognised as expenses within one year.

Ageing analysis

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

	2019 RMB'000	2018 (Note) RMB'000
Within 1 month	81,290	41,111
More than 1 month but less than 3 months	83,071	124,392
Over 3 months	107,431	60,761
	271,792	226,264

Note: The Group has initially applied HKFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 39. See Note 2(c)(i).

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 31(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 RESTRICTED BANK DEPOSITS

	2019 RMB'000	2018 RMB'000
Pledged deposits for issuance of bank bills	84,903	108,730
Pledged deposits for issuance of letter of credit	31,770	512,404
	116,673	621,134

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	164,381	162,474

The Group's operations in the PRC conduct their businesses mainly 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.

(b) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000 (Note 24)	Interest payable RMB'000 (Note 23)	Total RMB'000
At 1 April 2018	1,513,175	5,180	1,518,355
Changes from financing cash flows:			
Proceeds from new bank and other loans	733,282	–	733,282
Repayment of bank and other loans	(1,197,223)	–	(1,197,223)
Other borrowing costs paid	–	(53,359)	(53,359)
Total changes from financing cash flows	(463,941)	(53,359)	(517,300)
Exchange adjustments	15,370	–	15,370
Other changes:			
Interest expenses (Note 6(a))	–	37,965	37,965
Other finance costs (Note 6(a))	–	15,664	15,664
Total other changes	–	53,629	53,629
At 31 March 2019	1,064,604	5,450	1,070,054

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other loans RMB'000 (Note 24)	Interest payable RMB'000 (Note 23)	Total RMB'000
At 1 April 2017	1,213,262	4,822	1,218,084
Changes from financing cash flows:			
Proceeds from new bank and other loans	1,166,727	–	1,166,727
Repayment of bank and other loans	(885,019)	–	(885,019)
Other borrowing costs paid	–	(54,798)	(54,798)
Total changes from financing cash flows	281,708	(54,798)	226,910
Exchange adjustments	18,205	–	18,205
Other changes:			
Interest expenses (Note 6(a))	–	41,380	41,380
Other finance costs (Note 6(a))	–	13,776	13,776
Total other changes	–	55,156	55,156
At 31 March 2018	1,513,175	5,180	1,518,355

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

23 TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables to:		
– Third parties	164,488	218,568
– Companies under the control of the Controlling Shareholder	–	55,777
– Companies under the control of a non-controlling shareholder of the Company	42,731	–
	207,219	274,345
Bills payable	87,124	52,371
	294,343	326,716
Amounts due to related companies:		
– Companies under the control of the Controlling Shareholder (Note (i))	–	34,773
– Companies under the control of non-controlling shareholders of the Company (Note (i))	33,500	668
	33,500	35,461
Accrued charges and other payables:		
– Accrued expenses	20,999	24,064
– Payables for staff related costs	48,776	44,704
– Deposits from customers and suppliers	12,667	20,756
– Payables for interest expenses (Note 22(b))	5,450	5,180
– Payables for miscellaneous taxes	5,086	5,484
– Others	23,743	18,296
	116,721	118,484
Financial liabilities measured at amortised cost	444,564	480,661
Current portion of contingent consideration (Note 25)	–	1,809,093
Contract liabilities (Note (ii))	230,538	–
Advances received from customers (Note (ii))	–	265,851
	675,102	2,555,605

Notes:

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

(ii) The entire contract liabilities balance at the beginning of the year has been recognised as revenue during the year ended 31 March 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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:

	2019 RMB'000	2018 RMB'000
Within 1 month	135,574	147,467
Over 1 month but within 3 months	108,972	121,162
Over 3 months but within 6 months	44,333	42,559
Over 6 months	5,464	15,528
	294,343	326,716

24 BANK AND OTHER LOANS

The Group's bank and other loans are analysed as follows:

	2019 RMB'000	2018 RMB'000
Bank loans:		
– Secured by bank bills	126,050	80,600
– Secured by trade receivables (Note 24(a))	3,300	–
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(a))	707,600	687,050
– Secured by the Group's leasehold land and buildings and guaranteed by companies under the control of the Controlling Shareholder (Note 24(a))	–	49,000
– Secured by the Group's leasehold land and buildings and guaranteed by companies under the control of a non-controlling shareholder of the Company (Note 24(a))	49,000	–
– Secured by bank deposits	–	477,051
– Secured by bills of merchandises	–	13,368
– Secured by the Group's investment properties and guaranteed by companies under the control of the Controlling Shareholder	–	41,499
	885,950	1,348,568
Loans from third parties:		
– Unsecured	5,448	5,092
Loans from a company under the control of the Controlling Shareholder:		
– Unsecured	–	1,402
Loans from companies under the control of non-controlling shareholders of the Company:		
– Unsecured (Note (i))	173,206	158,113
	1,064,604	1,513,175

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 BANK AND OTHER LOANS (CONTINUED)

Note:

(i) At 31 March 2019, the loans from companies under the control of non-controlling equity shareholders of the Company bear interests ranging from 0% to 3.78% per annum (31 March 2018: 0% to 3.08%) and are repayable before February 2020 (31 March 2018: February 2019).

The Group's bank and other loans are repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	942,004	1,310,575
After 1 year but within 2 years	80,000	80,000
After 2 years but within 5 years	42,600	122,600
	122,600	202,600
	1,064,604	1,513,175

At 31 March 2019, the Group's banking facilities amounted to RMB1,080,500,000 (31 March 2018: RMB1,091,125,000) were utilised to the extent of RMB684,254,580 (31 March 2018: RMB544,402,000).

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

	2019 RMB'000	2018 RMB'000
Pledged for bank loans:		
Leasehold land and buildings (Note 12)	174,540	584,801
Investment properties (Note 13)	756,650	389,390
Trade receivables	3,300	–
	934,490	974,191

(b) Certain of the Group's bank loans are subject to the fulfilment of covenants relating to financial ratios 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 31(b). During the year ended 31 March 2019, none of the covenants relating to bank loans had been breached.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 CONTINGENT CONSIDERATION

	2019 RMB'000	2018 RMB'000
At 1 April	1,809,093	931,068
Issuance of ordinary shares (Note 27(c))	(1,724,070)	(141,654)
Fair value changes (Note 6(a))	(85,023)	1,019,679
	–	1,809,093
Less: current portion (Note 23)	–	(1,809,093)
At 31 March	–	–

The Company acquired the car-sale business on 7 February 2017. Subject to the satisfaction of the guaranteed profits, the consideration will be settled by the Company by the issuance of consideration shares. The last tranche of consideration shares were issued during the year ended 31 March 2019.

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:**

	2019 RMB'000	2018 RMB'000
Balance of income tax payable at 1 April	17,318	5,318
Provision for income tax for the year (Note 7(a))	60,039	47,867
Over-provision in respect of prior years (Note 7(a))	(446)	(195)
Income tax paid	(56,579)	(35,672)
Balance of income tax payable at 31 March	20,332	17,318

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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	Credit loss allowance (Note)	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 other investments (Note)	Total	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2017	28,768	3,231	880	–	230	33,109	(232,508)	(14,631)	(869)	(248,008)	(214,899)
(Charged) /credited to the consolidated statement of profit or loss (Note 7(a))	–	(77)	(54)	–	–	(131)	9,169	(1,291)	–	7,878	7,747
Debited to reserves (Note 10)	–	–	–	–	–	–	–	–	(427)	(427)	(427)
At 31 March 2018	28,768	3,154	826	–	230	32,978	(223,339)	(15,922)	(1,296)	(240,557)	(207,579)
Impact on initial application of HKFRS 9 (Note 2(c)(i))	–	–	–	297	–	297	–	–	(33,628)	(33,628)	(33,331)
At 1 April 2018	28,768	3,154	826	297	230	33,275	(223,339)	(15,922)	(34,924)	(274,185)	(240,910)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(25,727)	(44)	(54)	559	–	(25,266)	16,156	315	307	16,778	(8,488)
Credited to reserves (Note 10)	–	–	–	–	–	–	–	–	23,823	23,823	23,823
At 31 March 2019	3,041	3,110	772	856	230	8,009	(207,183)	(15,607)	(10,794)	(233,584)	(225,575)

Note: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model and deferred tax liabilities on the fair value adjustment on equity securities (see Note 2(c)(i)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 RMB94,568,000 (31 March 2018: RMB139,589,000) 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 RMB80,371,000 (31 March 2018: RMB76,656,000) which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2019 will expire on or before 31 December 2024.

(d) Deferred tax liabilities not recognised

At 31 March 2019, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB1,815,559,000 (31 March 2018: RMB1,644,720,000). Deferred tax liabilities of RMB90,778,000 (31 March 2018: RMB82,236,000) 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:

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 RMB'000	Total RMB'000
At 1 April 2017	46,789	496,804	1,341	226,796	(20,648)	(487,221)	263,861
Changes in equity for the year ended 31 March 2018:							
Loss and total comprehensive income	–	–	–	–	–	(1,037,743)	(1,037,743)
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	2,285	139,369	–	–	–	–	141,654
	2,285	139,369	–	–	–	(1,037,743)	(896,089)
At 31 March 2018 and 1 April 2018	49,074	636,173	1,341	226,796	(20,648)	(1,524,964)	(632,228)
Changes in equity for the year ended 31 March 2019:							
Profit and total comprehensive income	–	–	–	–	–	62,409	62,409
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	16,420	1,707,650	–	–	–	–	1,724,070
	16,420	1,707,650	–	–	–	62,409	1,786,479
At 31 March 2019	65,494	2,343,823	1,341	226,796	(20,648)	(1,462,555)	1,154,251

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: RMBNil).

(c) Share capital

(i) Issued share capital

	2019		2018	
	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

	2019		2018	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 April	5,678,038	49,074	5,420,109	46,789
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	1,865,982	16,420	257,929	2,285
At 31 March	7,544,020	65,494	5,678,038	49,074

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) On 18 April 2017, the Company issued 257,929,317 new ordinary shares to Mighty Mark Investments Limited ("Mighty Mark") as the second tranche consideration shares ("Tranche B consideration shares") for acquisition of 100% equity interests in Mega Convention from Mighty Mark, at a price of HK$0.62 each (determined based on the closing price of the Company's ordinary shares on the Stock Exchange on 18 April 2017). HK$2,579,000 (equivalent to approximately RMB2,285,000) of the deemed proceeds from the Tranche B consideration shares were credited to the Company's share capital. The remaining deemed proceeds from the Tranche B consideration shares of HK$157,337,000 (equivalent to approximately RMB139,369,000) were credited to the Company's share premium account.

On 28 September 2018, the Company issued 1,865,981,820 new ordinary shares to Mighty Mark as the third tranche consideration shares ("Tranche C consideration shares") for acquisition of 100% equity interests in Mega Convention from Mighty Mark, at a price of HK$1.05 each (determined based on the closing price of the Company's ordinary shares on the Stock Exchange on 28 September 2018). HK$18,660,000 (equivalent to approximately RMB16,420,000) of the deemed proceeds from the Tranche C consideration shares were credited to the Company's share capital. The remaining deemed proceeds from the Tranche C consideration shares of HK$1,940,621,000 (equivalent to approximately RMB1,707,650,000) 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 statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(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.

(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 (recycling)

Prior to 1 April 2018, this reserve included the cumulative net change in the fair value of available-for-sale non-equity investments held at the end of the reporting period in accordance with HKAS 39. These non-equity investments are measured at FVPL under HKFRS 9 and this amount has been transferred to accumulated loss upon the initial adoption of HKFRS 9 at 1 April 2018 (see Note 2(c)(i)).

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 that is held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in Note 2(h).

(vii) Other reserve

The balance of other reserve 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(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, 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 2019, the Group's strategy was to maintain the adjusted net debt-to-capital ratio to a similar level in 2018. 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.

The Group's adjusted net debt-to-capital ratio at 31 March 2019 and 2018 was as follows:

	2019 RMB'000	2018 RMB'000
Current liabilities:		
Trade and other payables	675,102	2,555,605
Bank and other loans	942,004	1,310,575
	1,617,106	3,866,180
Non-current liabilities:		
Bank and other loans	122,600	202,600
Total debt	1,739,706	4,068,780
Less: Cash and cash equivalents	(164,381)	(162,474)
Contingent consideration to be settled by issuance of ordinary shares	–	(1,809,093)
Adjusted net debt	1,575,325	2,097,213
Total equity and adjusted capital	2,312,327	354,178
Adjusted net debt-to-capital ratio	68%	592%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions 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	2019 RMB'000	2018 RMB'000
Sales of goods		–	1,452
Purchases of goods		–	67,508
Import and export handling charges		–	3,599
Operating lease expenses		–	14,008
Interest expenses	(i)	–	237
Net decrease in non-interest bearing advances received from related parties	(ii)	–	69
Net decrease in loans received from related parties	(iii)	–	11,797

(b) Transactions with companies under the control of non-controlling shareholders of the Company

	Note	2019 RMB'000	2018 RMB'000
Sales of goods		2,457	–
Purchases of goods		771,457	725,049
Import and export handling charges		4,535	–
Operating lease expenses		13,699	217
Interest expenses	(i)	232	–
Net increase in non-interest bearing advances received from related parties	(ii)	3,038	108
Net increase in loans received from related parties	(iii)	13,691	158,113

Notes:

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

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

(iii) The loans are unsecured, bear interest ranging from 0% to 3.78% (2018: 0% to 3.08%) per annum and are repayable before February 2020 (2018: February 2019).

The Group's bank loans of RMB49 million as at 31 March 2019 (2018: RMB90.5 million) were guaranteed by related companies.

(c) 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:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	5,151	4,451
Contributions to defined contribution retirement plans	118	116
	5,269	4,567

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The related party transactions included in Notes 28(a) and 28(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Directors' Report as required by Chapter 14A of the Listing Rules, except for certain miscellaneous purchase, operating lease expense, interest expenses, interest income, net increase in non-interest bearing advances received from related parties and net increase in loans received from related parties which are exempted from the disclosure.

29 COMMITMENTS

(a) Capital commitments

At 31 March 2019, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Commitments in respect of plant and machinery		
– Contracted for	115	292

(b) Operating lease commitments

At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	23,617	23,034
After 1 year but within 5 years	29,995	29,502
After 5 years	14,066	25,964
	67,678	78,500

The Group leases a number of properties for the use by its supermarkets, manufacturing operations and car-sale business under operating leases. The leases typically run for an initial period of 1 to 15 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 CONTINGENT LIABILITIES

At 31 March 2019, the Group pledged certain leasehold land and buildings and investment properties to secure bank loans borrowed by a company under the control of a non-controlling shareholder of the Company. The carrying values of the leasehold land and buildings and investment properties are analysed as follows:

	2019 RMB'000	2018 RMB'000
Leasehold land and buildings	3,191	3,397
Investment properties	14,400	14,500
	17,591	17,897

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 2018: RMB9,000,000).

31 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and non-equity investments. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

In respect of non-equity 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.

Except for the pledges of certain of the Group's properties for bank loans drawn by related companies as set out in Note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these pledges is disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

Trade and other receivables

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 2019, 19.6% (31 March 2018: 24.3%) and 63.7% (31 March 2018: 64.5%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

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 six 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 measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.40%	254,620	(1,029)
1-30 days past due	2.29%	9,299	(213)
31-90 days past due	11.44%	4,562	(522)
More than 90 days past due	31.70%	3,483	(1,104)
		271,964	(2,868)

Expected loss rates are based on actual loss experience adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(n)(i) – Policy applicable prior to 1 April 2018). At 31 March 2018, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2018 RMB'000
Neither past due nor impaired	157,505
Less than 1 month past due	58,192
More than 1 month but less than 3 months past due	6,260
More than 3 months past due	4,307
	68,759
	226,264

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.

Receivables that were past due but not impaired relate to a number of independent customers that had 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 had not been a significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

Movement in the loss allowance account in respect of trade and other receivables during the year are as follows:

	2019 RMB'000	2018 RMB'000
Balance at 31 March under HKAS39	6,200	–
Impact on initial application of HKFRS9 (Note 2(c)(i))	1,448	–
Adjusted balance at 1 April	7,648	–
Impairment losses recognised during the year	2,113	6,200
At 31 March	9,761	6,200

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(b) Liquidity risk (continued)

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.

	2019 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	Total RMB'000	Carrying amount at 31 March RMB'000
Trade and other payables measured at amortised cost	444,564	–	–	444,564	444,564
Bank and other loans	966,314	87,193	43,968	1,097,475	1,064,604
	1,410,878	87,193	43,968	1,542,039	1,509,168

	2018 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	Total RMB'000	Carrying amount at 31 March RMB'000
Trade and other payables measured at amortised cost	480,661	–	–	480,661	480,661
Bank and other loans	1,354,955	93,384	131,161	1,579,500	1,513,175
	1,835,616	93,384	131,161	2,060,161	1,993,836

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

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

	2019		2018	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	5.06%	1,064,604	4.26%	1,513,175
Fixed rate borrowings as a percentage of total borrowings		100%		100%

(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

In respect of 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2019 Exposure to foreign currencies	
	US$	HK$
	RMB'000	RMB'000
Cash and cash equivalents	541	5,046
Trade and other payables	–	(8,905)
Bank and other loans	(5,448)	(173,206)
Gross exposure arising from recognised assets and liabilities	(4,907)	(177,065)

	2018 Exposure to foreign currencies			
	US$	HK$	EUR	CAD
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	2,427	158,904	19	776
Trade and other payables	–	(74,328)	–	–
Bank and other loans	(9,434)	(159,515)	(327,586)	(7,876)
Gross exposure arising from recognised assets and liabilities	(7,007)	(74,939)	(327,567)	(7,100)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 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.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and (increase)/ decrease in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and (increase)/ decrease in accumulated losses RMB'000
US$	10%	(491)	10%	(592)
	(10%)	491	(10%)	592
HK$	10%	(17,707)	10%	(6,532)
	(10%)	17,707	(10%)	6,532
EUR	10%	–	10%	(32,728)
	(10%)	–	(10%)	32,728
CAD	10%	–	10%	(513)
	(10%)	–	(10%)	513

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 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 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 disclosed in Note 13(a)(i).

	Fair value at 31 March 2019 RMB'000	Fair value measurements as at 31 March 2019 categorised into Level 3 RMB'000	Fair value at 31 March 2018 RMB'000	Fair value measurements as at 31 March 2018 categorised into Level 1 RMB'000	Level 3 RMB'000
Recurring fair value measurements					
Assets:					
Non-equity investments (Note 18)	786,758	786,758	766,075	–	766,075
Equity Investment (Note (a) and Note 18)	102,934	102,934	–	–	–
Liabilities:					
Contingent consideration (Note 25)	–	–	1,809,093	1,809,093	–

Note:

(a) As at 31 March 2018, the equity investment was classified as available-for-sale investment and measured at cost less impairment losses as this investment in a unlisted company do not have a quoted market price in an active market for an identified instrument and whose fair value cannot otherwise be reliably measured. Available-for-sale investments were reclassified to financial assets measured at FVPL and designated at FVOCI (non-recycling) upon to the adoption of HKFRS 9 at 1 April 2018 (see Note 2(c)(i)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 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)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Non-equity investments	Discounted cash flow model	Discount rate	4.5% to 6.4%
Equity investment	Market comparable companies	Discount for lack of marketability	24.0%

The fair value of non-equity investments is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate, ranged from 4.5% to 6.4% for the year ended 31 March 2019 (2018: 4.8% to 6.4%). The fair value measurement is negatively correlated to the discount rate. As at 31 March 2019, 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 profit after tax by RMB1,104,000 (2018: other comprehensive income RMB1,039,000).

The fair value of equity investment is determined using the enterprise value/earnings before interests and taxes ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 March 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by RMB1,727,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 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)*

Information about Level 3 fair value measurements (continued)

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

	2019 RMB'000	2018 RMB'000
Unlisted non-equity investments:		
At 1 April	766,075	673,406
Payment for purchases	132,800	760,890
Total gains recognised in other comprehensive income during the year	–	47,376
Total gains for the year reclassified from other comprehensive income	–	(45,667)
Changes in fair value recognised in profit during the year	(1,227)	–
Proceeds from sales	(110,890)	(669,930)
At 31 March	786,758	766,075

	2019 RMB'000
Unlisted equity investment:	
At 31 March 2018 under HKAS 39	–
Impact on initial application of HKFRS9 (Note 2(c)(i))	204,711
Adjusted balance at 1 April 2018	204,711
Net unrealised losses recognised in other comprehensive income during the year	(95,291)
At 31 March 2019 under HKFRS 9	109,420

(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 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At 31 March 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		105	186
Investments in subsidiaries		2,077,298	2,074,302
		2,077,403	2,074,488
Current assets			
Other receivables		602	479
Restricted bank deposits		–	157,857
Cash and cash equivalents		5,039	1,064
		5,641	159,400
Current liabilities			
Other payables		750,139	2,374,458
Bank and other loans		178,654	491,658
		928,793	2,866,116
Net current liabilities		(923,152)	(2,706,716)
NET ASSETS/(LIABILITIES)		1,154,251	(632,228)
CAPITAL AND RESERVES	27		
Share capital		65,494	49,074
Reserves		1,088,757	(681,302)
TOTAL EQUITY/(DEFICIT)		1,154,251	(632,228)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 2 March 2019, the Group, Valuable Peace Limited ("Valuable") and Mr Munoz Fierro Jorge Patricio, a natural person who is the son-in-law of Mr Tong Shiping (an executive director of the Company) and Ms Cheng Weihong (a non-executive director and a non-controlling shareholder of the Company), entered into the acquisition agreement pursuant to which the Group has conditionally agreed to acquire and Valuable has conditionally agreed to sell the entire equity interests in Robust Cooperation Limited, at a consideration of HK$1,200,000,000. The acquisition was approved by the special general meeting held on 27 June 2019.

The proposed change of the name of the Company from "Lisi Group (Holdings) Limited" to "China Automobile New Retail (Holdings) Limited" was approved by the special general meeting held on 27 June 2019. The new name of the Company will be effective upon the approval of the Registrar of Companies in Bermuda.

34 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider that the Company has no controlling shareholder at 31 March 2019 as no shareholder holds over half of the Company's ordinary shares after the issuance of Tranche C Consideration shares for the Company's acquisition of 100% equity interest in Mega Convention.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTER-PRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 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
HKFRS 16, *Leases*	1 January 2019
HKFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
Amendments to HKFRS 3, *Definition of a business*	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTER-PRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a material impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

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.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

As disclosed in Note 29(b), at 31 March 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB67,678,000.

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:

	Note	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue		3,960,034	3,885,647	1,239,692	1,085,709	1,158,042
Profit/(loss) before taxation	1	278,781	(899,067)	(646,436)	(279,808)	100,512
Income tax	1	(68,081)	(39,925)	(10,322)	304,820	(20,202)
Profit/(loss) for the year		210,700	(938,992)	(656,758)	25,012	80,310
Assets and liabilities						
Total assets	1	4,305,949	4,680,833	4,037,758	3,561,758	3,994,600
Total liabilities		(1,993,622)	(4,326,655)	(2,883,672)	(1,821,973)	(2,281,389)
Net assets		2,312,327	354,178	1,154,086	1,739,785	1,713,211

Note:

1. The Group adopted HKFRS 9, *Financial instruments* from 1 April 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 April 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 April 2018, figures were stated in accordance with the policies applicable in those years.

LISI GROUP (HOLDINGS) LIMITED
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