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 2018 年報

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr LI Lixin *(Chairman)*
Mr CHENG Jianhe *(Chief Executive Officer)*
Ms JIN Yaxue
Mr TONG Xin

Non-Executive Director
Mr LAU Kin Hon

Independent Non-Executive Directors
Mr SHIN Yick Fabian
Mr CHEUNG Kiu Cho Vincent
Mr HE Chengying

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SECURITIES CODE

Hong Kong Stock Code: 526

WEBSITE ADDRESS

http://www.lisigroup.com.hk

AUDITOR

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

PRINCIPAL BANKERS

Bank of Communications,
Hong Kong and Ningbo Branches,
the People's Republic of China (the "PRC")
Bank of Ningbo, PRC
China Construction Bank, Ningbo Branch, PRC
Industrial Bank Company Limited,
Hong Kong and Ningbo Branches, PRC
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN

Mr LI Lixin, aged 50, is the executive director (the "Director(s)") of Lisi Group (Holdings) Limited (the "Company") and chairman of the Company and its subsidiaries (the "Group"). Mr Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of a private group of companies established in the PRC. The principal businesses of this private group include import and export business, real property development and investment holding. The group also has investments in real property development, printing business and local bank in the PRC. Mr Li has 27 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 CHENG Jianhe, aged 52, is the Chief Executive Officer of the Group. Mr Cheng has over 29 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 48, 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 22 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr TONG Xin, aged 38, obtained a bachelor's degree in law from Tianjin Normal University* (天津師範大學) and studied a master's degree in law in Université de Savoie. He had served as a supervisor in Tianjin Binhai Teda Logistics (Group) Corporation Limited* (天津濱海泰達物流集團股份有限公司), a company listed on GEM of the Stock Exchange (stock code: 8348). In the past three years, Mr Tong served as a supervisor in Vantone Group (萬通地產), a company listed on the Shanghai Stock Exchange (stock code: 600246) and Tianjin Teda Company, a company listed on the Shenzhen Stock Exchange (stock code: 652).

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

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

NON-EXECUTIVE DIRECTOR

Mr LAU Kin Hon, aged 50, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 25 years. Mr Lau received his bachelor of laws degree from University College, London, UK. Mr Lau is an executive director of CL Group (Holdings) Limited and an independent non-executive director of Mingfa Group (International) Company Limited, both of which are listed on the Stock Exchange of Hong Kong. He was appointed as non-executive Director and company secretary of the Company in May 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr SHIN Yick Fabian, aged 49, independent non-executive Director, chairman of the audit committee and member of the remuneration committee and nomination committee. Mr Shin is currently the independent non-executive director of Goldenmars Technology Holdings Limited (3638.HK), Newton Resources Limited (1231.HK) and China Shun Ke Long Holdings Ltd. (974.HK). Mr Shin was a non-executive director of Hang Fat Ginseng Holdings Company Limited (911.HK) between January and February 2016.

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 42, independent non-executive Director, chairman of the nomination committee and member of the audit committee and remuneration committee. Mr Cheung is a Registered Professional Surveyor in the General Practice Division and member of The Hong Kong Institute of Surveyors and fellow member of The Royal Institution of Chartered Surveyors. Mr Cheung holds a Master Degree of Business Administration in International Management awarded by University of London in association with Royal Holloway and Bedford New College and a Bachelor Degree of Science (Honours) in Real Estate awarded by The Hong Kong Polytechnic University. 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 in July 2017 and admitted as a registered Real Estate Appraiser People's Republic of China in August 2017.

Mr Cheung is currently the Deputy Managing Director, Asia and Head of Valuation and Advisory Services Department of a multi-national corporation; the independent non-executive director of RMH Holdings Limited, a company listed on GEM 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 the independent non-executive director 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 January 2018.

Mr Cheung has over 21 years of experience in assets valuation, assets management and corporate advisory. He joined the Group in June 2006.

Mr HE Chengying, aged 55, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University, a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr PUN Kam Wai Peter, aged 56, is the Chief Financial Officer of the Group. Mr Pun possesses over 28 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.

Madam ZHENG Rong, aged 47, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 24 years of experience in the retail industry and around 22 years of experience in financial management in various industries. Madam Zheng has an EMBA degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr ZHANG Yao, aged 41, 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 45, 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 54, 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 27 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr NG Chun Ki, aged 40, 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 23 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 36, 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 higher level of skills and knowledge in the field of domestic and foreign trade. Mr Tong is the brother of Mr Tong Xin. He joined the Group when the acquisition of Mega Convention Group Limited was completed in February 2017.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Given the challenging business environment, we had satisfactory performance in 2017/18. For the year ended 31 March 2018 (the "Year"), our revenue was RMB3,885.6 million which represented an increase of 213.4% versus 2016/17. Our net loss for the Year was RMB939.0 million compared to a net loss of RMB656.8 million in 2016/17. The increase in net loss was primarily due to the recognition of the change in fair value of approximately RMB1,019.7 million from the contingent consideration shares still outstanding for the acquisition of the car business project in Tianjin which was completed on 7 February 2017. The loss is solely the result of the accounting treatment (in compliance with the current accounting standard) on the change in fair value resulted from the change in the market share price of the Company and has nothing related to the operating performance of the car business. Excluding the impact of the change in fair value of the contingent consideration, our business delivered satisfactory operating and financial results in 2017/18.

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

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

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

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

EXPANDING INTO NEW BUSINESSES WITH GROWTH POTENTIAL

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

DEVELOPING INTO TRADING AND SALES OF IMPORTED CARS BUSINESS

The major business action of the Group in 2016/17 was the acquisition of Mega Convention Group which is doing business in the trading and sales of imported cars and related service in China. The acquisition was completed on 7 February 2017 in accordance with the terms and conditions of the acquisition agreement after the conditions precedent set out in the acquisition agreement have been fulfilled. As disclosed in the announcements of the Company dated 25 September 2015, 9 August 2016, 29 September 2016, 27 October 2016, 3 January 2017 and 7 February 2017 and the circular of the Company dated 30 September 2016, automotive industry is a fast growing market in the PRC with significant growth potential. The actual business results and financial contributions delivered by this newly acquired car-sale business line in 2017/18 has proven the success of this acquisition. 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 and feel very excited with the prospect and potential of our new car-sale business.

CHAIRMAN'S STATEMENT

APPRECIATION

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

On behalf of the Board, I would like to thank our customers, suppliers, business partners and the shareholders for their continuous support. Last but not least, I would also like to take this opportunity to express my heartiest gratitude to all the employees of the Group for their industrious devotion and achievements in the challenging but exciting 2017/18. We shall continue to target for long term business growth of the Group and strive for improving financial results and returns to the shareholders.

Li Lixin
Chairman

Hong Kong, 28 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2018 (the "Year"), the Group recorded a revenue of approximately RMB3,885.6 million, representing an increase of 213.4% when compared with the revenue of approximately RMB1,239.7 million reported for the last year. Net loss for the Year was approximately RMB939.0 million compared to a net loss of RMB656.8 million for the last year. The Group's basic and diluted loss per share for the Year were RMB15.69 cent while the Group's basic and diluted loss per share for the year before were RMB13.85 cent.

Net Assets, Liquidity and Financial Resources

As at 31 March 2018, the Group's net assets decreased to RMB354.2 million, rendering net asset value per share at RMB6.24 cent. The sharp decrease in net assets is the result of the accounting treatment under current accounting standards on the recognition of the impact of fair value change on the Tranche C consideration shares to be issued to the vendor of Tianjin car-sale business project later this year in accordance with the terms of sell and purchase agreement on the acquisition completed on 7 February 2017. As stated in Note 23 and Note 25 to the consolidated financial statements, there was a contingent consideration of RMB1,809.1 million due to such consideration shares. Assuming the exchange rate of RMB:HK$ remains at the same level of 31 March 2018 and the market share price of the Company is the same as that on 31 March 2018, the contingent consideration of RMB1,809.1 million will be reclassified from liabilities to share capital and share premium in the books of the Company upon the issuance of these shares. And thus, the net assets of the Group will be increased very substantially under the current accounting treatment required by current accounting standards.

As at 31 March 2018, the Group's total assets were valued at RMB4,680.8 million, including cash and bank deposits of approximately RMB783.6 million and current available-for-sale investments of RMB766.1 million. Consolidated bank loans and other borrowings amounted to RMB1,513.2 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been increased from 105.1% as at 31 March 2017 to 427.2% as at 31 March 2018. The huge change in the debt-to-equity ratio was due to the drop in equity resulted from the loss recorded from the changes in fair value of contingent consideration for Tranche C consideration shares. Once Tranche C consideration shares are issued later this year and the contingent liabilities of RMB1,809.1 million for those shares are reclassified into equity, the debt-to-equity ratio will be back to normal level.

Most of the Group's business transactions were conducted in RMB and US$. As at 31 March 2018, the Group's major borrowings included bank loans, which had an outstanding balance of RMB1,348.6 million, other borrowings from shareholders and a third party totaling RMB164.6 million. All of the Group's borrowings have been denominated in RMB, EUR, HK$, US$ and CAD.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB974.2 million as at 31 March 2018 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 RMB, EUR, HK$, US$ and CAD. The Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of RMB. Given that RMB is not yet an international hard currency, there is no effective method to hedge the relevant risk for the size and cash flow pattern of the Group. As the Chinese Government is driving RMB to get more internationalized and towards free floating in the future, we expect more hedging tools will be available in the currency market. The Group will monitor closely the development of currency policy of the Chinese Government and the availability of the hedging tools which are appropriate for the operations of manufacturing business and car business of the Group in this respect.

The EUR short term loans of EUR26.27 million and EUR16.0 million the Company obtained from banks in HK and have been secured partially by RMB fixed deposits of a subsidiary of the Group and partially by HK$ restricted bank deposit of the Company. The EUR short term loan of EUR26.27 million has been partially early repaid of total EUR15.46 million and the remaining balance of EUR10.81 million and EUR16.0 million will be due in August 2018. The management will manage the EUR currency risk with utmost care and consider hedging and/or loan repayment when appropriate.

Segment Information

With the acquisition of Mega Convention Group Limited ("Mega Convention"), car-sale business has emerged to become the most important business segment of the Group in the Year and accounted for 70.6% of total revenue. Retail and wholesale business, manufacturing and trading business and investments holding business had 19.7%, 8.5% and 1.2% of the remaining respectively.

In terms of geographical location, China is the primary market of the Group, which accounted for 92.1% of total revenue of the Group for the Year. The remaining comprised of revenue from North America 6.9%, Europe 0.4% and others 0.6%.

Contingent Liabilities

As at 31 March 2018, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB17.9 million to secure bank loans borrowed by the related companies under the control of Mr Li Lixin, Chairman of the Company. Such arrangements were made by New JoySun group prior to the acquisition in August 2013. The directors of the Company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the close of business under the guarantees issued is RMB9.0 million being the balance of the principal amount of the bank loans the Group pledged for.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments in New Businesses

During the Year, our equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") remained at 24.76%. VMCL is an associate company of the Group. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry which has been in difficult business environment since global petroleum price dropped significantly in 2014. The Company will consider to sell our investment in VMCL should there be attractive offer which can give us a reasonable return from this investment.

Another investment in recent years was QL Electronics Co., Ltd ("QLEC"). As QLEC had been restructured for business expansion and opportunities in capital market. QLEC was split into two companies named QLEC (subsequently renamed as JRH QL Electronics Co., Ltd ("JRH") and Hangzhou Lion Microelectronics Co., Ltd ("HLMC"). HLMC is the parent company of JRH. At 22 January 2016, HLMC increased the share capital from 187,553,401 to 300,000,000 shares. Our investment of 18,318,800 shares in JRH were entitled to subscribe 14,417,912 shares in HLMC at 14 May 2015. Before the restructuring, our equity interest in HLMC was 8.211%. After the restructuring, our equity interest in HLMC was 7.592%. The core business of HLMC is in the development and manufacturing of semiconductor materials. As an investor, the Company is satisfied with the business performance and development prospect of JRH and HLMC.

The latest investment of the Company was the acquisition of 100% beneficiary interest in the trading and sales of imported cars and related services in Tianjin from substantial Shareholder which was approved by the Shareholders of the Company on 18 October 2016 and completed on 7 February 2017. For details of 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 and sales of imported cars business. The management is optimistic on the business prospect and the financial performance of this new business segment and expect significant contribution from car business to improve the financial position of the Group.

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

Employee Information

As at 31 March 2018, the Group employed a workforce of 2,076 employees in its various chain stores, offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the Year, the Group recorded a net loss of RMB939.0 million, compared to the net loss of RMB656.8 million for the corresponding last year. The loss was attributable to the recognition of the change in fair value of approximately RMB1,019.7 million from the contingent consideration shares still outstanding for the car-sale business project in Tianjin which was completed on 7 February 2017. The loss is solely the result of the accounting treatment (in compliance with the current accounting standard) on the change in fair value resulted from the change in the market share price of the Company and has nothing related to the operating performance of the car business.

Revenue

During the Year, the Group recorded total revenue of approximately RMB3,885.6 million, representing an increase of 213.4% when compared with the total revenue of approximately RMB1,239.7 million reported for the last year.

Car-sale Business

After the completion of the acquisition of the trading and sales of imported cars business in Tianjin, PRC in February 2017, this new business line managed to contribute revenue of RMB2,742.5 million for the year which was 70.6% of total revenue of the Group. This was huge increase when compared to the two months' revenue contribution of RMB159.5 million for the last year.

Retail and Wholesale Business

Retail business increased by 12.8% to RMB485.5 million while wholesale business increased by 5.1% to RMB279.7 million for the Year as compared with corresponding last year. Despite the market competition from e-commerce, large supermarket chains and new shopping malls nearby, the business of retail and wholesale business in wine and beverages has stabilized and recorded a satisfactory increase in revenue contributed by the hard work of the sale team of retail and wholesale business for the Year.

Manufacturing and Trading Business

During the Year, the manufacturing and trading business contributed approximately RMB329.0 million to the total revenue of the Group. The business of this segment decreased by RMB11.8 million when compared with the last year of approximately RMB340.8 million. The competition in overseas market has been very severe and our management team in this business line is working very hard to strengthen our established customer base and looking for further opportunities in the market.

Investments Holding Business

Dividend income increased by 60.0% to RMB3.3 million and investment income increased by 12.6% to RMB45.6 million during the Year as compared with the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Stepping into a Promising Car-Sale Business Market

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

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

On 17 September 2017, the Company, Sincere Dawn and Sincere Dawn's Guarantors entered into the sale and purchase agreement, pursuant to which, the Company has conditionally agreed to acquire, and Sincere Dawn has conditionally agreed to sell, 51% of the issued share capital of Dawn Brilliant Limited at the consideration of HK$1.4 billion. The consideration shall be satisfied by the issue up to 1,135,607,714 new shares and the promissory note in the principal amount of HK$264,392,286 by the Company to Sincere Dawn. In addition, on 21 September 2017, Dawn Brilliant Limited entered into the Strategic Cooperation Agreement with Taobao (China) Software Co., Ltd. in relation to the proposed cooperation in establishing and promoting a large-scale integrated platform for sale and purchase of motor vehicles and other motor vehicle related service. For details of the acquisition and the Strategic Cooperation Agreement, please refer to the announcements dated 17 September 2017 and 21 September 2017. At the date of this annual report, the proposed acquisition is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

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 three independent non-executive Directors as follows:

Executive Directors
Li Lixin *(Chairman)*
Cheng Jianhe *(Chief Executive Officer)*
Jin Yaxue
Tong Xin

Non-Executive Director
Lau Kin Hon

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

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

During the Year, all Directors were provided with reading materials, video and briefings to refresh their knowledge on Listing Rules and other relevant laws and regulations. Mr Lau Kin Hon, Mr Shin Yick Fabian and Mr Cheung Kiu Cho Vincent 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.

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). One meeting was held during the Year.

CORPORATE GOVERNANCE REPORT

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.

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, Mr Lau Kin Hon. One meeting was held during the Year.

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

AUDIT COMMITTEE

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 2017 and the interim results for the six months ended 30 September 2017. 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					
Li Lixin	1/8	NA	NA	NA	0/1
Cheng Jianhe	8/8	NA	NA	NA	0/1
Jin Yaxue	3/8	NA	1/1	NA	0/1
Tong Xin	6/8	NA	NA	NA	0/1
Non-Executive Director					
Lau Kin Hon	3/8	NA	NA	1/1	1/1
Independent Non-Executive Directors					
Shin Yick Fabian	4/8	2/2	1/1	1/1	1/1
Cheung Kiu Cho Vincent	4/8	2/2	1/1	1/1	1/1
He Chengying	2/8	1/2	NA	NA	0/1

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 RMB2,880,000 and RMB1,350,000, 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.

CORPORATE GOVERNANCE REPORT

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

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

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

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

– Develop necessary measures to manage those risks; and

– Monitor and review the effectiveness of such measures.

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

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

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

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

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

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

The Board has reviewed the risk management and internal control system adopted by the Group for the year ended 31 March 2018 and considered that it was effective.

CORPORATE GOVERNANCE REPORT

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. 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 2018 and highlight material aspects identified during the period from 1 April 2017 to 31 March 2018 (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 2018.

LISI APPROACH TO SUSTAINABILITY

The Group would seek ways to create a comprehensive sustainable corporate value. The Group identified the significant aspects which are highlighted throughout the report. The Group's 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	Energy and water consumption
A.3	Environmental and natural resources	Measures in reducing environmental impact
B.	Social	
B.1	Employment	Labour practices
B.2	Health and safety	Workplace health and safety
B.3	Development and training	Employee development and training
B.4	Labour standards	Child labour and forced labor Business Social Compliance Initiative
B.5	Supply chain management	Supplier management
B.6	Product responsibility	Product safety and quality
B.7	Anti-corruption	Anti-corruption and anti-money laundering
B.8	Community investment	Community involvement

ABOUT THE GROUP

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A. 1 Emissions

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

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

The Group is governed by The Law on Environmental Protection of the People's Republic of China 《中華人民共和國環境保護法》, the Law on Prevention and Control of Atmospheric Pollution《大氣污染防治法》and Urban Drainage and Sewage Treatment Regulations《城市排污與污水處理條例》. Violating these environmental regulations may result in temporary suspension of production. During the year ended 31 March 2018, 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 multiplied by the emission factors and the emission of CO_2 are used kg as unit.

The emissions of CO_2 are broadly classified into three scopes:

Scope 1 – Direct emissions from combustion of fuels;
Scope 2 – Energy indirect emissions; and
Scope 3 – Other indirect emissions.

The emission of CO_2 for the year ended 31 March 2018 has been summarised as follow:

Source of CO_2 emissions	**Quantity of energy consumed**	**CO_2 equivalent emissions** (kg)
Scope 1		
Natural gas consumption	207,778m^3	392,700
Motor vehicles – Diesel	13,062L	36,213
Motor vehicles – Unleaded petroleum	2,470L	6,688
Scope 2		
Electricity consumption	31,117,241kWh	19,603,862
Scope 3		
Paper consumption	3,707kg	17,791
Business travel	N/A	37,674
Total CO_2 emissions		20,094,928

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 ("NOx"), sulphur oxides ("SOx") and particulate matters ("PM") are also produced.

13,062 litres of diesels and 2,470 litres of unleaded petroleum has been consumed for the period from 1 April 2017 to 31 March 2018. The consumptions lead to an emission of NOx, SOx, and PM of 1,459.4kg, 0.2kg and 83.5kg, respectively.

The major greenhouse gases emissions are produced from the air conditioners located in the supermarkets and department stores to facilitate a better shopping environment to the consumer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

Centre Testing International, an independent testing services provider, carried out testing for the sewage. The results show it meets the Integrated Wastewater Discharge Standard of PRC《中華人民共和國污水綜合排放標準》.

A.2 Use of Resources

Energy and water consumption

The Group is committed to efficiently consume resources during production. During the reporting period, factories consumed approximately 207,778M^3 of natural gas consumption and 31,117,241kWh of electricity consumption from supermarket, factory and offices.

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

Resources	Unit	Consumption of year 2017/2018	Consumption of year 2016/2017
Electricity	kWh	31,117,241	29,619,568
Water	Tons	249,732	181,142
Natural gas	M^3	207,778	123,768
Paper	kg	3,707	2,827

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.

According to the Group's record, 3,707 kg of papers were used for office operations during the reporting period. Therefore, the Group has established a host of paper-saving initiatives to reuse and recycle 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.

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, it can considerably increase over 90% of work efficiency and 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

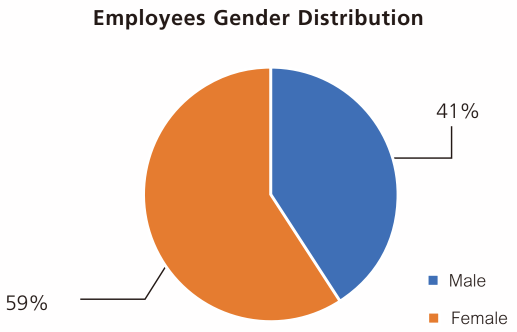
B. SOCIAL

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

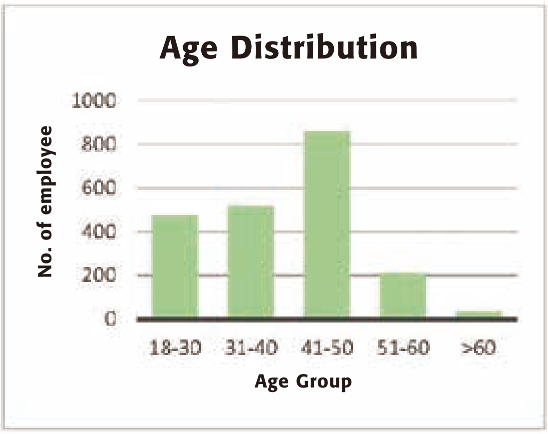
B.1 Employment

Labour practices

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



Recruitments are carried out strictly according to the Group's policy. For the year ended 31 March 2018, the aggregate number of staff of the Group was 2,076 staff including 856 males and 1,220 females. As a whole, the male/female ratio is approximately 1:1.43.



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. Renumeration 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.

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 Xinjiangxia ("新江廈") chain supermarket 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 areas 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regular fire drills

Employees are required 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 overall minor non-fatal injury record is lower than 0.5% during the year and no work-related fatal incident record is found. The Group will continue to provide a pleasant working environment to the staff and minimise the possibility of accidents. During the year, we do not detect any breach of the laws and regulations relating to health and safety in the workplace.

B.3 Development and Training

Employee 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.

Training program for new employees

Specialist training for management

B.4 Labour Standards

Child labour and forced labour

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 2018, the Group is prohibited to employ any staff who is under the legal working age for protecting the young people at work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Business Social Compliance Initiative

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

B.5 Supply Chain Management

Supplier management

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

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

B.6 Product Responsibility

Product safety and quality

The Group has dedicated to put the products quality as its first priority as the performance of the products would affect the long-term relationship with customers as well as 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 end 31 March 2018, the Group has not received any complaint regarding to the quality of the products.

B.7 Anti-Corruption

Anti-corruption and anti-money laundering

The Group believes integrity is fundamental to the competitiveness and sustainability in business. The Group always complies with all relevant laws and regulations such as Criminal law of the People's Republic of China《中華人民共和國刑法》and the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》. The Group provides training and updating employees about the latest law regularly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.8 Community Investment

Community involvement

The Group strives to repay to the communities where it operates and supports the people in need. The Group believes education is a crucial factor to change the life. During the year, the Group had charitable donation for the children in Guizhou and granted subsidy to students in financial needs.

Charity donation activity for the children in Guizhou

Management presents scholarships to the students in need

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 during the year ended 31 March 2018 and the material factors underlying its financial performance are set out in the "Chairman's Statement" on pages 8 to 9, "Management Discussion and Analysis" on pages 10 to 15 and "Environmental, Social and Governance Report" on pages 21 to 27, respectively, of this annual report.

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 18 to 19 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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

A management discussion and analysis of the results of the Group for the Year is set out on pages 10 to 15 of this annual report.

The Board do not recommend the payment of final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 49 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 2018 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 34 to 35 of this annual report respectively.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

As at 31 March 2018, no 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 and the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB236,379,000 as at 31 March 2017. The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: RMBNIL).

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report.

DIRECTORS

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

Executive Directors

Li Lixin *(Chairman)*
Cheng Jianhe *(Chief Executive Officer)*
Jin Yaxue
Tong Xin

Non-Executive Director

Lau Kin Hon

Independent Non-Executive Directors

Shin Yick Fabian
Cheung Kiu Cho Vincent
He Chengying

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

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2018:

(a) Lease of properties

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

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

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

	Annual Cap	Rental expenses
	RMB	RMB
From 1 April 2017 to 31 March 2018	6,455,160	6,386,904

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

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

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

	Annual Cap	Rental expenses
	RMB	RMB
From 1 April 2017 to 31 March 2018	7,621,200	7,621,200

(b) Export agency services

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

DIRECTORS' REPORT

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

	Annual Cap	Export agency fee
	RMB	RMB
From 1 April 2017 to 31 March 2018	8,800,000	3,194,895

(c) Import agency services

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

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

	Annual Cap	Gross transaction amount	Import agency fee incurred
	RMB	RMB	RMB
From 1 April 2017 to 31 March 2018	225,000,000	67,395,565	404,373

(d) Mutual supply of products

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

DIRECTORS' REPORT

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

	Annual Cap From 1 April 2017 to 31 March 2018 RMB	Transaction amount From 1 April 2017 to 31 March 2018 RMB
Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd.	5,300,000	1,452,449
Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp.	1,290,000	-

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

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

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

	Annual Cap From 1 January 2017 to 31 December 2017 RMB	Transaction amount From 1 April 2017 to 31 December 2017 RMB	Annual Cap From 1 January 2018 to 31 December 2018 RMB	Transaction amount From 1 January 2018 to 31 March 2018 RMB
Supply of products from Binhai Car City to Tianjin Calistar	1,000,000,000	566,283,259	900,000,000	158,765,552

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

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

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

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.56 of the Listing Rules. A copy of the auditor's letter had been submitted by the Company to the Stock Exchange.

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

(1) had received the approval of the Board;

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

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

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

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

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in note 29 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in note 29 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 2018, 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)	49.88%
		2,814,550,681 (S)	49.57%

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 is beneficially owned as to 90% by Mr Li Lixin. The issued share capital of Shi Hui is wholly owned by Mr. Li Lixin.

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 2018. Other than that, at no time during the year ended 31 March 2018 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 2018.

Save as disclosed herein, as at 31 March 2018, 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.

DIRECTORS' REPORT

Participants:

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

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

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

Maximum entitlement of each participant:

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

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

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

Minimum holding period before an option can be exercised:

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

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

Not applicable

Basis of determining the exercise price:

Determined by the Board and shall be:

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

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

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

The remaining life of the Scheme:

The Scheme remains in force until 31 August 2022.

No share options had been granted under the Scheme up to 31 March 2018 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 2018, 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)	23.46% 23.46%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666 (L) 1,482,411,667 (S)	26.11% 26.11%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	1,960,009,680 (L)	34.52%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	1,960,009,680 (L)	34.52%
浙江省財務開發公司	Person having a security interest in shares	999,999,001 (L)	17.61%
財通證券股份有限公司	Person having a security interest in shares	999,999,001 (L)	17.61%
Pacific Sun Advisors Limited	Person having a security interest in shares	447,238,000 (L)	7.88%
Mighty Mark Investments Limited	Beneficial owner	2,878,957,762 (L)	50.70%
Cheng Wei Hong	Beneficial owner/ Interest in controlled corporation	3,066,106,733 (L)	54.00%
Sincere Dawn Limited	Beneficial owner	1,135,607,714 (L)	20.00%
董愛英	Beneficial owner/ Interest in controlled corporation	1,135,607,714 (L)	20.00%

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

MANAGEMENT CONTRACTS

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

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	19.8%
– five largest suppliers	52.7%
Sales	
– the largest customer	4.8%
– five largest customers	16.2%

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Li Lixin
Chairman

Hong Kong, 28 June 2018

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 44 to 131, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018 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

As at 31 March 2018, goodwill attributable to the acquisition of car-sale business during the year ended 31 March 2017 amounted to RMB636 million.

Goodwill is assessed annually for potential impairment by the directors based on a discounted cash flow forecast of the future performance of the car-sale business acquired. 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 allocated to car-sale business as a key audit matter because the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill in relation to the car-sale business included the following:

- examining the directors' 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 market and other external available information, comparing the forecast with the historical performance of the acquired business and industry forecasts;
- 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 forecasts 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(w).

The Key Audit Matter	How the matter was addressed in our audit
The Group has several distinct revenue streams which comprise retail (the operation of department stores and supermarkets), the wholesale of wine and beverages and electrical appliances, the manufacturing and trading of household products and the trading of motor vehicles. In general, retail revenue is recognised when sales are made to customers over the counter, wholesale revenue and revenue from trading of motor vehicles is recognised when the goods are delivered to and accepted by the customers and revenue from the trading of household products is recognised when the goods are loaded onto shipping vessels for export 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

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

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 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018
(Expressed in Renminbi ("RMB"))

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	3,885,647	1,239,692
Cost of sales		(3,493,974)	(991,097)
Gross profit	4(b)	391,673	248,595
Other income	5	20,172	19,993
Selling and distribution expenses		(80,920)	(72,830)
Administrative expenses		(136,069)	(128,774)
Profit from operations		194,856	66,984
Net valuation (loss)/gain on investment properties	13	(22,500)	1,000
Impairment loss on goodwill	15	–	(693,391)
Share of losses of an associate	17	(4,857)	(21,327)
Finance costs	6(a)	(1,066,566)	298
Loss before taxation	6	(899,067)	(646,436)
Income tax	7	(39,925)	(10,322)
Loss for the year		(938,992)	(656,758)
Attributable to:			
Equity shareholders of the Company		(938,992)	(656,758)
Non-controlling interests		–	–
Loss for the year		(938,992)	(656,758)
Loss per share (RMB cent)			
Basic and diluted	11	(15.69)	(13.85)

The notes on pages 52 to 131 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in Note 27(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Loss for the year		(938,992)	(656,758)
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale securities net movement in fair value reserve		1,282	(1,086)
– Exchange differences on translation into presentation currency		(3,852)	1,902
Other comprehensive income for the year		(2,570)	816
Total comprehensive income for the year		(941,562)	(655,942)
Attributable to:			
Equity shareholders of the Company		(941,562)	(655,942)
Non-controlling interests		–	–
Total comprehensive income for the year		(941,562)	(655,942)

The notes on pages 52 to 131 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	12	852,858	847,209
Investment properties	13	403,890	426,390
Goodwill	15	679,766	679,766
Intangible assets	16	3,028	8,063
Interests in an associate	17	–	4,857
Available-for-sale investments	18	70,194	70,194
Deferred tax assets	26(b)	32,978	33,109
		2,042,714	2,069,588
Current assets			
Inventories	19	385,467	209,178
Trade and other receivables	20	702,969	517,204
Available-for-sale investments	18	766,075	673,406
Restricted bank deposits	21	621,134	439,958
Cash and cash equivalents	22	162,474	128,424
		2,638,119	1,968,170
Current liabilities			
Trade and other payables	23	2,555,605	632,272
Bank and other loans	24(a)	1,310,575	964,712
Income tax payable	26(a)	17,318	5,318
		3,883,498	1,602,302
Net current (liabilities)/assets		(1,245,379)	365,868
Total assets less current liabilities		797,335	2,435,456

The notes on pages 52 to 131 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Bank and other loans	24(b)	202,600	248,550
Contingent consideration	25	–	784,812
Deferred tax liabilities	26(b)	240,557	248,008
		443,157	1,281,370
Net assets		354,178	1,154,086
Capital and Reserves	27		
Share capital		49,074	46,789
Reserves		305,104	1,107,297
Total equity attributable to equity shareholders of the Company		354,178	1,154,086
Non-controlling interests		–	–
Total equity		354,178	1,154,086

Approved and authorised for issue by the board of directors on 28 June 2018.

Li Lixin
Chairman

Cheng Jianhe
Director

The notes on pages 52 to 131 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

(Expressed in RMB)

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

The notes on pages 52 to 131 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 March 2018

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital redemption reserve RMB'000 (Note 27(d)(i))	Statutory reserves RMB'000 (Note 27(d)(ii))	Contributed surplus RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(iv))	Fair value reserve RMB'000 (Note 27(d)(v))	Other reserve RMB'000 (Note 27(d)(vi))	Retained profits/ (accumulated loss) RMB'000	Total RMB'000	Non-controlling interests 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	-	1,154,086
Changes in equity for the year ended 31 March 2018:												
Loss for the year	-	-	-	-	-	-	-	-	(938,992)	(938,992)	-	(938,992)
Other comprehensive income	-	-	-	-	-	(3,852)	1,282	-	-	(2,570)	-	(2,570)
Total comprehensive income for the year	-	-	-	-	-	(3,852)	1,282	-	(938,992)	(941,562)	-	(941,562)
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	2,285	139,369	-	-	-	-	-	-	-	141,654	-	141,654
Appropriation to reserves	-	-	-	15,663	-	-	-	-	(15,663)	-	-	-
	2,285	139,369	-	15,663	-	-	-	-	(15,663)	141,654	-	141,654
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	-	354,178

The notes on pages 52 to 131 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Loss before taxation		(899,067)	(646,436)
Adjustments for:			
Depreciation and amortisation	6(c)	59,725	55,682
Net loss on disposal of property, plant and equipment	5	240	116
Interest income on cash at bank and advances due from related parties	5	(11,509)	(12,644)
Net valuation loss/(gain) on investment properties	13	22,500	(1,000)
Finance costs	6(a)	1,066,566	(298)
Share of losses of an associate	17	4,857	21,327
Impairment loss on goodwill	15	–	693,391
Impairment losses on trade and other receivables	6(c)	6,200	–
Net foreign exchange loss	6(c)	10,578	9,166
Investment and dividend income	4(a)	(48,947)	(42,616)
Changes in working capital:			
(Increase)/decrease in inventories		(176,289)	15,488
Increase in trade and other receivables		(293,269)	(106)
Increase/(decrease) in trade and other payables		282,379	(65,776)
Cash generated from operations		23,964	26,294
The People's Republic of China (the "PRC") Income Tax paid	26(a)	(35,672)	(12,987)
Net cash (used in)/generated from operating activities		(11,708)	13,307
Investing activities			
Cash acquired through the acquisition of subsidiaries	28	–	1,573
Payments for the purchase of available-for-sale investments		(760,890)	(769,930)
Proceeds from sale of available-for-sale investments		669,930	742,000
Payments for purchase of property, plant and equipment		(72,824)	(40,161)
Proceeds from disposal of property, plant and equipment		1,638	346
Proceeds from disposal of an investment property		104,000	350,000
Net increase in restricted bank deposits		(181,176)	(119,579)
Interest received		11,000	12,450
Investment and dividend income received	4(a)	48,947	42,616
Net cash (used in)/generated from investing activities		(179,375)	219,315

The notes on pages 52 to 131 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 March 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Financing activities			
Proceeds from new bank and other loans		1,166,727	940,580
Repayment of bank and other loans		(885,019)	(811,288)
Special distribution paid to the equity shareholders of the Company		–	(433,976)
Finance costs paid		(54,798)	(57,816)
Net cash generated from/(used in) financing activities		226,910	(362,500)
Net increase/(decrease) in cash and cash equivalents		35,827	(129,878)
Cash and cash equivalents at 1 April	22	128,424	258,198
Effect of foreign exchange rate changes		(1,777)	104
Cash and cash equivalents at 31 March	22	162,474	128,424

The notes on pages 52 to 131 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 2018 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate. The principal activities of the Group are the manufacturing and trading of household products, the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances, the trading and sales of imported cars, and investments holding.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange 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 2018 comprise the Group and the Group's interest in an associate.

The financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 March 2018. The directors consider this basis of preparation is appropriate because among the current liabilities, there are contingent consideration payable of RMB1,809,093,000 which will be settled by issuing new ordinary shares. The Group has sufficient working capital to operate as a going concern.

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 derivative financial instruments (see Note 2(i)), available-for-sale investments (see Note 2(h)), investment properties (see Note 2(j)) and contingent consideration (see Note 2(v)) 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 22(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

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 and non-controlling interests

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

(f) Associate

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associate (continued)

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

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

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

(g) Goodwill

Goodwill represents the excess of:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in debt and equity securities

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

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

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

(i) Derivative financial instruments

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

(j) Investment properties

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

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

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

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

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

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

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

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

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(o)(ii)).

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

	Estimated useful lives
Customer and supplier relationships	2-6 years

Both the period and method of amortisation are reviewed annually.

(m) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

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) Trade and other receivables

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

(o) Impairment of assets

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

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

– significant financial difficulty of the debtor;

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets

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

– property, plant and equipment;

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

– intangible assets;

– goodwill; and

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

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

– Calculation of recoverable amount

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

– 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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(p) Inventories

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Interest-bearing borrowings

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

(r) Trade and other payables

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

(s) Cash and cash equivalents

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

(t) 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)

(u) 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)

(u) 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 objectives is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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)

(v) Provisions and contingent liabilities

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

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

(w) Revenue recognition

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

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

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

(ii) Service fee and commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (continued)

(iv) Customer loyalty programme

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

(v) Dividends

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

(vi) Interest income

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

(vii) Government grants

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

(x) Translation of foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Translation of foreign currencies (continued)

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

(y) 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.

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (continued)

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

(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.

(aa) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 15 and 32 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 assets

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

(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.

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

	2018 RMB'000	2017 RMB'000
Sales of goods:		
– manufacturing and trading of household products	328,996	340,827
– retail operation of department stores and supermarkets	380,411	333,299
– wholesale of wine and beverages and electrical appliances	278,272	264,809
– trading and sales of imported cars	2,742,173	159,513
	3,729,852	1,098,448
Net income from concession sales#	7,536	10,097
Rental income from operating leases	32,169	29,809
Service fee and commission income	67,143	58,722
Investment and dividend income	48,947	42,616
	3,885,647	1,239,692

\# The gross revenue arising from concession sales charged to retailed customer for the year ended 31 March 2018 is RMB63,733,000 (2017: RMB82,240,000).

The directors of the Company consider that the customer bases are diversified and have no customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 March 2018 and 2017.

Details of concentrations of credit risk are set out in Note 32(a).

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 and sales of imported cars.

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

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

(i) Segment results

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

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

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

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)

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 2018 and 2017 is set out below.

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

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

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 and net income

	2018 RMB'000	2017 RMB'000
Revenue and net income		
Reportable segment revenue and net income	3,898,806	1,242,860
Elimination of inter-segment revenue	(13,159)	(3,343)
Unallocated revenue	–	175
Consolidated revenue	3,885,647	1,239,692
Gross profit		
Reportable segment gross profit	391,673	248,420
Gross gain of unallocated items	–	175
Consolidated gross profit	391,673	248,595

(iii) Geographic information

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

	Revenue and net income from external customers		Specified non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The PRC (including Hong Kong) (place of domicile)	**3,579,635**	904,453	**2,009,736**	2,031,622
The United States	**254,347**	273,709	**–**	–
Europe	**15,518**	22,358	**–**	–
Canada	**13,726**	15,588	**–**	–
Others	**22,421**	23,584	**–**	–
	3,885,647	1,239,692	**2,009,736**	2,031,622

5 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income on cash at bank and advances due from related parties	**11,509**	12,644
Government grants	**3,010**	6,609
Net gain from sale of scrap materials	**389**	175
Net loss on disposal of property, plant and equipment	**(240)**	(116)
Others	**5,504**	681
	20,172	19,993

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	41,380	46,857
Bank charges and other finance costs	13,776	11,370
Total borrowing costs	55,156	58,227
Changes in fair value of contingent consideration (Note 25)	1,019,679	(56,338)
Net gain on a forward foreign exchange contract	(8,269)	(2,187)
	1,066,566	(298)

(b) Staff costs#

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	114,274	110,336
Contributions to defined contribution retirement plans	9,373	9,290
	123,647	119,626

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 14% 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

6 LOSS BEFORE TAXATION (CONTINUED)

(c) Other items

	2018 RMB'000	2017 RMB'000
Cost of inventories# (Note 19)	3,463,029	961,434
Auditors' remuneration		
– statutory audit service	2,880	2,800
– other services	1,350	2,700
Depreciation and amortisation# (Notes 12 and 16)	59,725	55,682
Impairment losses on trade and other receivables (Note 20(ii))	6,200	–
Operating lease charges in respect of properties	35,584	33,557
Net foreign exchange loss	10,578	9,166

Cost of inventories includes RMB56,079,000 (2017: RMB60,564,000) for the year ended 31 March 2018, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018 RMB'000	2017 RMB'000
Current taxation-PRC Corporate Income Tax (Note 26(a)):		
– Provision for the year	47,867	13,929
– Over-provision in respect of prior years	(195)	(1,171)
	47,672	12,758
Deferred taxation (Note 26(b)):		
– Origination and reversal of temporary differences	(7,747)	(2,436)
	(7,747)	(2,436)
	39,925	10,322

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 loss at applicable tax rates:

	2018 RMB'000	2017 RMB'000
Loss before taxation	(899,067)	(646,436)
Expected tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	(140,069)	(105,767)
Tax effect of non-deductible expenses (Note (v))	173,779	120,910
Tax effect of non-taxable income	(820)	(10,169)
Tax effect of share of losses of an associate	1,214	5,332
Tax effect of unused tax losses not recognised (Note 26(c))	6,593	5,012
Tax effect of PRC tax concessions (Note (iv))	(577)	(3,825)
Over-provision in respect of prior years	(195)	(1,171)
Income tax	39,925	10,322

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 March 2018 is 16.5% (2017: 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 2018 (2017: RMBNil).

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

(iii) Certain subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2017: 25%).

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

(v) Non-deductible expenses for the year ended 31 March 2018 mainly represents the loss from change in fair value of contingent consideration (Note 28) (2017: the impairment loss of goodwill).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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:

	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 director					
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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: one) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining four (2017: four) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	2,251	2,283
Discretionary bonuses	516	639
Retirement scheme contributions	56	55
	2,823	2,977

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:

	2018	2017
(In HK$)		
Nil – 1,000,000	2	2
1,000,001 – 1,500,000	2	2

10 OTHER COMPREHENSIVE INCOME

	2018			2017		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Available-for-sale securities:						
Net movement in fair value reserve	1,709	(427)	1,282	(1,448)	362	(1,086)
Exchange differences on translation into presentation currency	(3,852)	–	(3,852)	1,902	–	1,902
Other comprehensive income	(2,143)	(427)	(2,570)	454	362	816

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year ended 31 March 2018 is based on the loss attributable to ordinary equity shareholders of the Company of RMB938,992,000 (2017: RMB656,758,000) and the weighted average of 5,984,775,000 ordinary shares (2017: 4,740,836,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2018 '000	2017 '000
Issued ordinary shares at 1 April	5,420,109	4,581,632
Effect of issuance of ordinary shares (Note 27(c)(ii))	245,916	121,751
Effect of contingently issuable shares	318,750	37,453
Weighted average number of ordinary shares at 31 March	5,984,775	4,740,836

(b) Diluted loss per share

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

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 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

(i) At 31 March 2018, property certificates of certain properties with an aggregate net book value of RMB15,805,000 (31 March 2017: RMB16,272,000) are yet to be obtained.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Valuation:		
At 1 April	426,390	425,390
Fair value adjustments:		
– (losses)/gains included in the consolidated statement of profit or loss	(22,500)	1,000
At 31 March	403,890	426,390

Notes:

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

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

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

The investment properties are measured at fair value on a recurring basis and their fair value measurement fall into level 3 of the fair value hierarchy described above.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

13 INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

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

(i) Fair value hierarchy (continued)

During the year ended 31 March 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: 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 2018. The valuations were carried out by a qualified surveyor, DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd., who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The Group's Chief Financial Officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

(ii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in the PRC is determined using income capitalisation approach. The significant unobservable input used in the fair value measurement is yield rate, ranged from 6% to 6.25% for the year ended 31 March 2018 (2017: 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(c)).

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.

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Da Mei (Ningbo) Electrical Appliance Limited* ^ 達美(寧波)電器有限公司	The PRC	Registered and paid-up capital of United States dollar ("US$") 49,217,379	100%	–	100%	Manufacture and sale of household electrical appliances and plastic products
Jinda Plastic Metal Products (Shenzhen) Company Limited* ^ 金達塑膠五金製品(深圳)有限公司	The PRC	Registered and paid-up capital of HK$180,000,000	100%	–	100%	Property holding
Ningbo New JoySun Corp.* ^ 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
Quzhou Lisi Supermarket Limited* ^ 衢州利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	100%	–	100%	Operation of supermarket

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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

^ These companies 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 2016	43,313
Addition through acquisition of subsidiaries (Note 28)	1,329,844
At 31 March 2017, 1 April 2017 and 31 March 2018	1,373,157
Accumulated impairment losses:	
At 1 April 2016	–
Impairment losses	(693,391)
At 31 March 2017, 1 April 2017 and 31 March 2018	(693,391)
Carrying amount:	
At 31 March 2018	679,766
At 31 March 2017	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:

	2018 RMB'000	2017 RMB'000
Manufacturing and trading	43,313	43,313
Car-sale	636,453	636,453
	679,766	679,766

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

15 GOODWILL (CONTINUED)

Manufacturing and trading

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

The recoverable amount of the manufacturing and trading CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate (2017: 2%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 15% (2017: 18%). The discount rates used are pre-tax and reflect specific risks relating to the manufacturing and trading CGU.

Car-sale

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

The recoverable amount of the car-sale CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a 2.5% long-term growth rate (2017: 2.5%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 15% (2017: 19%). The discount rates used are pre-tax and reflect specific risks relating to the car-sale CGU.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

16 INTANGIBLE ASSETS

	Customer and supplier relationships 2018 RMB'000	2017 RMB'000
Cost:		
At 1 April 2017/2016	33,924	29,456
Addition through acquisition of subsidiaries (Note 28)	–	4,468
At 31 March 2018/2017	33,924	33,924
Accumulated amortisation:		
At 1 April 2017/2016	(25,861)	(22,455)
Charge for the year	(5,035)	(3,406)
At 31 March 2018/2017	(30,896)	(25,861)
Net book value:		
At 31 March 2018/2017	3,028	8,063

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

	2018 RMB'000	2017 RMB'000
Gross amounts of the associate:		
Non-current assets	129,819	145,251
Current assets	72,276	62,790
Current liabilities	(242,797)	(219,053)
Non-current liabilities	(18,917)	(20,717)
Net liabilities	(59,619)	(31,729)
Revenue	17,034	23,405
Loss for the year	(27,890)	(86,137)
Group's effective interest	24.76%	24.76%
Equity pick up of share of loss	–	(13,471)
Impairment of goodwill	(4,857)	(7,856)
Group's share of losses of the associate	(4,857)	(21,327)
Reconciliation to the Group's interests in the associate		
Gross amounts of net liabilities of the associate	(59,619)	(31,729)
Group's effective interest	24.76%	24.76%
Group's share of net assets of the associate	–	–
Goodwill	–	4,857
Carrying amount in the consolidated financial statements	–	4,857

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

18 AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Non-current assets		
Unlisted equity securities (Note (i))	70,194	70,194
Current assets		
Unlisted investments (Note (ii))		
– with original maturity more than three months	755,185	653,476
– with original maturity within three months	10,890	19,930
	766,075	673,406

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

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

19 INVENTORIES

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

	2018 RMB'000	2017 RMB'000
Raw materials	45,504	32,291
Work in progress	15,204	16,225
Finished goods	22,881	11,437
Merchandises	301,878	149,225
	385,467	209,178

(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:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	3,463,029	961,434

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

	2018 RMB'000	2017 RMB'000
Trade receivables from (Notes 20(i) and 20(iii)):		
– Third parties	31,441	27,589
– Companies under the control of the controlling equity shareholder of the Company (the "Controlling Shareholder") (Note (a))	192,381	167,061
Bills receivable	2,442	3,899
	226,264	198,549
Less: allowance for doubtful debts (Note 20(ii))	–	–
	226,264	198,549
Amounts due from related companies:		
– Amounts due from companies under the control of the Controlling Shareholder (Note (b))	46	334
– Amount due from an associate (Note (c))	6,200	5,956
– Amount due from a company under the control of a non-controlling shareholder of the Company (Note (b))	172	200
	6,418	6,490
Less: allowance for doubtful debts (Note 20(ii))	(6,200)	–
	218	6,490
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	4,187	4,233
– Prepayments for purchase of inventories (Note (d))	377,822	102,259
– Advances to third parties	23,961	31,410
– Receivable from the disposal of investment property	–	104,000
– Deposits for parallel importation of cars to a company under the control of a non-controlling shareholder of the Company	50,000	50,000
– Derivative financial instruments (Notes 32(d)(i) and 32(e))	–	2,187
– Others	20,517	18,076
	476,487	312,165
Less: allowance for doubtful debts (Note 20(ii))	–	–
	476,487	312,165
	702,969	517,204

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Note (c): The amount is unsecured, bears interest at 8% per annum (31 March 2017: 8% per annum) and is individually determined to be impaired.

Note (d): Included in the balance are prepayments of RMB89,491,000 at 31 March 2018 (2017: RMB15,907,000) made to a company under the control of a non-controlling shareholder of the Company.

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

(i) Ageing analysis

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

	2018 RMB'000	2017 RMB'000
Within 1 month	41,111	38,192
More than 1 month but less than 3 months	124,392	110,611
Over 3 months	60,761	49,746
	226,264	198,549

Further details on the Group's credit policy are set out in Note 32(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Impairment of trade and other receivables

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

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

	2018 RMB'000	2017 RMB'000
At 1 April	–	–
Impairment losses recognised	6,200	–
At 31 March	6,200	–

At 31 March 2018, the Group's amount due from an associate of RMB6.2 million (31 March 2017: RMBNil) was individually determined to be impaired.

The individually impaired receivable related to an associate that was in financial difficulties and management assessed that the receivable may not be fully recoverable.

(iii) Trade and bills receivables that are not impaired

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

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	157,505	139,706
Less than 1 month past due	58,192	44,004
More than 1 month but less than 3 months past due	6,260	10,894
More than 3 months past due	4,307	3,945
	68,759	58,843
	226,264	198,549

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

21 RESTRICTED BANK DEPOSITS

	2018 RMB'000	2017 RMB'000
Pledged deposits for issuance of bank bills	108,730	105,850
Pledged deposits for issuance of letter of credit	512,404	334,108
	621,134	439,958

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	162,474	128,424

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

(b) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000 (Note 24)	**Interest payable** RMB'000	**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

	2018 RMB'000	2017 RMB'000
Trade payables to:		
– Third parties	218,568	164,727
– Companies under the control of the Controlling Shareholder	55,777	47,068
	274,345	211,795
Bills payable	52,371	40,423
	326,716	252,218
Amounts due to related companies:		
– Companies under the control of the Controlling Shareholder (Note (i))	34,773	29,202
– Companies under the control of a non-controlling shareholder of the Company (Note (i))	688	580
	35,461	29,782
Accrued charges and other payables:		
– Accrued expenses	24,064	20,321
– Payables for staff related costs	44,704	39,290
– Deposits from customers and suppliers	20,756	40,555
– Payables for interest expenses	5,180	4,822
– Payables for miscellaneous taxes	5,484	6,771
– Others	18,296	17,545
	118,484	129,304
Financial liabilities measured at amortised cost	480,661	411,304
Current portion of contingent consideration (Note 25)	1,809,093	146,256
Advances received from customers	265,851	74,712
	2,555,605	632,272

Note:

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

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

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:

	2018 RMB'000	2017 RMB'000
Within 1 month	147,467	104,618
Over 1 month but within 3 months	121,162	92,495
Over 3 months but within 6 months	42,559	43,261
Over 6 months	15,528	11,844
	326,716	252,218

24 BANK AND OTHER LOANS

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

	2018 RMB'000	2017 RMB'000
Bank loans:		
– Secured by bank bills	80,600	111,200
– Secured by bank deposits	477,051	308,076
– Secured by bills of mechandises	13,368	22,141
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(c))	438,500	322,400
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder (Note 24(c))	41,499	80,000
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder and secured by their property, plant and equipment (Note 24(c))	49,000	49,000
– Secured by leasehold land of a company under the control of the Controlling Shareholder and guaranteed by companies under the control of the Controlling Shareholder	–	30,000
	1,100,018	922,817

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 BANK AND OTHER LOANS (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Loans from third parties:		
– Unguaranteed and unsecured	5,092	5,631
Loans from a company under the control of the Controlling Shareholder:		
– Unguaranteed and unsecured (Note (i))	1,402	13,199
Loans from companies under the control of a non-controlling equity shareholder:		
– Unguaranteed and unsecured (Note (ii))	158,113	–
	1,264,625	941,647
Add:		
– Current portion of long-term bank loans (Note 24(b))	45,950	23,065
	1,310,575	964,712

Notes:

(i) At 31 March 2018, the loans from a company under the control of the Controlling Shareholder bear interests ranging from 2.87% to 3.08% per annum (31 March 2017: 2.59% to 3.02%) and are repayable in February 2019 (31 March 2017: February 2018).

(ii) At 31 March 2018, the loans from companies under the control of a non-controlling equity shareholder are non-interest bearing and are repayable in February 2019 (31 March 2017: Nil).

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

	2018 RMB'000	2017 RMB'000
Bank loans:		
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(c))	248,550	271,615
Less:		
– Current portion of long-term bank loans (Note 24(a))	(45,950)	(23,065)
	202,600	248,550

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

24 BANK AND OTHER LOANS (CONTINUED)

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

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

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	45,950	23,065
After 1 year but within 2 years	80,000	45,950
After 2 years but within 5 years	122,600	202,600
	248,550	271,615

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

At 31 March 2018, the Group's banking facilities amounted to RMB1,091,125,000 (31 March 2017: RMB1,509,190,000) were utilised to the extent of RMB544,402,000 (31 March 2017: RMB510,397,000).

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

	2018 RMB'000	2017 RMB'000
Pledged for bank loans:		
Leasehold land and buildings (Note 12)	584,801	645,075
Investment properties (Note 13)	389,390	412,390
	974,191	1,057,465

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

25 CONTINGENT CONSIDERATION

	2018 RMB'000	2017 RMB'000
At 1 April 2017/2016	931,068	–
Acquisition of subsidiaries (Note 28)	–	987,406
Issuance of ordinary shares (Note 28)	(141,654)	–
Fair value changes (Note 6(a))	1,019,679	(56,338)
	1,809,093	931,068
Less: current portion (Note 23)	(1,809,093)	(146,256)
At 31 March 2018/2017	–	784,812

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018 RMB'000	2017 RMB'000
Balance of income tax payable at 1 April	5,318	4,314
Additions through acquisition of subsidiaries (Note 28)	–	1,233
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	47,867	13,929
Over-provision in respect of prior years (Note 7(a))	(195)	(1,171)
Income tax paid	(35,672)	(12,987)
Balance of income tax payable at 31 March	17,318	5,318

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	Accrued expenses	Total	Fair value adjustments on property, plant and equipment, investment properties and intangible assets and related depreciation and amortisation	Tax allowance in excess of depreciation on property, plant and equipment	Fair value adjustments on available-for-sale securities	Total	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2016	28,768	3,190	934	–	32,892	(234,220)	(14,021)	(1,231)	(249,472)	(216,580)
Additions through acquisition of subsidiaries (Note 28)	–	–	–	–	–	(1,117)	–	–	(1,117)	(1,117)
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	–	41	(54)	230	217	2,829	(610)	–	2,219	2,436
Credited to reserves (Note 10)	–	–	–	–	–	–	–	362	362	362
At 31 March 2017 and 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)

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(u), the Group has not recognised deferred tax assets in respect of unused tax losses arising from certain subsidiaries of the Group of RMB139,589,000 (31 March 2017: RMB119,248,000) 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 RMB76,656,000 (31 March 2017: RMB73,617,000) which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2018 will expire on or before 31 December 2023.

(d) Deferred tax liabilities not recognised

At 31 March 2018, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB1,644,720,000 (31 March 2017: RMB1,546,310,000). Deferred tax liabilities of RMB82,236,000 (31 March 2017: RMB77,316,000) 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))	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 April 2016	39,374	–	1,341	660,772	(20,648)	167,863	848,702
Changes in equity for the year ended 31 March 2017:							
Loss and total comprehensive income	–	–	–	–	–	(655,084)	(655,084)
Issuance of ordinary shares on acquisition of subsidiaries (Note 27(c)(ii))	7,415	496,804	–	–	–	–	504,219
Special distribution approved and paid during the year (Note 27(b)(ii))	–	–	–	(433,976)	–	–	(433,976)
	7,415	496,804	–	(433,976)	–	(655,084)	(584,841)
At 31 March 2017 and 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	49,074	636,173	1,341	226,796	(20,648)	(1,524,964)	(632,228)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends/distribution

(i) The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: RMBNil).

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

	2018 RMB'000	2017 RMB'000
Special distribution approved and paid during the year	–	433,976

(c) Share capital

(i) Issued share capital

	2018		2017	
	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

	2018		2017	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 April	5,420,109	46,789	4,581,632	39,374
Issuance of ordinary shares on acquisition of subsidiaries (Notes 27(c)(ii) and 28)	257,929	2,285	838,477	7,415
At 31 March	5,678,038	49,074	5,420,109	46,789

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

On 18 April 2017, the Company issued 257,929,317 new ordinary shares to Mighty Mark as the second tranche consideration shares ("Tranche B consideration shares") for acquisition of 100% equity interests in Mega Convention (see Note 28) 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$2,579,293 (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.

(d) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

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

(ii) Statutory reserves

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

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(x).

(v) Fair value reserve

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

(vi) Other reserve

The balance of other reserve 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (continued)

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

During 2018, the Group's strategy was to maintain the adjusted net debt-to-capital ratio to a similar level in 2017. 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 2018 and 2017 was as follows:

	2018 RMB'000	2017 RMB'000
Current liabilities:		
Trade and other payables	2,555,605	632,272
Bank and other loans	1,310,575	964,712
	3,866,180	1,596,984
Non-current liabilities:		
Bank and other loans	202,600	248,550
Total debt	4,068,780	1,845,534
Less: Cash and cash equivalents	(162,474)	(128,424)
Contingent consideration to be settled by issuance of ordinary shares	(1,809,093)	(146,256)
Adjusted net debt	2,097,213	1,570,854
Total equity and adjusted capital	354,178	1,154,086
Adjusted net debt-to-capital ratio	592%	136%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF SUBSIDIARIES

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

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

On 18 April 2017, the Company issued 257,929,317 new ordinary shares to Mighty Mark as Tranche B consideration shares for the Company's acquisition of 100% equity interest in Mega Convention (see Note 27(c)(ii)).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

(i) Fair value of consideration

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

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

(ii) Fair value of identifiable net assets acquired

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes: (continued)

(iii) Net cash inflow arising on acquisition

	RMB'000
Cash and cash equivalents acquired	1,573

The directors of the Company consider that the automotive industry, especially the parallel importation industry is a fast growing market and by completing the acquisition, the Company will be able to further diversify the Group's existing business to strive for greater growth potential.

29 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	2018 RMB'000	2017 RMB'000
Sales of goods		1,452	1,506
Purchases of goods		67,508	70,295
Import and export handling charges		3,599	3,867
Rental income from operating leases		–	2,360
Operating lease expenses		14,008	14,043
Interest expenses	(i)	237	1,601
Net (decrease)/increase in non-interest bearing advances received from related parties	(ii)	(69)	1,987
Net decrease in loans received from related parties	(iii)	11,797	12,756

The Group's bank loans of RMB90.5 million as at 31 March 2018 (2017: RMB159.0 million) were guaranteed and secured by property, plant and equipment of related companies.

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

	Note	2018 RMB'000	2017 RMB'000
Purchase of goods		725,049	57,575
Operating lease expenses		217	–
Net increase in non-interest bearing advances received from related parties	(ii)	108	–
Net increase in loans received from related parties	(iv)	158,113	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with an associate of the Group

	Note	2018 RMB'000	2017 RMB'000
Interest income	(v)	244	400

(d) 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:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	4,451	5,350
Contributions to defined contribution retirement plans	116	119
	4,567	5,469

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

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 loan is unsecured, bear interest ranging from 2.87% to 3.08% (2017: 2.59% to 3.02%) per annum and is repayable in February 2019 (2017: February 2018).

(iv) The loan is unsecured, non-interest bearing and is repayable in February 2019.

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

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

The related party transactions included in Notes 29(a), 29(b) and 29(c) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Report of the Board of Directors as required by Chapter 14A of the Listing Rules, except for 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 COMMITMENTS

(a) Capital commitments

At 31 March 2018, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Commitments in respect of plant and machinery		
– Contracted for	292	108

(b) Operating lease commitments

(i) At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	23,034	33,563
After 1 year but within 5 years	29,502	40,318
After 5 years	25,964	21,401
	78,500	95,282

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 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(ii) At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	29,116	29,583
After 1 year but within 5 years	33,321	34,976
After 5 years	1,179	63
	63,616	64,622

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

30 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(ii) At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are receivable as follows: (continued)

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

31 CONTINGENT LIABILITIES

At 31 March 2018, the Group pledged certain leasehold land and buildings and investment properties to secure bank loans borrowed by a company under the control of the Controlling Shareholder. The carrying values of the leasehold land and buildings and investment properties are analysed as follows:

	2018 RMB'000	2017 RMB'000
Leasehold land and buildings	3,397	3,403
Investment properties	14,500	14,000
	17,897	17,403

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 RMB9,000,000, being the aggregate principal amount of the bank loans drawn by the related companies of the Group (31 March 2017: RMB18,000,000).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

In respect of available-for-sale 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(a) Credit risk (continued)

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 March 2018, 24.3% (31 March 2017: 27.1%) and 64.5% (31 March 2017: 59.0%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

Except for the pledges of certain of the Group's properties for bank loans drawn by related companies as set out in Note 31, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these pledges is disclosed in Note 31.

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

(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)

32 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.

	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	More 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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(b) Liquidity risk (continued)

	2018 Contractual undiscounted cash (outflow)/ inflow within 1 year or on demand RMB'000	2017 Contractual undiscounted cash (outflow)/ inflow within 1 year or on demand RMB'000
Derivative settled:		
Forward foreign exchange contracts		
– outflow	–	(190,624)
– inflow	–	192,812

(c) Interest rate risk

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

(i) Interest rate profile

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

	2018 Effective interest rate %	2018 RMB'000	2017 Effective interest rate %	2017 RMB'000
Fixed rate borrowings:				
Bank and other loans	4.26%	1,513,175	4.53%	1,213,262
Fixed rate borrowings as a percentage of total borrowings		100%		100%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(d) Currency risk

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

(i) Recognised assets and liabilities

Change in the fair value of forward foreign exchange contract that economically hedge monetary liability denominated in foreign currency is recognised in profit or loss (see Note 6(a)). The Group did not have any outstanding forward foreign exchange contracts as of 31 March 2018.

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

(ii) Exposure to currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2018 Exposure to foreign currencies			
	US$ RMB'000	HK$ RMB'000	EUR RMB'000	CAD RMB'000
Loan to a subsidiary	–	–	–	–
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)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 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.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and (decrease)/ increase in retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and (decrease)/ increase in retained profits RMB'000
US$	10%	(592)	10%	(1,660)
	(10%)	592	(10%)	1,660
HK$	10%	(6,532)	10%	(26,872)
	(10%)	6,532	(10%)	26,872
EUR	10%	(32,728)	10%	(11,709)
	(10%)	32,728	(10%)	11,709
CAD	10%	(513)	10%	(394)
	(10%)	513	(10%)	394

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

32 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.

	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	Fair value at 31 March 2017 RMB'000	Fair value measurements as at 31 March 2017 categorised into Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements						
Assets:						
Unlisted investments (Note 18)	766,075	–	766,075	673,406	–	673,406
Derivative financial instruments:						
Forward foreign exchange contract (Note 20)	–	–	–	2,187	2,187	–
Liabilities:						
Contingent consideration (Note (a) and Note 25)	1,809,093	1,809,093	–	931,068	–	931,068

Note (a): As at 31 March 2017, the fair value of contingent consideration was determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement was gross profit margin. As disclosed in Note 28, the number of Tranche C consideration shares to be issued is determined with the actual audited net profit of the Mega Convention Group for the year ending 31 December 2017 settled. As at 31 March 2018, the fair value of contingent consideration is measured using the share price of the Company at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

The fair value of unlisted 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 4.8% to 6.4% for the year ended 31 March 2018 (2017: 4.8% to 7.9%). The fair value measurement is negatively correlated to the discount rate. As at 31 March 2018, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decreased/increased the Group's other comprehensive income by RMB1,039,000 (2017: RMB1,282,000).

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

	2018 RMB'000	2017 RMB'000
Unlisted investments:		
At 1 April	673,406	644,924
Payment for purchases	760,890	769,930
Total gains recognised in other comprehensive income during the year	47,376	39,117
Total gains for the year reclassified from other comprehensive income	(45,667)	(40,565)
Proceeds from sales	(669,930)	(740,000)
At 31 March	766,075	673,406

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2018 and 2017 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2018		2017	
	Carrying amount at 31 March RMB'000	Fair value measurements at 31 March categorised into Level 3 RMB'000	Carrying amount at 31 March RMB'000	Fair value measurements at 31 March categorised into Level 3 RMB'000
Assets				
Available-for-sale equity investments	70,194	*	70,194	*
Liabilities				
Long-term bank loans (Note (aa))	202,600	216,809	248,550	266,455

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

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

Long-term bank loans

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

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

	2018	2017
Long-term bank loans	5.37%	5.48%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At 31 March 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		186	266
Investments in subsidiaries		2,074,302	2,074,325
		2,074,488	2,074,591
Current assets			
Loan to a subsidiary		–	9,607
Other receivables		479	2,665
Restricted bank deposits		157,857	–
Cash and cash equivalents		1,064	1,543
		159,400	13,815
Current liabilities			
Other payables		2,374,458	712,827
Bank and other loans		491,658	326,906
		2,866,116	1,039,733
Net current liabilities		(2,706,716)	(1,025,918)
Total assets less current liabilities		(632,228)	1,048,673
Non-current liabilities			
Contingent consideration		–	784,812
		–	784,812
NET (LIABILITIES)/ASSETS		(632,228)	263,861
CAPITAL AND RESERVES	27		
Share capital		49,074	46,789
Reserves		(681,302)	217,072
TOTAL (DEFICIT)/EQUITY		(632,228)	263,861

Approved and authorised for issue by the board of directors on 28 June 2018.

Li Lixin
Chairman

Cheng Jianhe
Director

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 March 2018 to be Shi Hui Holdings Limited, a company incorporated in the British Virgin Islands and Big-Max Manufacturing Co., Ltd., a company incorporated in Hong Kong, respectively. Neither of these companies produces financial statements available for public use.

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2018 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 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKAS 40, *Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance Consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HKFRS (IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

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 new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. The actual impacts upon the initial adoption of the standards 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 standards are initially applied in the Group's interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

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

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

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

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

HKFRS 9, *Financial instruments* (continued)

(b) *Impairment*

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

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

The Group plans to adopt HKFRS 15 initially on 1 April 2018 by using the cumulative effect transition method. Based on the assessment completed to date, the Group has identified the following areas which could potentially be affected:

(i) revenue from services – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue, and impact the classification and presentation of ancillary income;

(ii) rights of return – HKFRS 15 requires separate presentation on the statement of financial position of an estimate of the amount of revenue that the entity expects to refund (the refund liability) and an asset that represents the right to recover the goods from the customer on settling the refund liability;

(iii) revenue from goods – HKFRS 15 requires the Group to determine whether it is a principal or an agent based on whether it controls the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods. This may require revenue earned under certain arrangements in cooperation with suppliers to be recognised on a net basis but will have no impact on the statement of financial position or net profit of the respective reporting periods; and

(iv) customer loyalty programme – HKFRS 15 requires the Group to allocate transaction price based on the standalone selling price of programme credits, rather than its fair value. The Group has to estimate the stand-alone selling price of the programme credits.

The Group does not expect the application of HKFRS 15 to result in significant impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

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. As disclosed in Note 30(b), at 31 March 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB78,500,000 for a number of properties, with a significant portion payable 1 year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will 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. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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:

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	3,885,647	1,239,692	1,085,709	1,158,042	783,003
(Loss)/profit before taxation	(899,067)	(646,436)	(279,808)	100,512	1,294,724
Income tax	(39,925)	(10,322)	304,820	(20,202)	(333,131)
(Loss)/profit for the year	(938,992)	(656,758)	25,012	80,310	961,593
Assets and liabilities					
Total assets	4,680,833	4,037,758	3,561,758	3,994,600	3,982,598
Total liabilities	(4,326,655)	(2,883,672)	(1,821,973)	(2,281,389)	(2,355,093)
Net assets	354,178	1,154,086	1,739,785	1,713,211	1,627,505

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