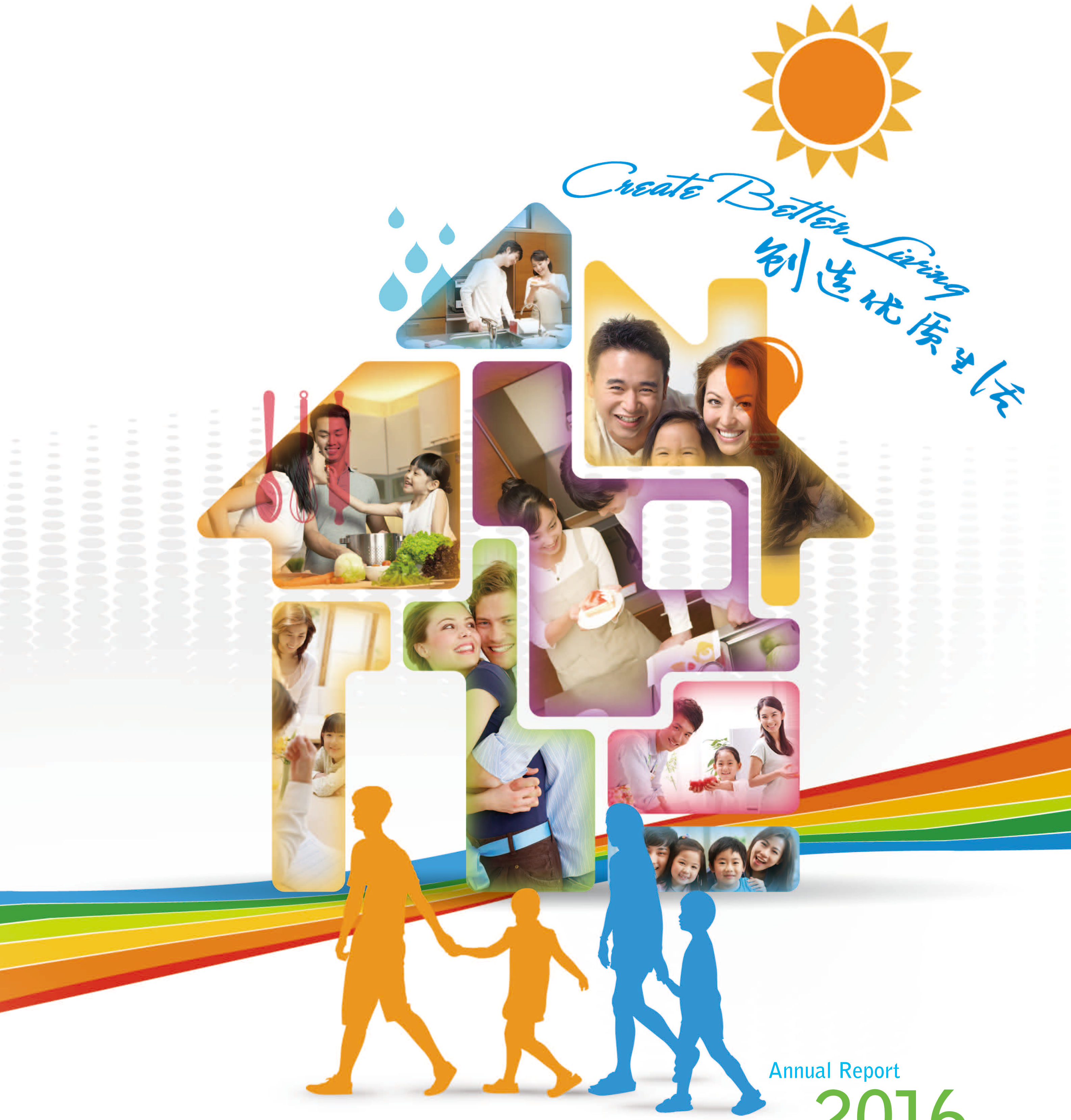
LISI GROUP (HOLDINGS) LIMITED
利時集團(控股)有限公司

(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
2016
年報

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-Executive Director
Mr LAU Kin Hon

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

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SECURITIES CODE

Hong Kong Stock Code: 526

WEBSITE ADDRESS

http://www.lisigroup.com.hk

AUDITOR

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

PRINCIPAL BANKERS

Bank of Communications,
Shenzhen and Ningbo Branches,
the Perople's Republic of China (the "PRC")
Bank of Ningbo, PRC
China Construction Bank, Ningbo Branch, PRC
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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 48, 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 25 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

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

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

EXECUTIVE DIRECTOR

Mr CHENG Jianhe, aged 50, is the Chief Executive Officer of the Group. Mr Cheng has over 27 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 46, 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 20 years experience in development and sales of household products and sundries. She joined the Group when the Ningbo plant was acquired by the Group in 2010 and was appointed as an executive Director in July 2014.

NON-EXECUTIVE DIRECTOR

Mr LAU Kin Hon, aged 48, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 24 years. Mr Lau received his bachelor of laws degree from University College, London, UK. He was appointed as non-executive Director and company secretary of the Company in May 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr SHIN Yick Fabian, aged 47, is currently the independent non-executive director of Newton Resources Limited (1231.HK) and China Shun Ke Long Holdings Ltd. (974.HK). He was independent non-executive director of Little Sheep Limited (968.HK), a company listed in Hong Kong and C & O Pharmaceutical Technology (Holdings) Limited (E92.SI), a company listed in Singapore till 2011.

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

Mr HE Chengying, aged 53, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University, a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. Mr He is currently the Chairman of Supervisory Committee and General Manager of the R&D Department of Guosen Securities. He is also an associate professor, senior economist and a special research fellow of the China Management Science Research Institute and Researcher (Professor) of Zhejiang University of Finance and Economy. Mr He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state-owned asset management reforms. Subsequently, Mr He has engaged in stock market innovation, asset reorganisation, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, asset reorganisation and capital management planning. He was appointed as independent non-executive Director in September 2006.

Mr CHEUNG Kiu Cho Vincent, aged 40, is a Registered Professional Surveyor in the General Practice Division and member of The Hong Kong Institute of Surveyors and fellow member of The Royal Institution of Chartered Surveyors. Mr Cheung holds a Master Degree of Business Administration in International Management awarded by University of London in association with Royal Holloway and Bedford New College and a Bachelor Degree of Science (Honours) in Real Estate awarded by The Hong Kong Polytechnic University. Mr Cheung is the Executive Director, Asia and Head of Valuation and Advisory Services Department of a multi-national corporation. Mr Cheung has over 19 years of experience in assets valuations, assets management and corporate advisory. He was appointed as independent non-executive Director in June 2006.

SENIOR MANAGEMENT

Mr PUN Kam Wai Peter, aged 54, is the Chief Financial Officer of the Group. Mr Pun possesses over 26 years of experience in financial management and corporate planning in various industries including FMCG (fast moving consumer goods), entertainment, telecom service, manufacturing and financial information service. He was the financial controller of a listed company in Hong Kong for which he led the successful initial public offering on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. By profession, Mr Pun is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Besides, he holds a Master degree in Business Administration from the Chinese University of Hong Kong and a Master degree in Professional Accounting from University of Southern Queensland, Australia. He joined the Group in July 2009.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Madam ZHENG Rong, aged 45, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 22 years of experience in the retail industry and around 20 years of experience in financial management in various industries. Madam Zheng has an EMBA degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr GUI Bao, aged 59, is the general manager of Ningbo New JoySun Non-staple Food Wholesale Company Limited. Mr Gui has been responsible for the daily management and direction of operations of Ningbo New JoySun Non-staple Food Wholesale Company since 1994. Mr Gui has worked in the wholesale of wine industry for a long time and has a certain level of reputation in the wine industry in the country. His performance in the wine industry has been in the top rank in recent years. He joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr WANG Chaohong, aged 43, 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 52, 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 25 years experience in marketing and sales of household products and sundries. He joined the Group when the Ningbo plant was acquired by the Group in 2010.

Mr NG Chun Ki, aged 38, 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 21 years experience in product development and manufacturing of plastic moulds. He joined Group when the Ningbo plant was acquired by the Group in 2010.

Mr CHEN Tao Li, aged 42, is the Production Deputy General Manager of household products business of the Group. He is responsible for the daily production operations, production management, planning, quality control, logistics and plant operation. He has over 17 years experience in production management. Prior to joining the Group, he was the production manager (vice-president), quality control manager and management representative of an electronic components specialists company in Guangdong. Mr Chen holds a Master of Business Administration degree from Lanzhou University. He joined the Group in 2007.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Given the challenging business environment, we had fair performance in 2015/16. For the year ended 31 March 2016 (the "Year"), our revenue was RMB1,085.7 million which represented a decrease of 6.2% versus 2014/15. Our net profit for the Year was RMB25.0 million compared to a net profit of RMB80.3 million in 2014/15. The decrease in net profit was primarily due to the negative change of RMB90.5 million for the Year in the fair value on the derivative component of the convertible bonds issued by the Company for the acquisition of New JoySun Group in August 2013 and still outstanding during the Year. Excluding the impact of this negative fair value change, our operating business delivered satisfactory business results in 2015/16.

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 Group took a major step in late 2012 to relocate our manufacturing facilities in Shenzhen to Ningbo and consolidate all our production and operations resources in household products business into one location. After struggling for a short period with the adverse impact of disruption in normal operations, loss of some sales orders and termination of our workforce in Shenzhen, we had fully recovered and resumed our good operational efficiency. Though the revenue of our manufacturing business dropped in 2015/16, the gross and operating profits of this business segment were very good, particularly given the slow macro-economic growth and stiff competition in all our major overseas markets.

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

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

DISPOSAL OF THE LAND OF THE PREVIOUS SHENZHEN PLANT

On 19 May 2014, we entered into agreement with Shenzhen City Xinshun Property Development Company Limited in relation to the proposed disposal of the land of our previous Shenzhen plant of the Group. The aggregate amount of the transaction would be RMB1,782 million (subsequently reduced to RMB1,732 million when some terms were and could only be finalized in 2015-16) and settled in cash. This transaction constituted a very substantial disposal of the Company and a special general meeting was held on 8 July 2014.

The transaction is still in the process of completion and the collection of the consideration is in progress according to the terms of the agreement of the deal. The Group expects to complete the collection of the proceeds in 2016/17. This transaction provides very significant and substantial funding for the Group to consider future investments or acquisitions should such opportunities arise and/or distribution of dividend.

EXPANDING INTO NEW BUSINESSES WITH GROWTH POTENTIAL

In addition to the investments in Hangzhou Lion Microelectronics Co., Ltd. and Veritas-MSI (China) Co., Ltd. in 2010 and 2012 respectively, the acquisition of retail and wholesale business in Ningbo was completed on 30 August 2013. 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.

The Group is also actively pursuing the possible acquisition of a target group which is doing business in import and trading of cars and related service in China. For details of this possible acquisition, please refer to the announcement dated 25 September 2015.

APPRECIATION

With the growth momentum of household products business recovered from plant relocation transition, the disposal of land in Shenzhen for substantial consideration and the expansion into retail and wholesale 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 2015/16. 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, 29 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2016 (the "Year"), the Group recorded a revenue of approximately RMB1,085.7 million, representing a decrease of 6.2% when compared with the revenue of approximately RMB1,158.0 million reported for the last year. Net profit for the Year was approximately RMB25.0 million compared to a net profit of RMB80.3 million for the last year. The Group's basic and diluted earnings per share were RMB0.55 cent and RMB0.55 cent respectively and the Group's basic and diluted earnings per share were RMB1.97 cent and RMB0.61 cent respectively for the last year.

Liquidity and Financial Resources

As at 31 March 2016, the Group's net assets increased to RMB1,739.8 million, rendering net asset value per share at RMB38.0 cent. The Group's total assets at that date were valued at RMB3,561.8 million, including cash and bank deposits of approximately RMB577.6 million and current available-for-sale investments of RMB644.9 million. Consolidated bank loans and other borrowings amounted to RMB1,061.8 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been decreased from 67.1% as at 31 March 2015 to 61.0% as at 31 March 2016.

Most of the Group business transactions were conducted in RMB and USD. As at 31 March 2016, the Group's borrowings were denominated in RMB, EUR, HK$ and USD.

Capital Structure

On 30 August 2013, the Company allotted and issued 1,700,000,000 consideration shares at the issue price of HK$0.30 per share and the consideration convertible bonds in the principal amount of HK$382.8 million at the initial conversion price of HK$0.30 per share to Shi Hui Holdings Limited, which was wholly owned by Big-Max Manufacturing Co., Limited, the majority shareholder of the Company. For details of this major change in the capital structure of the Company, please refer to the circular of the Company dated 22 May 2013. On 31 October 2013, 31 December 2013 and 3 March 2014 and 19 September 2014, the Company partially redeemed approximately HK$20.8 million, HK$136.8 million, HK$83.5 million and HK$20.3 million convertible bonds and the remaining balance of approximately HK$121.4 million convertible bonds was converted into 404,668,141 ordinary shares of the Company at conversion price of HK$0.3 per share at 5 June 2015 and the new ordinary shares were issued. Upon completion of this conversion, the number of ordinary shares of the Company in issue increased from 4,176,963,794 to 4,581,631,935. As at 31 March 2016, the Group's major borrowings included bank loans, which had an outstanding balance of RMB1,056.1 million, other borrowings from a shareholder and a third party totaling RMB5.7 million. All of the Group's borrowings have been denominated in RMB, EUR, HK$ and USD.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,062.0 million as at 31 March 2016 were pledged to secure bank borrowing and facilities of the Group.

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources to acquisition, 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. In particular, the disposal of the land of the previous factory of the Group in Shenzhen generates substantial cash in 2015/16 as the Group continues to collect the remaining balance of the net proceeds realized from the deal.

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$ and USD. 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 manufacturing business operations of the Group in this respect. For the EUR short term loan the Company obtained from a bank in HK which is due in June 2016 and subsequently extended to June 2017 and secured by a RMB fixed deposit of a subsidiary of the Group, it is widely expected in the forex market that EUR will further weaken in the near future especially after Britain decided to leave the European Union and the currency risk exposure from this EUR loan is quite limited. The management feels comfortable with such limited exposure but will still manage this currency risk with utmost care.

Segment Information

With the acquisition of New JoySun Group, retail and wholesale business has emerged to become the most important business segment of the Group in the Year and accounted for 62.7% of total revenue. Manufacturing and trading business and investment holding business had 34.1% and 3.2% of the remaining.

In terms of geographical location, China became the Group's primary market, which accounted for 66.5% of total revenue. The remaining comprised of revenue from North America 29.4%, Europe 1.6% and others 2.5%.

Contingent Liabilities

As at 31 March 2016, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB21.7 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 RMB36.7 million being the balance of the principal amount of the bank loans the Group pledged for.

Investments in New Businesses

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

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

The latest investment of the Company is the acquisition of 95% beneficiary interest in certain department stores and supermarket chain in Ningbo from substantial Shareholder which was approved by the Shareholders of the Company on 7 June 2013 and completed on 30 August 2013. Furthermore, on 21 June 2013, the Company also announced the acquisition of the remaining 5% beneficiary interest in those department stores and supermarket chain mentioned above from an independent party so that, upon completion of these two acquisitions, the department stores and supermarket chain became wholly owned by the Group. For details of the investment, please refer to announcement dated 5 March 2013, the circular dated 22 May 2013 and the announcement dated 21 June 2013 released by the Company. This investment has brought substantial business growth to the Group and broadened our business with a new retail and wholesale sector which is encountered with challenges from e-commerce in the short term but still considered to be a good market in the long term with the continuous economic growth of China and the supportive policy of the Chinese Government to stimulate domestic consumer market.

Also related to the development of New JoySun Group, on 3 August 2015 New JoySun Corp., a wholly owned subsidiary of the Group, agreed with Sanjiang Shopping Club Co., Ltd to acquire 18% equity interest in New JoySun Supermarket Chain Limited at the consideration of RMB38.9 million cash and the payment of acquisition was completed on 31 March 2016 and the business license was completed on 7 April 2016. Upon completion of the acquisition, New JoySun Supermarket Chain Limited will become a wholly owned subsidiary of the Group. For details of this acquisition, please refer to the announcement of the Company dated 3 August 2015.

The Directors consider the new businesses are in challenging market situations but still have good business prospects. 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 2016, the Group employed a workforce of 1,826 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.

Review of Operations

For the Year, the Group recorded a net profit of RMB25.0 million, compared to the net profit of RMB80.3 million for the corresponding last year. This decrease was primarily attributable to the negative change of RMB90.5 million for the Year in the fair value on the derivative component of the convertible bonds issued by the Company for the acquisition of New JoySun Group in August 2013 and still outstanding during the Year. This factor had impact in profit and loss but not in cashflow.

Revenue

During the Year, the Group recorded total revenue of approximately RMB1,085.7 million, representing a decrease of 6.2% when compared with the total revenue of approximately RMB1,158.0 million reported for the last year.

Manufacturing and Trading Business

During the Year, the manufacturing and trading business contributed approximately RMB369.4 million to the total revenue of the Group. The business of this segment decreased by RMB31.7 million when compared with the corresponding last year of approximately RMB401.1 million. The decrease was mainly due to the reduction of orders from customers and pricing pressure which are a reflection of the current weak market situation and the cyclical order pattern of some our key customers. The Group will continue its cost control measures and business strategy of focusing on higher margin products and the development of new products and customers.

Retail and Wholesale Business

Retail and wholesale business decreased by 3.6% and 11.5% to RMB422.1 million and RMB258.6 million respectively for the Year as compared with corresponding last year. The impact of the e-commerce, competition from large supermarket chains and new shopping malls nearby were the key challenges resulting in the drop of revenue in our retail business. On the other hand, the Chinese central government continues to control strictly on business entertainment and expenditures, so the revenue of wholesale business in wine and beverages dropped inevitably.

Investment Holding Business

Dividend income decreased by 43.1% to RMB0.5 million and investment income increased by 36.4% to RMB34.4 million during the Year as compared with the corresponding last year.

PROSPECTS

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

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

Disposal of the Land of the Previous Shenzhen Plant

On 19 May 2014, Jinda Plastic Metal Products (Shenzhen) Co., Limited ("Jinda Plastic"), an indirect wholly-owned subsidiary of the Company, and Shenzhen City XingShun Property Development Company Limited entered into the Relocation Compensation Agreement and the Supplementary Agreement in relation to the proposed disposal of the land owned by Jinda Plastic and situated within the Jinda Industrial Area which was the location of the previous Shenzhen plant of the Group. The aggregate amount of compensation would be RMB1,782 million and settled in cash. The Directors considered that the transaction would be in the interest of the Company and the Shareholders as a whole. For details of this transaction, please refer to the announcement of the Company dated 27 May 2014 and the circular of the Company dated 18 June 2014. A special general meeting was held on 8 July 2014 and the transaction was approved by the Shareholders. The Directors considered that the disposal of the land in Shenzhen would provide very substantial funding for the Group to improve the internal working capital position and make future investment(s) or acquisition(s) should there be such appropriate opportunities. The settlement of consideration for this transaction has been executing by phases according to the terms of the agreements. Jinda Plastic and XingShun Property entered into a supplemental agreement on 18 November 2015 pursuant to which the parties agreed that the amount of land premium for the purpose of calculating the Compensation shall be RMB950 million and accordingly the amount of Compensation payable to Jinda Plastic shall be adjusted downward from RMB1,782 million to RMB1,732 million. For details of this substantial disposal, please refer to the announcement dated 18 November 2015. On 22 May 2015, the board of directors approved to distribute a special distribution of HK$0.05 per share and the Company paid the special distribution total amount of HK$229,082,000 on 10 June 2015. The Company has not made any decision on the use of remaining funds generated from the land disposal.

Expanding into New Businesses with Growth Potential

In addition to the investments in QLEC and VMCL in 2010 and 2012 respectively, the acquisition of retail and wholesale business in Ningbo has been completed on 30 August 2013. The consideration of HK$892.8 million was settled by the issuance of new shares and convertible bonds. The acquisition of the remaining 5% beneficiary interest from an independent party was completed at the consideration of RMB31.7 million and settled by internal financial resources of the Group. With substantial funding to be available upon completion with the disposal of the land in Shenzhen and settlement of consideration has been executing by phases, 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.

Memorandum of Understanding in Relation to a Proposed Acquisition

On 25 September 2015, the Company and Mighty Mark Investments Limited (the "Vendor") entered into a memorandum of understanding ("MOU"), pursuant to which the parties agreed to enter into further negotiation regarding a possible conditional acquisition by the Company, and the possible conditional disposal by the Vendor, of the entire shareholding interest in Mega Convention Group Limited (the "Target Company"). Subject to the finalization and entering into of the definitive agreements to be entered into by the Company and the Vendor and upon the completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The principal business of the Target Group upon completion of its group restructuring, will be import and trading of cars and related services in China. For details of the Proposed Acquisition, please refer to the announcement dated 25 September 2015.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance for enhancing shareholder's 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 enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

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

Non-Executive Director
Lau Kin Hon

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

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

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

NON-EXECUTIVE DIRECTOR

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

REMUNERATION COMMITTEE

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

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

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

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

The roles and function of the audit committee are principally making recommendation 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 2015 and the interim results for the six months ended 30 September 2015. The audit committee also reviewed the Group's financial controls, internal control and risk management systems and the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

	Number of meetings attended/held during the Year				
	BM	ACM	RCM	NCM	GM
Executive directors					
Li Lixin	4/9	NA	NA	NA	0/2
Cheng Jianhe	9/9	NA	NA	NA	0/2
Jin Yaxue	5/9	NA	1/1	NA	0/2
Non-executive director					
Lau Kin Hon	9/9	NA	NA	1/1	2/2
Independent non-executive directors					
He Chengying	8/9	2/2	NA	NA	0/2
Shin Yick Fabian	9/9	2/2	1/1	1/1	1/2
Cheung Kiu Cho Vincent	9/9	2/2	1/1	1/1	2/2

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

ACCOUNTABILITY AND AUDIT

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

AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of statutory audit services, provided by the auditor of the Company to the Group amounted to RMB1,800,000.

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 the Company's registered office and principal place of business in Hong Kong, for the attention of the company secretary of the Company.

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on page 29 of this annual report.

A management discussion and analysis of the results of the Group for the Year is set out on page 8 to 12 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 33 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 2016 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in note 27(c) to the consolidated financial statements and on page 24 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval, and contributed surplus, subject to satisfaction of the related laws and regulations) available for distribution to the equity shareholders of the Company was RMB828,635,000 (31 March 2015:RMB621,811,000). The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: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 112 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

Non-Executive Director:

Lau Kin Hon

Independent Non-Executive Directors:

He Chengying
Shin Yick Fabian
Cheung Kiu Cho, Vincent

In accordance with bye-laws 87 of the Company's bye-laws, Mr Li Lixin, Mr Cheung Kiu Cho, Vincent and Mr Shin Yick Fabian will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND A CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as set out in note 28 of the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2016:

(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.

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 2015 to 31 March 2016	6,455,160	6,455,160

(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 RMB	Rental expenses RMB
From 1 April 2015 to 31 March 2016	7,621,200	7,621,200

(b) Export agency services

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

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

	Annual Cap RMB	Export agency fee RMB
From 1 April 2015 to 31 March 2016	8,500,000	3,735,200

(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 2015 to 31 March 2016	156,000,000	73,782,944	442,698

(d) Mutual supply of products

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

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

	Annual Cap From 1 January 2015 to 31 December 2015 RMB	Transaction amount From 1 April 2015 to 31 December 2015 RMB	Annual Cap From 1 January 2016 to 31 March 2016 RMB	Transaction amount From 1 January 2016 to 31 March 2016 RMB
Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd.	81,100,000	1,735,000	1,200,000	399,713
Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp.	35,000,000	19,841	300,000	–

(e) Sales of products to Sanjiang Shopping Club Co., Ltd.

Pursuant to the procurement and sales agreements dated 24 June 2015 between New JoySun Corp. ("New JoySun") (as supplier), the Company's subsidiary, and Sanjiang Shopping Club Co., Ltd. ("Sanjiang Club") (as purchaser), a connected person of the Company and holding 18% equity interest in New JoySun Supermarket Chain Limited which is an 82% owned subsidiary of the Company, it was agreed that New JoySun will sell commodities which essentially comprise alcoholic products to Sanjiang Club. Each transaction will be effected by the relevant purchase order to be entered into between the parties with the pricing of the commodities not being higher than the price offered by New JoySun to any third party. The term of the procurement and sales agreement is commencing from 1 January 2015 and ended on 31 December 2015. And New JoySun and Sanjiang Club could continue to enter into transactions on the same terms and conditions of the procurement and sales agreement after expiry of the procurement and sales agreement until further agreed by the parties. On 31 December 2015, the Company announced that the transaction between New JoySun and Sanjiang Club will continue for the year ending 31 December 2016 with Annual Cap of RMB25,000,000.

The annual cap for the sales of products are as follow:

	Annual Cap From 1 January 2015 to 31 December 2015 RMB	Transaction amount From 1 April 2015 to 31 December 2015 RMB	Annual Cap From 1 January 2016 to 31 December 2016 RMB	Transaction amount From 1 January 2016 to 31 March 2016 RMB
Sales of products to Sanjiang Shopping Club Co., Ltd.	34,125,000	16,773,398	25,000,000	14,365,702

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 agreements of (e), which are subject to reporting and announcement requirements and annual review requirement but are exempted from the independent shareholders' approval requirement, were approved by the Board on 24 June 2015 and 31 December 2015 respectively.

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 30 May 2012, 31 December 2012, 29 May 2015, 24 June 2015, 16 December 2015, 31 December 2015 and circular dated 22 May 2013.

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

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in note 28 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in note 28 to the consolidated financial statements which constituted continuing connected transactions, the Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Year save as otherwise provided herein.

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

As at 31 March 2016, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Capacity	Number of shares/ underlying shares (Note 1)	Approximate percentage of the issued share capital of the Company
Mr Li Lixin	Note 2	2,843,631,680 (L)	62.07%
		2,705,371,679 (S)	59.05%

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

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

Furthermore, no share options had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there were no other options outstanding at the beginning or the end of the period ended 31 March 2016. Other than that, at no time during the period ended 31 March 2016 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 period ended 31 March 2016.

Save as disclosed herein, as at 31 March 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Share option scheme

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

Purpose of the Scheme:

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

Participants:

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

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

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

Maximum entitlement of each participant:

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

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

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

Minimum holding period before an option can be exercised:

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

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

Not applicable

Basis of determining the exercise price:

Determined by the Board and shall be:

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

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

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

The remaining life of the Scheme:

The Scheme remains in force until 31 August 2022.

No share options had been granted under the Scheme up to 31 March 2016 and there were no other options outstanding at the beginning or at the end of the Year.

Saved as disclosed above, at no time during the Year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or their children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the Year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, 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
China Cinda (HK) Holdings Company Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
China Cinda Foundation Management Company Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
Cinda General Partner Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
Cinda International Holdings Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
Cinda Retail and Consumer Fund L.P.	Beneficial owner/ beneficiary of a trust	1,457,482,681 (L)	31.81%
Cinda Strategic (BVI) Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
Rainbow Stone Investments Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
Sinoday Limited	Interest in controlled corporation	1,457,482,681 (L)	31.81%
中國信達資產管理股份有限公司(China Cinda Asset ManagementCo., Ltd.)	Interest in controlled corporation	1,457,482,681 (L)	31.81%
Central Huijin Investment Ltd.	Person having a security interest in shares/interest in controlled corporation	1,507,667,014 (L)	32.91%
China Construction Bank Corporation	Person having a security interest in shares/interest in controlled corporation	1,507,677,014 (L)	32.91%
Cinda (BVI) Limited	Interest in controlled corporation	1,350,493,014 (L)	29.48%
Cinda International Securities Limited	Trustee (other than a bare trustee)	1,350,493,014 (L)	29.48%
HNW Investment Fund Series SPC acting for and on behalf of Benefit Segregated Portfolio	Beneficial owner/ person having a security interest in shares	1,371,191,014 (L)	29.93%

Note: (L) denotes long positions

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	6.4%
– five largest suppliers	19.8%
Sales	
– the largest customer	13.8%
– five largest customers	28.7%

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Li Lixin
Chairman

Hong Kong, 29 June 2016

KPMG

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

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 111, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

29 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016
(Expressed in Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	1,085,709	1,158,042
Cost of sales		(833,150)	(897,992)
Gross profit	4(b)	252,559	260,050
Other income	5	18,976	21,076
Selling and distribution expenses		(70,004)	(81,345)
Administrative expenses		(285,531)	(113,840)
(Loss)/profit from operations		(84,000)	85,941
Net valuation (loss)/gain on investment properties	13	(8,800)	17,646
Net loss on disposal of an available-for-sale investment	18	(10,687)	–
Net gain on disposal of an investment property		–	24,500
Net gain on disposal of an investment in a subsidiary		–	1,393
Share of losses of an associate	17	(13,960)	(8,800)
Finance costs	6(a)	(162,361)	(20,168)
(Loss)/profit before taxation	6	(279,808)	100,512
Income tax	7	304,820	(20,202)
Profit for the year		25,012	80,310
Attributable to:			
Equity shareholders of the Company		24,998	82,212
Non-controlling interests		14	(1,902)
Profit for the year		25,012	80,310
Earnings per share (RMB cent)			
Basic	11(a)	0.55	1.97
Diluted	11(b)	0.55	0.61

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Profit for the year		25,012	80,310
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale debt securities net movement in fair value reserve		(4,774)	8,467
– Exchange differences on translation into presentation currency		3,019	(2,771)
– Reclassification of exchange differences on disposal of a subsidiary		–	(300)
Other comprehensive income for the year		(1,755)	5,396
Total comprehensive income for the year		23,257	85,706
Attributable to:			
Equity shareholders of the Company		23,243	87,608
Non-controlling interests		14	(1,902)
Total comprehensive income for the year		23,257	85,706

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	12	865,488	880,464
Investment properties	13	425,390	434,190
Goodwill	15	43,313	43,313
Intangible assets	16	7,001	12,375
Interests in an associate	17	26,184	40,144
Available-for-sale investments	18	72,194	82,881
Deferred tax assets	26(b)	32,892	35,120
		1,472,462	1,528,487
Current assets			
Available-for-sale investments	18	644,924	531,289
Inventories	19	148,087	152,058
Trade and other receivables	20	718,671	1,514,397
Restricted bank deposits	21	319,416	132,974
Cash and cash equivalents	22	258,198	135,395
		2,089,296	2,466,113
Current liabilities			
Trade and other payables	23	506,345	527,658
Bank and other loans	24(a)	790,227	697,691
Income tax payable	26(a)	4,314	349,393
		1,300,886	1,574,742
Net current assets		788,410	891,371
Total assets less current liabilities		2,260,872	2,419,858

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank and other loans	24(b)	271,615	316,380
Convertible bonds	25	–	134,883
Deferred tax liabilities	26(b)	249,472	255,384
		521,087	706,647
NET ASSETS		1,739,785	1,713,211
CAPITAL AND RESERVES	27		
Share capital		39,374	36,138
Reserves		1,631,191	1,607,867
Total equity attributable to equity shareholders of the Company		1,670,565	1,644,005
Non-controlling interests		69,220	69,206
TOTAL EQUITY		1,739,785	1,713,211

Approved and authorised for issue by the board of directors on 29 June 2016.

Li Lixin
Chairman

Cheng Jianhe
Director

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016
(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))	Property revaluation reserve RMB'000 (Note 27(d)(v))	Fair value 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 2014	36,138	541,228	1,341	8,610	56,236	(17,109)	8,594	–	921,359	1,556,397	71,108	1,627,505
Changes in equity for the year ended 31 March 2015:												
Profit/(loss) for the year	–	–	–	–	–	–	–	–	82,212	82,212	(1,902)	80,310
Other comprehensive income	–	–	–	–	–	(3,071)	–	8,467	–	5,396	–	5,396
Total comprehensive income for the year	–	–	–	–	–	(3,071)	–	8,467	82,212	87,608	(1,902)	85,706
Transfer to retained profits in connection with disposal of investment property	–	–	–	–	–	–	(8,594)	–	8,594	–	–	–
Appropriation to reserves	–	–	–	4,215	–	–	–	–	(4,215)	–	–	–
	–	–	–	4,215	–	–	(8,594)	–	4,379	–	–	–
Balance at 31 March 2015	36,138	541,228	1,341	12,825	56,236	(20,180)	–	8,467	1,007,950	1,644,005	69,206	1,713,211

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

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

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
(Loss)/profit before taxation		(279,808)	100,512
Adjustments for:			
Depreciation and amortisation	6(c)	56,018	51,572
Net loss/(gain) on disposal of property, plant and equipment	5	271	(5,037)
Net loss on disposal of an available-for-sale investment	18	10,687	–
Net gain on disposal of an investment property		–	(24,500)
Net gain on disposal of an investment in a subsidiary		–	(1,393)
Interest income on cash at bank and advances due from related parties	5	(14,048)	(10,461)
Net valuation loss/(gain) on investment properties	13	8,800	(17,646)
Finance costs	6(a)	162,361	20,168
Share of losses of an associate		13,960	8,800
Impairment losses on trade and other receivables	6(c)	50,000	–
Net foreign exchange loss		12,666	–
Investment and dividend income	4(a)	(34,936)	(26,152)
Changes in working capital:			
Decrease in inventories		3,971	7,475
Decrease/(increase) in trade and other receivables		22,322	(26,759)
(Decrease)/increase in trade and other payables		(10,114)	93,068
Cash generated from operations		2,150	169,647
The People's Republic of China (the "PRC") Income Tax paid	26(a)	(42,352)	(13,831)
Net cash (used in)/generated from operating activities		(40,202)	155,816
Investing activities			
Proceeds from disposal of investment in a subsidiary		–	1,500
Payments for the purchase of available-for-sale investments		(640,000)	(520,000)
Proceeds from sale of available-for-sale investments		520,000	252,000
Payments for purchase of property, plant and equipment and investment properties		(43,506)	(151,841)
Proceeds from disposal of property, plant and equipment		1,260	8,153
Proceeds from disposal of an investment property		612,360	534,600
Net increase in restricted bank deposits		(186,442)	(70,212)
Interest received		9,092	10,461
Investment and dividend income received	4(a)	34,936	26,152
Net cash generated from investing activities		307,700	90,813

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 March 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from new bank and other loans		809,981	676,526
Repayment of bank and other loans		(655,332)	(756,070)
Payments for acquisitions of non-controlling interests of a subsidiary		(38,880)	–
Payments for the redemptions of convertible bonds		–	(16,114)
Special distributions paid to the equity shareholders of the Company		(183,197)	–
Finance costs paid		(77,346)	(70,595)
Net cash used in financing activities		(144,774)	(166,253)
Net increase in cash and cash equivalents		122,724	80,376
Cash and cash equivalents at 1 April	22	135,395	55,020
Effect of foreign exchange rate changes		79	(1)
Cash and cash equivalents at 31 March	22	258,198	135,395

Non-cash transaction:

During the year ended 31 March 2016, the Group has entered into an agreement with Shenzhen City XingShun Property Development Company Limited ("XingShun Property") to set off the loan of RMB116,000,000 due to XingShun Property with receivable due from XingShun Property arising from the disposal of an investment property.

The notes on pages 37 to 111 form part of these financial statements.

1 CORPORATE INFORMATION

Lisi Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 1995. The consolidated financial statements of the Company for the year ended 31 March 2016 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, 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out 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 and the Company. 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 2016 comprise the Group and the Group's interests in an associate.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

- *Annual Improvements to HKFRSs 2010-2012 Cycle*

- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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(n)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

(f) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill (continued)

Goodwill is stated at cost less accumulated impairment losses (see Note 2(n)(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(n)(ii)).

(g) 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(n)(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(n)(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.

(h) 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.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(l)) 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(n)(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 relationships	5-6 years

Both the period and method of amortisation are reviewed annually.

(l) 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(j). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(n)(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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(i)).

(m) 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(n)(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(n)(i)).

(n) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(n)(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(n)(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

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

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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).

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

(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(n)(i) and 2(n)(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.

(o) Inventories

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

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

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

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

(p) Convertible bonds

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Convertible bonds (continued)

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

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

(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.

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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(i), 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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.

(v) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 income

Service fee income from the operation of department stores and supermarkets is recognised when the related services are rendered.

(iii) Rental income from operating leases

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

(iv) Customer loyalty programme

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

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (continued)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13, 15 and 31 contain information about the assumptions and their risk factors relating to valuation of investment properties, goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

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

(b) Impairment of assets

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

(c) Depreciation and amortisation

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

(d) Deferred tax

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2016 RMB'000	2015 RMB'000
Sales of goods:		
– manufacturing and trading of household products	369,387	401,075
– retail operation of department stores and supermarkets	316,126	330,236
– wholesale of wine and beverages and electrical appliances	257,637	289,639
	943,150	1,020,950
Net income from concession sales#	17,071	22,963
Rental income from operating leases	35,350	36,571
Service fee income	55,202	51,406
Investment and dividend income	34,936	26,152
	1,085,709	1,158,042

The gross revenue arising from concession sales charged to retailed customer for the year ended 31 March 2016 is RMB124,697,000 (2015: RMB164,551,000).

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

	2016 RMB'000	2015 RMB'000
Customer A	130,555	135,159

In respect of the Group's retail operation of department stores and supermarkets and wholesale of wine and beverages and electrical appliances, 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 2016 and 2015.

Details of concentrations of credit risk are set out in Note 31(a).

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

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 four 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.

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

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

(i) Segment results

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

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

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below.

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

	2015				
	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Investments holding RMB'000	Total RMB'000
Revenue and net income from external customers	401,075	437,747	292,304	26,152	1,157,278
Inter-segment revenue	–	–	5,193	–	5,193
Reportable segment revenue and net income	401,075	437,747	297,497	26,152	1,162,471
Reportable segment gross profit	91,108	105,500	37,441	26,152	260,201

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue and net income

	2016 RMB'000	2015 RMB'000
Revenue and net income		
Reportable segment revenue and net income	1,088,445	1,162,471
Elimination of inter-segment revenue	(3,437)	(5,193)
Unallocated revenue	701	764
Consolidated revenue	1,085,709	1,158,042
Gross profit		
Reportable segment gross profit	251,858	260,201
Gross gain/(loss) of unallocated items	701	(151)
Consolidated gross profit	252,559	260,050

(iii) Geographic information

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

	Revenue and net income from external customers		Specified non-current assets	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
The PRC (including Hong Kong) (place of domicile)	721,608	761,751	1,413,386	1,453,223
The United States	308,910	347,043	–	–
Europe	17,184	12,390	–	–
Canada	10,467	13,594	–	–
Others	27,540	23,264	–	–
	1,085,709	1,158,042	1,413,386	1,453,223

5 OTHER INCOME

	2016 RMB'000	2015 RMB'000
Interest income on cash at bank and advances due from related parties	14,048	10,461
Government grants	2,814	3,937
Net gain from sale of scrap materials	394	542
Net (loss)/gain on disposal of property, plant and equipment	(271)	5,037
Others	1,991	1,099
	18,976	21,076

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings	58,203	66,168
Finance charges on convertible bonds (Note 25)	1,649	9,427
Bank charges and other finance costs	11,962	7,816
Total borrowing costs	71,814	83,411
Changes in fair value on the derivative components of convertible bonds (Note 25)	90,547	(57,024)
Net gain on redemption of convertible bonds	–	(6,219)
	162,361	20,168

No borrowing costs have been capitalised for the year ended 31 March 2016 (2015: RMBNil).

(b) Staff costs#

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	118,902	126,661
Contributions to defined contribution retirement plans	6,839	8,372
	125,741	135,033

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the MPF Scheme vest immediately.

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

6 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2016 RMB'000	2015 RMB'000
Cost of inventories# (Note 19)	807,927	869,525
Auditors' remuneration		
– statutory audit service	1,800	1,800
– other services related to disposal of investment property	–	500
Depreciation and amortisation# (Notes 12 and 16)	56,018	51,572
Impairment losses on trade and other receivables (Note 20(ii))	50,000	–
Operating lease charges in respect of properties	35,257	40,280
Net foreign exchange loss/(gain)	12,787	(527)

Cost of inventories includes RMB67,639,000 (2015: RMB65,031,000) for the year ended 31 March 2016, 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:

	2016 RMB'000	2015 RMB'000
Current taxation – PRC Corporate Income Tax (Note 26(a)):		
– Provision for the year	12,018	355,216
– Over-provision in respect of prior years (Note (vi))	(314,745)	(179)
	(302,727)	355,037
Deferred taxation (Note 26(b)):		
– Origination and reversal of temporary differences	(4,186)	(334,835)
– Write-down of deferred tax assets	2,093	–
	(2,093)	(334,835)
	(304,820)	20,202

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

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

	2016 RMB'000	2015 RMB'000
(Loss)/profit before taxation	(279,808)	100,512
Expected tax on (loss)/profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	(59,500)	20,354
Tax effect of non-deductible expenses (Note (iv))	63,378	5,919
Tax effect of non-taxable income	(131)	(10,946)
Tax effect of share of losses of an associate	3,490	2,200
Tax effect of write-down of deferred tax assets (Note (v))	2,093	–
Tax effect of unused tax losses not recognised (Note 26(c))	595	2,854
Over-provision in respect of prior years (Note (vi))	(314,745)	(179)
Income tax	(304,820)	20,202

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 March 2016 is 16.5% (2015: 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 2016 (2015: 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) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2015: 25%).

(iv) Non-deductible expenses for the year ended 31 March 2016 mainly represents the loss arising from the changes in fair value on the derivative components of convertible bonds and certain expenses without invoices.

(v) The Group wrote down previously recognised deferred tax assets of RMB2.1 million in respect of impairment losses on property, plant and equipment (2015: RMBNil), as the management of the Group expects that it is not probable that certain subsidiary of the Group will have enough taxable profit to utilise the temporary differences in the future.

(vi) On 14 January 2016, the Group received a letter from local tax authority of Shenzhen which stated that in accordance with certain local preferential tax policies, the income tax in respect of the disposal of an investment property was agreed at an amount of RMB30,022,000. The Company paid the amount to the local tax authority accordingly and reversed the difference between the agreed amount and the originally accrued amount, which was calculated based on the standard tax rate.

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:

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

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2015				
	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 (appointed on 22 July 2014)	–	420	512	12	944
Non-executive directors					
Mr. Xu Jin (resigned on 22 July 2014)	–	–	–	–	–
Mr. Lau Kin Hon	–	–	–	–	–
Independent non-executive directors					
Mr. He Chengying	95	–	–	–	95
Mr. Cheung Kiu Cho Vincent	95	–	–	–	95
Mr. Shin Yick Fabian	114	–	–	–	114
	304	420	512	12	1,248

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2015: one) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining four (2015: four) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	2,199	2,096
Discretionary bonuses	564	521
Retirement scheme contributions	53	49
	2,816	2,666

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:

	2016	2015
(In Hong Kong dollar ("HK$"))		
Nil – 1,000,000	2	2
1,000,001 – 1,500,000	2	2

10 OTHER COMPREHENSIVE INCOME

	2016			2015		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Available-for-sale debt securities:						
Net movement in fair value reserve	(6,365)	1,591	(4,774)	11,289	(2,822)	8,467
Exchange differences on translation into presentation currency	3,019	–	3,019	(3,071)	–	(3,071)
Other comprehensive income	(3,346)	1,591	(1,755)	8,218	(2,822)	5,396

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2016 is based on the profit attributable to ordinary equity shareholders of the Company of RMB24,998,000 (2015: profit attributable to ordinary equity shareholders of the Company of RMB82,212,000) and the weighted average of 4,509,765,000 ordinary shares (2015: 4,176,964,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2016 '000	2015 '000
Issued ordinary shares at 1 April	4,176,964	4,176,964
Effect of issuance of ordinary shares upon conversion of convertible bonds	332,801	–
Weighted average number of ordinary shares at 31 March	4,509,765	4,176,964

11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

There are no dilutive potential ordinary shares during the year ended 31 March 2016. The Group's convertible bonds (see Note 25) were not included in the calculation of diluted earnings per share because they are antidilutive during the year ended 31 March 2016.

The calculation of diluted earnings per share for the year ended 31 March 2015 was based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB28,078,000 and the weighted average of 4,613,371,000 ordinary shares (diluted), calculated as follows:

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

	2015 RMB'000
Profit attributable to ordinary equity shareholders	82,212
After tax effect of effective interest and exchange differences on the liability component of convertible bonds	9,109
After tax effect of changes in fair value recognised on the derivative components of convertible bonds	(57,024)
After tax effect of net gain on redemptions of convertible bonds	(6,219)
Profit attributable to ordinary equity shareholders (diluted)	28,078

(ii) Weighted average number of ordinary shares (diluted)

	2015 '000
Weighted average number of ordinary shares at 31 March	4,176,964
Effect of conversion of convertible bonds	436,407
Weighted average number of ordinary shares (diluted) at 31 March	4,613,371

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 2014	849,782	87,883	56,858	82,156	220,245	7,461	5,819	1,310,204
Exchange adjustments	–	1	–	(9)	–	(3)	–	(11)
Additions	–	5,639	9,717	2,037	–	1,114	14,441	32,948
Transfer in/(out)	–	2,017	–	–	12,696	–	(14,713)	–
Disposals	–	(1,397)	(20,220)	(12,995)	(73,528)	(2,678)	–	(110,818)
At 31 March 2015	849,782	94,143	46,355	71,189	159,413	5,894	5,547	1,232,323
Accumulated depreciation and impairment losses:								
At 1 April 2014	(88,788)	(37,693)	(28,684)	(67,194)	(186,603)	(4,411)	–	(413,373)
Exchange adjustments	–	–	–	8	–	2	–	10
Charge for the year	(22,796)	(9,724)	(3,543)	(4,540)	(4,646)	(949)	–	(46,198)
Written back on disposals	–	801	19,036	12,119	73,343	2,403	–	107,702
At 31 March 2015	(111,584)	(46,616)	(13,191)	(59,607)	(117,906)	(2,955)	–	(351,859)
Net book value:								
At 31 March 2015	738,198	47,527	33,164	11,582	41,507	2,939	5,547	880,464

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

(i) At 31 March 2016, property certificates of certain properties with an aggregate net book value of RMB16,739,000 (31 March 2015: RMB17,206,000) are yet to be obtained.

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

13 INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Valuation:		
At 1 April	434,190	2,065,480
Additions	–	108,564
Fair value adjustments:		
– (losses)/gains included in the consolidated statement of profit or loss	(8,800)	17,646
Disposal	–	(1,757,500)
At 31 March	425,390	434,190

Notes:

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

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

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

13 INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

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

(i) Fair value hierarchy (continued)

Recurring fair value measurements	Fair value measurements categorised into Level 2 at 31 March 2016 RMB'000	2015 RMB'000
Investment properties	425,390	434,190

During the year ended 31 March 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: 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 2016. The valuations were carried out by a qualified surveyor, DTZ Debenham Tie Leung International Property Advisers (Shanghai) Co., Ltd., who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The Group's Chief Financial Officer has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

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

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

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

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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 ("USD") 49,217,379	100%	–	100%	Manufacture and sale of household electrical appliances and plastic products
Jinda Plastic* 金達塑膠五金制品（深圳）有限公司	The PRC	Registered and paid-up capital of HK$180,000,000	100%	–	100%	Property holding
Ningbo New JoySun Corp* ("New JoySun") 寧波新江廈股份有限公司	The PRC	Registered and paid-up capital of RMB60,000,000	100%	–	100%	Wholesale of household products and wine and beverages, operation of department stores, and provision of financing to group companies
Ningbo New JoySun Electrical Appliance Departmental Store Wholesale Limited* 寧波新江廈家電百貨批發有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	100%	–	100%	Wholesale and installation of household electrical appliances
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	82%	–	82%	Operation of supermarkets
Ningbo Lisi Supermarket Limited* 寧波利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	82%	–	82%	Operation of supermarket

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
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	82%	–	82%	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	82%	–	82%	Operation of supermarket
Tonglu Lisi Supermarket Limited* 桐廬利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	82%	–	82%	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%	Trading of plastic and metallic household products

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

The following table lists out the combined financial information of Ningbo New JoySun Supermarket Chain Limited and its subsidiaries, the only sub-group within the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	2016 RMB'000	2015 RMB'000
NCI percentage	18%	18%
Non-current assets	561,054	582,897
Current assets	573,676	524,072
Current liabilities	(645,307)	(615,654)
Non-current liabilities	(104,870)	(106,840)
Net assets	384,553	384,475
Carrying amount of NCI	69,220	69,206
Revenue	443,684	456,534
Profit/(loss) for the year	78	(10,569)
Profit/(loss) allocated to NCI	14	(1,902)

15 GOODWILL

	2016 RMB'000	2015 RMB'000
At the beginning and the end of reporting period, at cost	43,313	43,313

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 "Relevant CGU").

The recoverable amount of the Relevant CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. These cash flow projections adopted annual growth rates ranging from 5% to 10% (2015: from 5% to 10%), which are based on the Group's historical experience with this business and adjusted for other factors that are specific to the Relevant CGU. Cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate (2015: 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 22% (2015: 19%). The discount rates used are pre-tax and reflect specific risks relating to the Relevant CGU.

16 INTANGIBLE ASSETS

	Customer and supplier relationships RMB'000
Cost:	
At 1 April 2014, 31 March 2015 and 31 March 2016	29,456
Accumulated amortisation:	
At 1 April 2014	(11,707)
Charge for the year	(5,374)
At 31 March 2015	(17,081)
Charge for the year	(5,374)
At 31 March 2016	(22,455)
Net book value:	
At 31 March 2016	7,001
At 31 March 2015	12,375

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

17 INTERESTS IN AN ASSOCIATE

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

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.

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:

	2016 RMB'000	2015 RMB'000
Gross amounts of the associate:		
Non-current assets	149,129	164,863
Current assets	157,248	211,947
Current liabilities	(232,526)	(246,033)
Non-current liabilities	(19,445)	(19,991)
Net assets	54,406	110,786
Revenue	99,336	49,699
Loss for the year	(56,380)	(35,540)
Group's effective interest	24.76%	24.76%
Group's share of losses of the associate	(13,960)	(8,800)
Reconciliation to the Group's interests in the associate		
Gross amounts of net assets of the associate	54,406	110,786
Group's effective interest	24.76%	24.76%
Group's share of net assets of the associate	13,471	27,431
Goodwill	12,713	12,713
Carrying amount in the consolidated financial statements	26,184	40,144

18 AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Non-current assets		
Unlisted equity securities (Note (i))	72,194	82,881
Current assets		
Unlisted debt securities (Note (ii))		
– with original maturity more than three months	524,924	531,289
– with original maturity within three months	120,000	–
	644,924	531,289

Note (i): The balance represents the Group's investments in unquoted equity securities of certain PRC companies and are measured in accordance with the accounting policy set out in Note 2(g). During the year ended 31 March 2016, the Group disposed its entire equity interests in a PRC company in exchange of certain equity interests of another PRC company. The difference between the carrying amount of the equity interests disposed and the fair value of the equity interests acquired with an amount of RMB10,687,000 was recognised in the consolidated statement of profit or loss.

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

19 INVENTORIES

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

	2016 RMB'000	2015 RMB'000
Raw materials	32,438	39,533
Work in progress	12,823	12,901
Finished goods	12,240	5,985
Merchandises	90,586	93,639
	148,087	152,058

19 INVENTORIES (CONTINUED)

(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:

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	807,927	869,525

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

20 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables from (Notes 20(i) and 20(iii)):		
– Third parties	28,609	33,471
– Companies under the control of the controlling equity shareholder of the Company (the "Controlling Shareholder") (Note (a))	154,981	150,308
– A non-controlling equity holder of a subsidiary of the Group	11,245	17,423
Bills receivable	4,076	3,420
	198,911	204,622
Less: allowance for doubtful debts (Note 20(ii))	–	–
	198,911	204,622
Amounts due from companies under the control of the Controlling Shareholder (Note (b))	1,005	2,166
Amount due from an associate (Note (c))	5,556	5,000
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	4,690	4,944
– Prepayments for purchase of inventories	20,362	8,798
– Advances to third parties	3,104	28,178
– Receivable from the disposal of investment property	469,040	1,247,400
– Others	16,003	13,289
	513,199	1,302,609
Less: allowance for doubtful debts (Note 20(ii))	–	–
	513,199	1,302,609
	718,671	1,514,397

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 2015: 8% per annum) and is repayable in November 2016 (31 March 2015: repayable in November 2015).

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:

	2016 RMB'000	2015 RMB'000
Within 1 month	43,793	67,604
More than 1 month but less than 3 months	88,685	93,456
Over 3 months	66,433	43,562
	198,911	204,622

Further details on the Group's credit policy are set out in Note 31(a).

(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(n)(i)).

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

	2016 RMB'000	2015 RMB'000
At 1 April	–	317
Exchange adjustments	–	–
Impairment losses recognised	50,000	–
Uncollectible amounts written off	(50,000)	(317)
At 31 March	–	–

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Impairment of trade and other receivables (continued)

At 31 March 2016, the Group's trade and other receivables of RMB519,040,000 (31 March 2015: RMBNil) were individually determined to be impaired. The individually impaired receivables related to a debtor with whom a new agreement was entered into by the Group pursuant to which the parties agreed the receivables shall be adjusted downward by RMB50,000,000. Consequently, specific allowance for doubtful debts of RMB50,000,000 was recognised and was subsequently written off (31 March 2015: RMBNil).

(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:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	123,708	141,564
Less than 1 month past due	59,767	48,084
More than 1 month but less than 3 months past due	9,108	12,237
More than 3 months past due	6,328	2,737
	75,203	63,058
	198,911	204,622

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.

21 RESTRICTED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Pledged deposits for issuance of bank bills	139,416	132,974
Pledged deposits for issuance of standby letter of credit	180,000	–
	319,416	132,974

22 CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	258,198	135,395

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

23 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables to:		
– Third parties	166,955	186,394
– Companies under the control of the Controlling Shareholder	52,370	53,777
	219,325	240,171
Bills payable	101,522	89,324
	320,847	329,495
Amounts due to companies under the control of the Controlling Shareholder (Note (i))	27,212	26,087
Accrued charges and other payables:		
– Accrued operating lease expenses	23,977	18,208
– Payables for staff related costs	34,965	33,478
– Accruals for costs incurred on investment property	–	8,572
– Deposits from suppliers	6,226	5,354
– Payables for interest expenses	4,390	9,865
– Payables for miscellaneous taxes	4,912	6,795
– Others	15,099	14,749
	89,569	97,021
Financial liabilities measured at amortised cost	437,628	452,603
Advances received from customers	68,717	75,055
	506,345	527,658

Note:

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

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

23 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Within 1 month	116,916	104,002
Over 1 month but within 3 months	76,222	136,653
Over 3 months but within 6 months	106,896	82,711
Over 6 months	20,813	6,129
	320,847	329,495

24 BANK AND OTHER LOANS

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

	2016 RMB'000	2015 RMB'000
Bank loans:		
– Pledged by bank bills	138,250	118,250
– Pledged by bank deposits	192,205	–
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(c))	267,300	142,300
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder (Note 24(c))	100,000	222,400
– 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))	39,000	–
– Secured by property, plant and equipment of a company under the control of the Controlling Shareholder	–	17,600
– Guaranteed by companies under the control of the Controlling Shareholder	30,000	50,000
	766,755	550,550

24 BANK AND OTHER LOANS (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Loans from third parties:		
– Unguaranteed and unsecured	5,291	121,078
Loans from a company under the control of the Controlling Shareholder:		
– Unguaranteed and unsecured	416	2,063
	772,462	673,691
Add:		
– Current portion of long-term bank loans (Note 24(b))	17,765	24,000
	790,227	697,691

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

	2016 RMB'000	2015 RMB'000
Bank loans:		
– Secured by the Group's leasehold land and buildings and investment properties (Note 24(c))	289,380	340,380
Less:		
– Current portion of long-term bank loans (Note 24(a))	(17,765)	(24,000)
	271,615	316,380

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

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	17,765	24,000
After 1 year but within 2 years	23,065	26,540
After 2 years but within 5 years	205,950	167,240
After 5 years	42,600	122,600
	289,380	340,380

24 BANK AND OTHER LOANS (CONTINUED)

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

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

At 31 March 2016, the Group's banking facilities amounted to RMB562,752,280 (31 March 2015: RMB428,257,000) were utilised to the extent of RMB386,204,700 (31 March 2015: RMB290,000,000).

(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:

	2016 RMB'000	2015 RMB'000
Pledged for short-term bank loans:		
Leasehold land and buildings (Note 12)	185,606	242,285
Investment properties (Note 13)	357,390	365,190
	542,996	607,475
Pledged for long-term bank loans:		
Leasehold land and buildings (Note 12)	465,029	488,946
Investment properties (Note 13)	54,000	55,000
	519,029	543,946
	1,062,025	1,151,421

25 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 1 April 2014	97,295	111,724	209,019
Accrued finance charges for the year (Note 6(a))	9,427	–	9,427
Fair value changes on the derivative components (Note 6(a))	–	(57,024)	(57,024)
Reclassification to interest payable	(3,378)	–	(3,378)
Redemption during the year (Note (ii))	(14,033)	(8,810)	(22,843)
Exchange adjustments	(123)	(195)	(318)
At 31 March 2015 and 1 April 2015	89,188	45,695	134,883
Accrued finance charges for the year (Note 6(a))	1,649	–	1,649
Fair value changes on the derivative components (Note 6(a))	–	90,547	90,547
Interest paid	(1,806)	–	(1,806)
Exchange adjustments	87	34	121
Conversion into ordinary shares of the Company (Note (iii))	(89,118)	(136,276)	(225,394)
At 31 March 2016	–	–	–

25 CONVERTIBLE BONDS (CONTINUED)

Notes:

(i) On 30 August 2013, the Company issued unsecured convertible bonds with an aggregate face value of HK$382,800,000 (equivalent to approximately RMB302,067,000), interest bearing at 3% per annum and maturing on 30 August 2016 to Shi Hui Holdings Limited ("Shi Hui"), a company under the control of the Controlling Shareholder, as part of the consideration for the Group's acquisition of subsidiaries from Shi Hui (the "Shi Hui Bonds").

Upon issuance, the holder of the Shi Hui Bonds could, at any time up till 30 August 2016, convert the Shi Hui Bonds into the Company's shares at HK$0.3 per share (i.e. the conversion option). The Company has the right to redeem the Shi Hui Bonds in whole or in part at any time before the maturity date at its face value (i.e. the call option). Both the conversion and call options are classified as derivative financial instruments and have been included in the balance of convertible bonds in the consolidated statement of financial position.

(ii) On 19 September 2014, the Group has redeemed a principal amount of HK$20,325,000 (equivalent to approximately RMB16,114,000) of the Shi Hui Bonds in cash.

The difference between the redemption and carrying amount of the redeemed bonds of RMB6,219,000 has been recognised as gain in the consolidated statement of profit or loss during the year ended 31 March 2015.

(iii) On 5 June 2015, the Shi Hui Bonds issued by the Company with an aggregate principal amount of HK$121,400,400 were converted into 404,668,141 ordinary shares at the conversion price of HK$0.3 per share by Shi Hui. Consequently, the Company issued new ordinary shares to Shi Hui and its two nominees, Chance Talent Management Limited and HNW Investment Fund Series SPC. Upon completion of the conversion on 5 June 2015, the number of ordinary shares of the Company in issue increased from 4,176,963,794 to 4,581,631,935.

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:

	2016 RMB'000	2015 RMB'000
Balance of income tax payable at 1 April	349,393	5,322
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	12,018	355,216
Reclassification of deferred tax relating to revaluation surplus of a disposed investment property	–	2,865
Over-provision in respect of prior years (Note 7(a))	(314,745)	(179)
Income tax paid	(42,352)	(13,831)
Balance of income tax payable at 31 March	4,314	349,393

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**	**Total**	**Fair value adjustments on property, plant and equipment, investment properties and intangible assets and related depreciation and amortisation**	**Tax allowance in excess of depreciation on property, plant and equipment**	**Fair value adjustments on available-for-sale debt securities**	**Total**	**Net**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2014	48,594	3,358	5,788	57,740	(601,109)	(11,773)	–	(612,882)	(555,142)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(19,826)	(86)	(2,708)	(22,620)	358,833	(1,378)	–	357,455	334,835
Charged to reserves (Note 10)	–	–	–	–	–	–	(2,822)	(2,822)	(2,822)
Reversal of deferred tax relating to revaluation surplus of properties upon disposal of investment properties (Note 26(a))	–	–	–	–	2,865	–	–	2,865	2,865
At 31 March 2015	28,768	3,272	3,080	35,120	(239,411)	(13,151)	(2,822)	(255,384)	(220,264)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	–	(82)	(2,146)	(2,228)	5,191	(870)	–	4,321	2,093
Credited to reserves (Note 10)	–	–	–	–	–	–	1,591	1,591	1,591
At 31 March 2016	28,768	3,190	934	32,892	(234,220)	(14,021)	(1,231)	(249,472)	(216,580)

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 RMB98,165,000 (31 March 2015: RMB94,755,000) 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 RMB70,573,000 (31 March 2015: RMB67,552,000) which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2016 will expire on or before 31 December 2021.

(d) Deferred tax liabilities not recognised

At 31 March 2016, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB1,486,982,000 (31 March 2015: RMB1,350,307,000). Deferred tax liabilities of RMB74,349,000 (31 March 2015: RMB67,515,000) 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:

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))	Retain profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 April 2014	36,138	541,228	1,341	80,583	(20,648)	(156,388)	482,254
Changes in equity for the year ended 31 March 2015:							
Profit and total comprehensive income	–	–	–	–	–	50,735	50,735
At 31 March 2015	36,138	541,228	1,341	80,583	(20,648)	(105,653)	532,989
At 1 April 2015	36,138	541,228	1,341	80,583	(20,648)	(105,653)	532,989
Changes in equity for the year ended 31 March 2016:							
Profit and total comprehensive income	–	–	–	–	–	273,516	273,516
Issuance of ordinary shares upon conversion of convertible bonds	3,236	222,158	–	–	–	–	225,394
Special distribution approved and paid during the year (Note 27(b)(ii))	–	(183,197)	–	–	–	–	(183,197)
Transfer between share premium accounts and contributed surplus accounts of the Company	–	(580,189)	–	580,189	–	–	–
	3,236	(541,228)	–	580,189	–	273,516	315,713
At 31 March 2016	39,374	–	1,341	660,772	(20,648)	167,863	848,702

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 2016 (2015: RMBNil).

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

	2016 RMB'000	2015 RMB'000
Special distribution approved and paid during the year, of HK$0.05 per ordinary share	183,197	–

(c) Share capital

(i) Issued share capital

	2016		2015	
	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

	2016		2015	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 April	4,176,964	36,138	4,176,964	36,138
Issuance of ordinary shares upon conversion of convertible bonds	404,668	3,236	–	–
At 31 March	4,581,632	39,374	4,176,964	36,138

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

On 5 June 2015, the Shi Hui Bonds issued by the Company with an aggregate principal amount of HK$121,400,400 were converted into 404,668,141 ordinary shares at the conversion price of HK$0.3 per share by Shi Hui and the number of ordinary shares of the Company in issue increased from 4,176,963,794 to 4,581,631,935 (see Note 25).

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) *Share premium and capital redemption reserve*

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

(ii) *Statutory reserves*

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

(iii) *Contributed surplus*

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

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

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

(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) *Property revaluation reserve*

The property revaluation reserve has been set up to deal with the reclassification of properties from leasehold land and buildings held for own use to investment properties. The revaluation surplus was transferred from the revaluation reserve to retained profits on the date of disposal of the related investment property.

(vi) *Fair value reserve*

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

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(vii) Other reserve

The other reserve has been set up to recognise for the present value of exercise price of the equity transfer agreement the Company entered into on 3 August 2015 to acquire 18% equity interests in New JoySun Supermarket from the current non-controlling equity holder of New JoySun Supermarket at a consideration of RMB38.9 million.

(e) Distributable reserves

At 31 March 2016, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval, and contributed surplus, subject to satisfaction of the related laws and regulations) available for distribution to the equity shareholders of the Company was RMB828,635,000 (31 March 2015: RMB621,811,000). The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: RMBNil).

(f) Capital management

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

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

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

During 2016, the Group's strategy was to maintain the adjusted net debt-to-capital ratio to a similar level in 2015. In order to improve the Group's capital structure, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 March 2016 and 2015 was as follows:

	2016 RMB'000	2015 RMB'000
Current liabilities:		
Trade and other payables	506,345	527,658
Bank and other loans	790,227	697,691
	1,296,572	1,225,349
Non-current liabilities:		
Bank and other loans	271,615	316,380
Convertible bonds	–	134,883
	271,615	451,263
Total debt	1,568,187	1,676,612
Add: proposed distributions	–	183,197
Less: cash and cash equivalents	(258,198)	(135,395)
Adjusted net debt	1,309,989	1,724,414
Total equity	1,739,785	1,713,211
Less: proposed distributions	–	(183,197)
Total equity and adjusted capital	1,739,785	1,530,014
Adjusted net debt-to-capital ratio	75%	113%

28 MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Note	2016 RMB'000	2015 RMB'000
Sales of goods		2,135	2,401
Purchases of goods		73,803	111,854
Import and export handling charges		4,178	4,732
Rental income from operating leases		4,200	3,840
Operating lease expenses		14,076	14,076
Interest income	(i)	–	7,283
Interest expenses	(ii)	759	3,193
Net increase in non-interest bearing advances received from related parties	(iii)	4,351	5,828
Net increase in non-interest bearing advances granted to related parties	(iii)	98,152	68,629
Net decrease in loans received from related parties	(iv)	1,647	1,774
Guarantees received from and property, plant and equipment pledged by related companies for the Group's bank loans at the end of the reporting period		169,000	290,000

Further details on the issuance to, redemptions and conversion of convertible bonds from related parties are set out in Note 25.

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

	2016 RMB'000	2015 RMB'000
Sales of goods	31,139	26,471

(c) Transactions with an associate of the Group

	Note	2016 RMB'000	2015 RMB'000
Interest income	(i)	556	–
Increase in interest bearing advances granted to related parties	(v)	–	5,000

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(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:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	4,928	5,037
Contributions to defined contribution retirement plans	124	110
	5,052	5,147

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

Notes:

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

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

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

(iv) The loan is unsecured, bear interest ranging at 2.56% (2015: 2.38% to 2.39%) per annum and is repayable in March 2017 (2015: between April 2015 to June 2015).

(v) The advance was unsecured, bore interest at 8% per annum and was originally repayable in November 2015. The advance was renewed during the year ended 31 March 2016 and is repayable in November 2016.

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

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

29 COMMITMENTS

(a) Capital commitments

At 31 March 2016, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Commitments in respect of leasehold land and buildings, and plant and machinery		
– Contracted for	1,462	3,079

(b) Operating lease commitments

(i) At 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	35,091	29,539
After 1 year but within 5 years	65,770	55,648
After 5 years	24,523	30,350
	125,384	115,537

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

(ii) At 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	30,766	36,760
After 1 year but within 5 years	39,125	70,349
After 5 years	1,052	5,705
	70,943	112,814

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

30 CONTINGENT LIABILITIES

At 31 March 2016, the Group pledged certain leasehold land and buildings and investment properties to secure bank loans borrowed by companies under the control of the Controlling Shareholder. The carrying values of the leasehold land and buildings and investment properties are analysed as follows:

	2016 RMB'000	2015 RMB'000
Leasehold land and buildings	7,715	88,439
Investment properties	14,000	26,504
	21,715	114,943

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 RMB36,700,000, being the aggregate principal amount of the bank loans drawn by the related companies of the Group (31 March 2015: RMB69,700,000).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

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

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

(a) Credit risk (continued)

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 2016, 26.8% (31 March 2015: 23.0%) and 55.6% (31 March 2015: 50.3%) 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 30, 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 30.

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

(b) Liquidity risk

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

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

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

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

(b) Liquidity risk (continued)

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

	2015 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	452,603	–	–	–	452,603	452,603
Bank and other loans	741,841	50,295	220,669	131,429	1,144,234	1,014,071
Convertible bonds – liability component	2,910	99,921	–	–	102,831	89,188
	1,197,354	150,216	220,669	131,429	1,699,668	1,555,862

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

(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.

	2016 Effective interest rate %	2016 RMB'000	2015 Effective interest rate %	2015 RMB'000
Fixed rate borrowings:				
Bank and other loans	5.38%	1,061,842	7.08%	1,014,071
Convertible bonds – liability component	–	–	10.79%	89,188
		1,061,842		1,103,259
Fixed rate borrowings as a percentage of total borrowings		100%		100%

(d) Currency risk

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

(i) Recognised assets and liabilities

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

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

(d) Currency risk (continued)

(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.

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

	2015 Exposure to foreign currencies		
	USD RMB'000	HK$ RMB'000	EUR RMB'000
Loan to a subsidiary	–	9,607	–
Cash and cash equivalents	363	771	14
Trade and other payables	–	(6,168)	–
Bank and other loans	(5,078)	(11,670)	–
Convertible bonds	–	(134,883)	–
Gross exposure arising from recognised assets and liabilities	(4,715)	(142,343)	14

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

(d) Currency risk (continued)

(iii) Sensitivity analysis

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

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000
USD	10%	(384)	10%	(394)
	(10%)	384	(10%)	394
HK$	10%	(5,424)	10%	(11,804)
	(10%)	5,424	(10%)	11,804
EUR	10%	(16,045)	10%	1
	(10%)	16,045	(10%)	(1)

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 2015.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

		Fair value measurements as at 31 March 2016 categorised into			Fair value measurements as at 31 March 2015 categorised into	
	Fair value at 31 March 2016	Level 2	Level 3	Fair value at 31 March 2015	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements						
Assets:						
Unlisted debt securities (Note 18)	644,924	–	644,924	531,289	–	531,289
Liabilities:						
Derivative components of the convertible bonds (Note 25)	–	–	–	45,695	45,695	–

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The estimate of the fair value of the derivative components of the Shi Hui Bonds are measured based on a binomial option pricing model. Details of the assumptions used are as follows:

	Derivative components of the Shi Hui Bonds	
Dates of valuation	05/06/2015 (Note (aa))	31/03/2015
Share price (HK$)	0.690	0.415
Exercise price (HK$)	0.300	0.300
Expected volatility (Note (bb))	55.291%	48.685%
Dividend yield (Note (bb))	–	–
Maturity period	1.24 years	1.42 years
Conversion period	1.24 years	1.42 years
Discount rate (Note (bb))	9.597%	9.340%

Notes:

(aa) These inputs represented the assumptions used in the estimate of the fair value of the derivative components of the Shi Hui Bonds on 5 June 2015, which was the date the remaining of the Shi Hui Bonds was converted into ordinary shares.

(bb) The discount rate used is derived from the risk free interest rate with reference to the Hong Kong Exchange Fund Notes as of the valuation dates plus credit spread of comparable notes with similar credit rating, coupons and maturities to discount the liability component of the Shi Hui Bonds. The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Dividend yield are based on historical dividends.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted debt securities	Discounted cash flow model	Discount Rate	5.2% to 7.65%

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

The fair value of unlisted debt securities is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate. The fair value measurement is negatively correlated to the discount rate. As at 31 March 2016, 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 RMB885,000.

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

	2016 RMB'000	2015 RMB'000
Unlisted debt securities:		
At 1 April	531,289	250,000
Payment for purchases	640,000	520,000
Total gains recognised in other comprehensive income during the year	28,049	36,525
Proceeds from sales	(554,414)	(275,236)
At 31 March	644,924	531,289
Total gains for the year reclassified from other comprehensive income	34,414	25,236

31 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 2016 and 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2016		2015	
	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	72,194	*	82,881	*
Liabilities				
Long-term bank and other loans (Note (aa))	271,615	290,062	316,380	327,712
Convertible bonds – liability component (Note (aa))	–	–	89,188	90,853

* 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.

(Expressed in RMB unless otherwise indicated)

31 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 (continued)

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

Long-term bank and other loans and convertible bonds – liability component

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 and other loans. The Group used the risk free interest rate with reference to the Hong Kong Exchange Fund Notes as of 31 March 2015 plus credit spread of comparable notes with similar credit rating, coupons and maturities to discount the liability component of the convertible bonds as of 31 March 2015. The interest rates used are as follows:

	2016	2015
Long-term bank and other loans	5.72%	6.90%
Convertible bonds – liability component	–	9.340%

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At 31 March 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		350	354
Investments in subsidiaries		1,273,678	890,921
		1,274,028	891,275
Current assets			
Loan to a subsidiary		9,607	9,607
Other receivables		674	455
Cash and cash equivalents		440	721
		10,721	10,783
Current liabilities			
Other payables		238,136	227,045
Other loans		197,911	7,141
		436,047	234,186
Net current liabilities		(425,326)	(223,403)
Total assets less current liabilities		848,702	667,872
Non-current liabilities			
Convertible bonds		–	134,883
		–	134,883
NET ASSETS		848,702	532,989
CAPITAL AND RESERVES	27		
Share capital		39,374	36,138
Reserves		809,328	496,851
TOTAL EQUITY		848,702	532,989

Approved and authorised for issue by the board of directors on 29 June 2016.

Li Lixin	**Cheng Jianhe**
Chairman	*Director*

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

Acquisition of non-controlling interests in a subsidiary of the Group

On 3 August 2015, the Company, through a wholly-owned subsidiary of the Group, entered into an equity transfer agreement to acquire 18% equity interests in New JoySun Supermarket from the current non-controlling equity holder of New JoySun Supermarket at a consideration of RMB38.9 million. Upon completion of the above equity transfer, the Group's effective interest in New JoySun Supermarket will increase from 82% to 100%. On 7 April 2016, the transfer of equity interests was completed.

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 March 2016 to be Shi Hui, 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.

(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 2016

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2016 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
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 7, *Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes – Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these new standards and amendments to standards is expected to be in the period of initial application. So far it has concluded that except for HKAFS 15, *Revenue from contracts with customers*, for which the Group is still under the process in assessing the impact of its application,the adoption of the remaining new standards and amendments to standards is unlikely to have a significant impact on the consolidated financial statements.

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:

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000 (Restated)
Revenue	1,085,709	1,158,042	783,003	301,205	393,890
(Loss)/Profit before taxation	(279,808)	100,512	1,294,724	(29,411)	13,717
Income tax	304,820	(20,202)	(333,131)	(2,620)	(7,769)
Profit/(loss) for the year	25,012	80,310	961,593	(32,031)	5,948
Assets and liabilities					
Total assets	3,561,758	3,994,600	3,982,598	531,705	540,939
Total liabilities	(1,821,973)	(2,281,389)	(2,355,093)	(347,493)	(333,260)
Net assets	1,739,785	1,713,211	1,627,505	184,212	207,679

Create Better Living 创造优质生活

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

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