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

Create Better Living
创造优质生活

中期報告 Interim Report 2018/2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Ms CHENG Weihong
Mr LAU Kin Hon

Independent Non-Executive Directors

Mr HE Chengying
Mr SHIN Yick Fabian
Mr CHEUNG Kiu Cho Vincent
Mr KWONG Kwan Tong

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SECURITIES CODE

Hong Kong Stock Code: 526

WEBSITE ADDRESS

http://www.lisigroup.com.hk

AUDITOR

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 September	
		2018	2017 (Note)
	Note	***RMB'000***	*RMB'000*
Revenue	4	**1,948,380**	2,084,711
Cost of sales		**(1,707,667)**	(1,851,037)
Gross profit	4(b)	**240,713**	233,674
Other income	5	**5,947**	9,487
Selling and distribution expenses		**(42,088)**	(36,700)
Administrative expenses		**(83,478)**	(77,997)
Profit from operations		**121,094**	128,464
Net valuation loss on investment properties		**(22,079)**	–
Share of losses of an associate		**–**	(3,410)
Finance income/(costs)	6(a)	**51,946**	(742,162)
Profit/(loss) before taxation	6	**150,961**	(617,108)
Income tax	7	**(48,635)**	(25,871)
Profit/(loss) for the period attributable to equity shareholders of the Company		**102,326**	(642,979)
Earnings/(loss) per share (RMB cent)			
Basic	8(a)	**1.36**	(11.32)
Diluted	8(b)	**0.23**	(11.32)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 12 to 56 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018 – unaudited
(Expressed in RMB)

	Six months ended 30 September	
	2018	2017 (Note)
	RMB'000	*RMB'000*
Profit/(loss) for the period	**102,326**	(642,979)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(52,453)**	–
Items that may be reclassified subsequently to profit or loss:		
– Non-equity investments at fair value through other comprehensive income – net movement in fair value reserve (recycling)	**–**	(1,066)
– Exchange differences on translation into presentation currency	**(2,640)**	(694)
Other comprehensive income for the period	**(55,093)**	(1,760)
Total comprehensive income attributable to equity shareholders of the Company for the period	**47,233**	(644,739)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 12 to 56 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 – unaudited
(Expressed in RMB)

	Note	**30 September 2018** **RMB'000**	31 March 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	9	**448,651**	852,858
Investment properties		**779,900**	403,890
Goodwill	10	**679,766**	679,766
Intangible assets		**745**	3,028
Equity investment	20(a)	**134,775**	–
Available-for-sale investments		**–**	70,194
Deferred tax assets		**7,495**	32,978
		2,051,332	2,042,714
Current assets			
Inventories	11	**448,587**	385,467
Trade and other receivables	12	**708,680**	702,969
Non-equity investments	20(a)	**835,945**	–
Available-for-sale investments		**–**	766,075
Restricted bank deposits		**95,203**	621,134
Cash and cash equivalents	13	**47,787**	162,474
		2,136,202	2,638,119
Current liabilities			
Trade and other payables	14	**632,142**	2,555,605
Bank and other loans	15(a)	**892,570**	1,310,575
Income tax payable		**25,488**	17,318
		1,550,200	3,883,498
Net current assets/(liabilities)		**586,002**	(1,245,379)
Total assets less current liabilities		**2,637,334**	797,335

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 12 to 56 form part of this interim financial report.

	Note	30 September 2018 RMB'000	31 March 2018 (Note) RMB'000
Non-current liabilities			
Bank and other loans	15(b)	**162,600**	202,600
Deferred tax liabilities		**249,515**	240,557
		412,115	443,157
NET ASSETS		**2,225,219**	354,178
CAPITAL AND RESERVES	17		
Share capital		**65,494**	49,074
Reserves		**2,159,725**	305,104
TOTAL EQUITY		**2,225,219**	354,178

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 12 to 56 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 – unaudited
(Expressed in RMB)

	Share capital *RMB'000*	Share premium *RMB'000*	Capital redemption reserve *RMB'000*	Statutory reserves *RMB'000*	Contributed surplus *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve *RMB'000*	Other reserve *RMB'000*	Retained profits/ (accumulated loss) *RMB'000*	Total equity *RMB'000*
Balance at 1 April 2017	46,789	496,804	1,341	18,756	202,449	(15,259)	2,607	30,340	370,259	1,154,086
Changes in equity for the six months ended 30 September 2017:										
Loss for the period	–	–	–	–	–	–	–	–	(642,979)	(642,979)
Other comprehensive income	–	–	–	–	–	(694)	(1,066)	–	–	(1,760)
Total comprehensive income for the period	–	–	–	–	–	(694)	(1,066)	–	(642,979)	(644,739)
Issuance of ordinary shares on acquisition of subsidiaries (Note 17(b)(ii))	2,285	139,369	–	–	–	–	–	–	–	141,654
Appropriation to reserves	–	–	–	2,303	–	–	–	–	(2,303)	–
	2,285	139,369	–	2,303	–	–	–	–	(2,303)	141,654
Balance at 30 September 2017	49,074	636,173	1,341	21,059	202,449	(15,953)	1,541	30,340	(275,023)	651,001

The notes on pages 12 to 56 form part of this interim financial report.

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory reserves RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Other reserve RMB'000	Accumulated loss RMB'000	Total equity RMB'000
Balance at 1 October 2017	49,074	636,173	1,341	21,059	202,449	(15,953)	1,541	30,340	(275,023)	651,001
Changes in equity for the six months ended 31 March 2018:										
Loss for the period	–	–	–	–	–	–	–	–	(296,013)	(296,013)
Other comprehensive income	–	–	–	–	–	(3,158)	2,348	–	–	(810)
Total comprehensive income for the period	–	–	–	–	–	(3,158)	2,348	–	(296,013)	(296,823)
Appropriation to reserves	–	–	–	13,360	–	–	–	–	(13,360)	–
Balance at 31 March 2018 (Note)	49,074	636,173	1,341	34,419	202,449	(19,111)	3,889	30,340	(584,396)	354,178

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 12 to 56 form part of this interim financial report.

	Share capital *RMB'000*	Share premium *RMB'000*	Capital redemption reserve *RMB'000*	Statutory reserves *RMB'000*	Contributed surplus *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve (recycling) *RMB'000*	Fair value reserve (non-recycling) *RMB'000*	Other reserve *RMB'000*	Accumulated loss *RMB'000*	Total equity *RMB'000*
Balance at 31 March 2018	49,074	636,173	1,341	34,419	202,449	(19,111)	3,889	-	30,340	(584,396)	354,178
Impact on initial application of HKFRS 9	-	-	-	-	-	-	(3,889)	100,889	-	2,738	99,738
Adjusted balance at 1 April 2018	49,074	636,173	1,341	34,419	202,449	(19,111)	-	100,889	30,340	(581,658)	453,916
Changes in equity for the six months ended 30 September 2018:											
Profit for the period	-	-	-	-	-	-	-	-	-	102,326	102,326
Other comprehensive income	-	-	-	-	-	(2,640)	-	(52,453)	-	-	(55,093)
Total comprehensive income for the period	-	-	-	-	-	(2,640)	-	(52,453)	-	102,326	47,233
Issuance of ordinary shares on acquisition of subsidiaries (Note 17(b)(ii))	16,420	1,707,650	-	-	-	-	-	-	-	-	1,724,070
Balance at 30 September 2018	65,494	2,343,823	1,341	34,419	202,449	(21,751)	-	48,436	30,340	(479,332)	2,225,219

The notes on pages 12 to 56 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2018 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 September 2018 RMB'000	2017 RMB'000
Operating activities			
Cash (used in)/generated from operations		**(49,251)**	49,841
Tax paid		**(21,872)**	(9,749)
Net cash (used in)/generated from operating activities		**(71,123)**	40,092
Investing activities			
Payments for purchase of non-equity investments		**(430,000)**	(377,853)
Proceeds from sales of non-equity investments		**360,890**	250,000
Payments for purchase of property, plant and equipment		**(32,074)**	(36,049)
Proceeds from disposal of property, plant and equipment		**1,599**	549
Proceeds from disposal of an investment property		**–**	104,000
Net decrease/(increase) in restricted bank deposits		**525,931**	(5,310)
Interest received		**10,161**	7,131
Investment and dividend income received		**26,106**	28,060
Net cash generated from/(used in) investing activities		**462,613**	(29,472)

The notes on pages 12 to 56 form part of this interim financial report.

	Note	Six months ended 30 September 2018 RMB'000	2017 RMB'000
Financing activities			
Proceeds from new bank and other loans		**449,128**	468,322
Repayment of bank and other loans		**(924,209)**	(454,171)
Finance costs paid		**(32,888)**	(29,887)
Net cash used in financing activities		**(507,969)**	(15,736)
Net decrease in cash and cash equivalents		**(116,479)**	(5,116)
Cash and cash equivalents at 1 April	13	**162,474**	128,424
Effect of foreign exchange rate changes		**1,792**	1,628
Cash and cash equivalents at 30 September	13	**47,787**	124,936

The notes on pages 12 to 56 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

Lisi Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 1995. The condensed consolidated financial statements of the Company for the six months ended 30 September 2018 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate. The principal activities of the Group are the manufacturing and trading of household products, the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances, the trading and sales of imported cars, and investments holding.

2. BASIS OF PRESENTATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting,* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 30 November 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors of the Company is included on pages 57 to 58.

The financial information relating to the financial year ended 31 March 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2018 are available from the Company's registered office. The Company's auditor has expressed an unqualified opinion on those financial statements in their report dated 28 June 2018.

3. CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed in Note 3(b) for HKFRS 9 and Note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9.

	At 31 March 2018	Impact on initial application of HKFRS 9 (Note 3(b))	At 1 April 2018
	RMB'000	*RMB'000*	*RMB'000*
Equity investment	–	204,711	204,711
Available-for-sale investments	70,194	(70,194)	–
Deferred tax assets	32,978	297	33,275
Total non-current assets	**2,042,714**	**134,814**	**2,177,528**
Trade and other receivables	702,969	(1,448)	701,521
Non-equity investments	–	766,075	766,075
Available-for-sale investments	766,075	(766,075)	–
Total current assets	**2,638,119**	**(1,448)**	**2,636,671**
Net current liabilities	**(1,245,379)**	**(1,448)**	**(1,246,827)**
Total assets less current liabilities	**797,335**	**133,366**	**930,701**
Deferred tax liabilities	(240,557)	(33,628)	(274,185)
Total non-current liabilities	**(443,157)**	**(33,628)**	**(476,785)**
Net assets	**354,178**	**99,738**	**453,916**
Reserves	(305,104)	(99,738)	(404,842)
Total equity	**(354,178)**	**(99,738)**	**(453,916)**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments*

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

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

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

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

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

(i) Classification of financial assets and financial liabilities

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

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

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

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

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

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

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

Notes:

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

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

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

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

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see Note 3(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in the statement of financial position in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 3(b)(ii) apply.

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

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) *Credit losses*

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

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

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

– financial guarantee contract issued (see Note 3(b)(i)).

Equity investment designated at FVOCI (non-recycling) and non-equity investments measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

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

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

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

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

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

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

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

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

Write-off policy

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

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

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB1,448,000, which increased accumulated loss by RMB1,151,000 and increased deferred tax assets by RMB297,000 at 1 April 2018.

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

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

(iii) Transition

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

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

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

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

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

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

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

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

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

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

(i) Timing of revenue recognition

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

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

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

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

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

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

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

(ii) Presentation of contract assets and liabilities

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

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

(iii) Consideration receivable from a supplier

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

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

	Six months ended 30 September	
	2018	2017 (Note)
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– sales of goods	**1,889,350**	2,005,220
– rendering of services#	**10,737**	35,250
	1,900,087	2,040,470
Revenue from other sources		
– rental income from operating leases	**18,147**	16,181
– investment income	**30,146**	28,060
	48,293	44,241
	1,948,380	2,084,711
Disaggregated by geographical location of customers		
– The PRC (including Hong Kong)	**1,776,779**	1,940,875
– The United States	**128,549**	120,821
– Europe	**22,922**	5,000
– Canada	**9,182**	6,100
– Others	**10,948**	11,915
	1,948,380	2,084,711

\# The gross revenue arising from concession sales charged to retail customers for the six months ended 30 September 2018 is RMB22,651,000 (six months ended 30 September 2017: RMB29,559,000).

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see Note 3(c)).

Disaggregation of revenue from contracts with customers by timing of revenue recognition is disclosed in Note 4(b).

(b) Segment reporting

The Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments:

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

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

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

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

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

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

(i) Segment results

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2018 and 2017 is set out below.

	Six months ended 30 September 2018					
	Manufacturing and trading	Retail	Wholesale	Car-sale	Investments holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	196,149	190,688	129,651	1,383,187	30,146	1,929,821
Over time	–	18,147	412	–	–	18,559
Revenue and net income from external customers	196,149	208,835	130,063	1,383,187	30,146	1,948,380
Inter-segment revenue	–	–	13,135	–	–	13,135
Reportable segment revenue and net income	196,149	208,835	143,198	1,383,187	30,146	1,961,515
Reportable segment gross profit	34,421	54,841	26,485	94,820	30,146	240,713

	Six months ended 30 September 2017					
	Manufacturing and trading	Retail	Wholesale	Car-sale	Investments holding	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue and net income from external customers	158,105	217,083	136,706	1,544,757	28,060	2,084,711
Inter-segment revenue	–	–	946	–	–	946
Reportable segment revenue and net income	158,105	217,083	137,652	1,544,757	28,060	2,085,657
Reportable segment gross profit	32,774	41,268	21,900	109,672	28,060	233,674

Note: The Group has initially applied HKFRS 15 using cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see Note 3(c)).

(ii) Reconciliations of reportable segment revenue and net income

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Revenue and net income		
Reportable segment revenue and net income	**1,961,515**	2,085,657
Elimination of inter-segment revenue	**(13,135)**	(946)
Consolidated revenue	**1,948,380**	2,084,711

5. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Interest income on cash at bank and advances due from related parties	**5,146**	7,131
Government grants	**3,745**	1,378
Net gain from sale of scrap materials	**544**	86
Net loss on disposal of property, plant and equipment	**(1,214)**	(193)
Others	**(2,274)**	1,085
	5,947	9,487

6. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance (income)/costs

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**21,076**	20,531
Bank charges and other finance costs	**12,001**	10,161
Total borrowing costs	**33,077**	30,692
Changes in fair value of contingent consideration (Note 16)	**(85,023)**	719,918
Net gain on a forward foreign exchange contract	**–**	(8,448)
	(51,946)	742,162

(b) Staff costs

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**57,928**	54,327
Contributions to defined contribution retirement plans	**4,756**	4,531
	62,684	58,858

(c) Other items

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Cost of inventories (Note 11)	**1,694,595**	1,836,887
Depreciation and amortisation	**33,018**	35,718
Operating lease charges in respect of properties	**15,787**	15,841
Net foreign exchange loss	**21,211**	21,582

7. INCOME TAX

	Six months ended 30 September	
	2018	2017 (Note)
	RMB'000	*RMB'000*
Current taxation – PRC Corporate Income Tax:		
– Provision for the six months period	**30,487**	27,011
– Over-provision in respect of prior years	**(446)**	(195)
	30,041	26,816
Deferred taxation:		
– Origination and reversal of temporary differences	**18,594**	(945)
	48,635	25,871

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018, under the transition methods chosen, the comparative information is not restated due to the initial application (see Note 3).

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 September 2018 (six months ended 30 September 2017: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 September 2018 (six months ended 30 September 2017: RMBNil).

Certain subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 September 2018 (six months ended 30 September 2017: 25%).

One of the Group's subsidiaries established in the PRC has obtained approval from the relevant tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2016 to 2018 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 September 2018 (six months ended 30 September 2017: 15%).

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.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 September 2018 is based on the earnings attributable to ordinary equity shareholders of the Company of RMB102,326,000 (six months ended 30 September 2017: loss attributable to ordinary equity shareholders of the Company of RMB642,979,000) and the weighted average of 7,544,020,000 ordinary shares (six months ended 30 September 2017: 5,678,038,000 ordinary shares) in issue during the six months period, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 September	
	2018	2017
	'000	*'000*
Issued ordinary shares at 1 April	**5,678,038**	5,420,109
Effect of issuance of ordinary shares (Note 17(b)(ii))	**30,590**	233,969
Effect of contingently issuable shares	**1,835,392**	23,960
Weighted average number of ordinary shares at 30 September	**7,544,020**	5,678,038

(b) Diluted earnings/(loss) per share

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

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

	Six months ended 30 September 2018 *RMB'000*
Profit attributable to ordinary equity shareholders	**102,326**
After tax effect of changes in fair value of contingent consideration (Note 16)	**(85,023)**
Profit attributable to ordinary equity shareholders (diluted)	**17,303**

There were no potential dilutive ordinary shares during the six months ended 30 September 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with a cost of RMB27,414,000 (six months ended 30 September 2017: RMB30,811,000). Items of property, plant and equipment with a net book value of RMB2,813,000 and RMB398,089,000 were disposed of and transferred to investment property, respectively, during the six months ended 30 September 2018 (six months ended 30 September 2017: RMB742,000 and RMBNil).

At 30 September 2018, property certificates of certain properties with an aggregate net book value of RMB15,572,000 (31 March 2018: RMB15,805,000) are yet to be obtained.

10. GOODWILL

	RMB'000
Cost:	
At 1 April 2017, 31 March 2018, 1 April 2018, and 30 September 2018	1,373,157
Accumulated impairment losses:	
At 1 April 2017, 31 March 2018, 1 April 2018, and 30 September 2018	(693,391)
Carrying amount:	
At 31 March 2018 and 30 September 2018	679,766

Impairment tests for cash-generating units containing goodwill

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

	At 30 September 2018 *RMB'000*	At 31 March 2018 *RMB'000*
Manufacturing and trading	**43,313**	43,313
Car-sale	**636,453**	636,453
	679,766	679,766

Manufacturing and trading

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

The recoverable amount of the manufacturing and trading CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate (31 March 2018: 2%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 15% (31 March 2018: 15%). The discount rates used are pre-tax and reflect specific risks relating to the manufacturing and trading CGU.

Car-sale

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

The recoverable amount of the car-sale CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a 2.5% long-term growth rate (31 March 2018: 2.5%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 15% (31 March 2018: 15%). The discount rates used are pre-tax and reflect specific risks relating to the car-sale CGU.

11. INVENTORIES

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

	At 30 September 2018	At 31 March 2018
	RMB'000	*RMB'000*
Raw materials	**38,373**	45,504
Work in progress	**21,203**	15,204
Finished goods	**14,049**	22,881
Merchandises	**374,962**	301,878
	448,587	385,467

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

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,694,595**	1,836,887

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

12. TRADE AND OTHER RECEIVABLES

	At 30 September 2018	At 31 March 2018 (Note (e))
	RMB'000	*RMB'000*
Trade receivables from (Note 12(i)):		
– Third parties	**39,108**	31,441
– Companies under the control of a non-controlling shareholder of the Company (Note (a))	**229,392**	192,381
Bills receivable	**7,157**	2,442
	275,657	226,264
Less: allowance for doubtful debts	**(929)**	–
	274,728	226,264
Amounts due from related companies:		
– Amounts due from companies under the control of non-controlling shareholders of the Company (Note (b))	**231**	218
– Amount due from an associate (Note (c))	**6,200**	6,200
	6,431	6,418
Less: allowance for doubtful debts	**(6,200)**	(6,200)
	231	218
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	**3,601**	4,187
– Prepayments for purchase of inventories (Note (d))	**335,828**	377,822
– Advances to third parties	**34,680**	23,961
– Deposits for parallel importation of cars to a company under the control of a non-controlling shareholder of the Company	**50,000**	50,000
– Others	**10,131**	20,517
	434,240	476,487
Less: allowance for doubtful debts	**(519)**	–
	433,721	476,487
	708,680	702,969

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 a non-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 2018: 8% per annum) and is individually determined to be impaired.

Note (d): Included in the balance are prepayments of RMB44,058,000 at 30 September 2018 (31 March 2018: RMB89,491,000) made to a company under the control of a non-controlling shareholder of the Company.

Note (e): The Group has initially applied HKFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 39 (see Note 3(b)).

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:

	At 30 September 2018	At 31 March 2018 (Note)
	RMB'000	*RMB'000*
Within 1 month	**69,169**	41,111
More than 1 month but less than 3 months	**95,908**	124,392
Over 3 months	**109,651**	60,761
	274,728	226,264

Note: The Group has initially applied HKFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 39 (see Note 3(b)).

13. CASH AND CASH EQUIVALENTS

	At 30 September 2018	At 31 March 2018
	RMB'000	*RMB'000*
Cash at bank and on hand	**47,787**	162,474

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

14. TRADE AND OTHER PAYABLES

	At 30 September 2018 RMB'000	At 31 March 2018 RMB'000
Trade payables to:		
– Third parties	**187,137**	218,568
– Companies under the control of a non-controlling shareholder	**46,905**	55,777
	234,042	274,345
Bills payable	**15,813**	52,371
	249,855	326,716
Amounts due to related companies:		
– Companies under the control of non-controlling shareholders of the Company (Note (i))	**37,327**	35,461
Accrued charges and other payables:		
– Accrued expenses	**24,159**	24,064
– Payables for staff related costs	**49,989**	44,704
– Deposits from customers and suppliers	**23,041**	20,756
– Payables for interest expenses	**5,369**	5,180
– Payables for miscellaneous taxes	**5,723**	5,484
– Others	**18,946**	18,296
	127,227	118,484
Financial liabilities measured at amortised cost	**414,409**	480,661
Current portion of contingent consideration (Note 16)	**–**	1,809,093
Advances received from customers	**217,733**	265,851
	632,142	2,555,605

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.

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

	At 30 September 2018	At 31 March 2018
	RMB'000	*RMB'000*
Within 1 month	**121,876**	147,467
Over 1 month but within 3 months	**56,329**	121,162
Over 3 months but within 6 months	**46,872**	42,559
Over 6 months	**24,778**	15,528
	249,855	326,716

15. BANK AND OTHER LOANS

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

	At 30 September 2018	At 31 March 2018
	RMB'000	*RMB'000*
Bank loans:		
– Secured by bank bills	**126,050**	80,600
– Secured by bank deposits	**–**	477,051
– Secured by bills of merchandises	**24,480**	13,368
– Secured by the Group's leasehold land and buildings and investment properties (Note 15(c))	**408,500**	438,500
– Secured by the Group's investment properties and guaranteed by companies under the control of a non-controlling shareholder (Note 15(c))	**31,499**	41,499
– Secured by the Group's leasehold land and buildings and guaranteed by companies under the control of a non-controlling shareholder and secured by their property, plant and equipment (Note 15(c))	**49,000**	49,000
	639,529	1,100,018
Loans from third parties:		
– Unguaranteed and unsecured	**5,573**	5,092
Loans from companies under the control of non-controlling equity shareholders:		
– Unguaranteed and unsecured (Note (i))	**174,768**	159,515
	819,870	1,264,625
Add:		
– Current portion of long-term bank loans (Note 15(b))	**72,700**	45,950
	892,570	1,310,575

Note:

(i) At 30 September 2018, the loans from companies under the control of non-controlling shareholders bear interests ranging from 2.87% to 3.08% per annum (31 March 2018: 2.87% to 3.08%) and are repayable in May 2019 (31 March 2018: February 2019).

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

	At 30 September 2018 *RMB'000*	At 31 March 2018 *RMB'000*
Bank loans:		
– Secured by the Group's leasehold land and buildings and investment properties (Note 15(c))	**235,300**	248,550
Less:		
– Current portion of long-term bank loans (Note 15(a))	**(72,700)**	(45,950)
	162,600	202,600

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

	At 30 September 2018 *RMB'000*	At 31 March 2018 *RMB'000*
Within 1 year or on demand	**72,700**	45,950
After 1 year but within 2 years	**80,000**	80,000
After 2 years but within 5 years	**82,600**	122,600
	235,300	248,550

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

At 30 September 2018, the Group's banking facilities amounted to RMB756,591,000 (31 March 2018: RMB1,091,125,000) were utilised to the extent of RMB213,999,000 (31 March 2018: RMB544,402,000).

(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:

	At 30 September 2018	At 31 March 2018
	RMB'000	*RMB'000*
Pledged for bank loans:		
Leasehold land and buildings	**164,407**	584,801
Investment properties	**765,521**	389,390
	929,928	974,191

16. CONTINGENT CONSIDERATION

	Six months ended 30 September 2018	Year ended 31 March 2018
	RMB'000	*RMB'000*
At 1 April	**1,809,093**	931,068
Issuance of ordinary shares	**(1,724,070)**	(141,654)
Fair value changes (Note 6(a))	**(85,023)**	1,019,679
	–	1,809,093
Less: current portion (Note 14)	**–**	(1,809,093)
At 30 September/31 March	**–**	–

17. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The directors of the Company did not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: RMBNil).

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

No dividend in respect of the previous financial period has been approved during the six months ended 30 September 2018 (six months ended 30 September 2017: RMBNil).

(b) Share capital

(i) Issued share capital

	Six months ended 30 September 2018		Year ended 31 March 2018	
	No. of shares '000	HK$'000	No. of shares '000	HK$'000
Authorised:				
Ordinary shares at HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	Six months ended 30 September 2018		Year ended 31 March 2018	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 April	**5,678,038**	**49,074**	5,420,109	46,789
Issuance of ordinary shares on acquisition of subsidiaries (Note 17(b)(ii))	**1,865,982**	**16,420**	257,929	2,285
At 30 September/31 March	**7,544,020**	**65,494**	5,678,038	49,074

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

(ii) On 18 April 2017, the Company issued 257,929,317 new ordinary shares to Mighty Mark Investments Limited ("Mighty Mark") as the second tranche consideration shares ("Tranche B consideration shares") for acquisition of 100% equity interests in Mega Convention from Mighty Mark, at a price of HK$0.62 each (determined based on the closing price of the Company's ordinary shares on the Stock Exchange on 18 April 2017). HK$2,579,293 (equivalent to approximately RMB2,285,000) of the deemed proceeds from the Tranche B consideration shares were credited to the Company's share capital. The remaining deemed proceeds from the Tranche B consideration shares of HK$157,337,000 (equivalent to approximately RMB139,369,000) were credited to the Company's share premium account.

On 28 September 2018, the Company issued 1,865,981,820 new ordinary shares to Mighty Mark as the third tranche consideration shares ("Tranche C consideration shares") for acquisition of 100% equity interests in Mega Convention from Mighty Mark, at a price of HK$1.05 each (determined based on the closing price of the Company's ordinary shares on the Stock Exchange on 28 September 2018). HK$18,659,818 (equivalent to approximately RMB16,420,000) of the deemed proceeds from the Tranche C consideration shares were credited to the Company's share capital. The remaining deemed proceeds from the Tranche C consideration shares of HK$1,940,621,000 (equivalent to approximately RMB1,707,650,000) were credited to the Company's share premium account.

(c) Reserves

Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 3(b)).

18. MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Note	Six months ended 30 September 2018 RMB'000	2017 RMB'000
Sales of goods		**1,351**	1,209
Purchases of goods		**280,626**	471,319
Import and export handling charges		**2,022**	1,711
Operating lease expenses		**6,781**	6,953
Interest expenses	(i)	**200**	164
Net increase in non-interest bearing advances received from related parties	(ii)	**3,742**	1,722
Net (increase)/decrease in loans received from related parties	(iii)	**(184)**	1,912

The Group's bank loans of RMB80.5 million as at 30 September 2018 (31 March 2018: RMB90.5 million) were guaranteed and secured by property, plant and equipment of related companies.

Notes:

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

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

(iii) The loans are unsecured, bear interest ranging from 2.87% to 3.08% per annum and are repayable in May 2019.

19. COMMITMENTS

(a) Capital commitments

At 30 September 2018, the outstanding capital commitments of the Group not provided for in the condensed consolidated financial statements were as follows:

	At 30 September 2018 *RMB'000*	At 31 March 2018 *RMB'000*
Commitments in respect of plant and machinery		
– Contracted for	**1,519**	292

(b) Operating lease commitments

(i) At 30 September 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 September 2018 *RMB'000*	At 31 March 2018 *RMB'000*
Within 1 year	**18,870**	23,034
After 1 year but within 5 years	**26,324**	29,502
After 5 years	**23,856**	25,964
	69,050	78,500

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

(ii) At 30 September 2018, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 September 2018 *RMB'000*	At 31 March 2018 *RMB'000*
Within 1 year	**46,512**	29,116
After 1 year but within 5 years	**113,159**	33,321
After 5 years	**105,268**	1,179
	264,939	63,616

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

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) 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.

The Group has a financial manager performing valuations for the financial instruments, including the equity investment and the non-equity investments. The financial manager reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the manager at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 September 2018	**Fair value measurements as at 30 September 2018 categorised into**		Fair value at 31 March 2018	Fair value measurements as at 31 March 2018 categorised into	
		Level 1	**Level 3**		Level 1	Level 3
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements						
Assets:						
Non-equity investments	**835,945**	**–**	**835,945**	766,075	–	766,075
Equity investment (Note)	**134,775**	**–**	**134,775**	–	–	–
Liabilities:						
Contingent consideration	**–**	**–**	**–**	1,809,093	1,809,093	–

Note: As at 31 March 2018, the equity investment was classified as available-for-sale investments and measured at cost less impairment losses as these investments in unlisted companies do not have a quoted market price in an active market for an identified instruments and whose fair value cannot otherwise be reliably measured. Available-for-sale investments were reclassified to financial assets measured at FVPL and designated at FVOCI (non-recycling) upon to the adoption of HKFRS 9 at 1 April 2018 (see Note 3(b)(i)).

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**
Non-equity investments	Discounted cash flow model	Discount rate	4.7% to 6.6%
Equity investment	Market comparable companies	Discount for lack of marketability	25.1%

The fair value of non-equity investments is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate, ranged from 4.7% to 6.6% for the six months ended 30 September 2018 (year ended 31 March 2018: 4.8% to 6.4%). The fair value measurement is negatively correlated to the discount rate. As at 30 September 2018, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decreased/increased the Group's other comprehensive income by RMB1,140,000 (year ended 31 March 2018: RMB1,039,000).

The fair value of equity investment is determined using the enterprise value/earnings before interests and taxes ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 September 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by RMB2,258,000.

The movement during the period in the balance of the Level 3 fair value measurement is as follow:

	Six months ended 30 September 2018 *RMB'000*	Year ended 31 March 2018 *RMB'000*
Unlisted non-equity investments:		
At 1 April	**766,075**	673,406
Payment for purchases	**430,000**	760,890
Total gains recognised in other comprehensive income during the period	**–**	47,376
Total gains for the period reclassified from other comprehensive income	**–**	(45,667)
Changes in fair value recognised in profit during the period	**760**	–
Proceeds from sales	**(360,890)**	(669,930)
At 30 September/31 March	**835,945**	766,075

	Six months ended 30 September 2018 *RMB'000*
Unlisted equity investment:	
At 31 March 2018 under HKAS 39	**–**
Impact on initial application of HKFRS9 (Note 3(b))	**204,711**
Adjusted balance at 1 April 2018	**204,711**
Net unrealised gains or losses recognised in other comprehensive income during the period	**(69,936)**
At 30 September 2018 under HKFRS 9	**134,775**

From 1 April 2018, any gain or loss arising from the remeasurement of the Group's unlisted equity investment held for strategic purposes is recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity investment, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 April 2018, any gains arising from the disposal of the unlisted equity investment were presented in the "Other income" line item in the consolidated statement of profit or loss.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2018 and 30 September 2018 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 September 2018		At 31 March 2018	
	Carrying amount	**Fair value measurements categorised into Level 3**	Carrying amount	Fair value measurements categorised into Level 3
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Assets				
Available-for-sale equity investment	–	–	70,194	204,711
Liabilities				
Long-term bank loans	**162,600**	**175,082**	202,600	216,809

21. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

22. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider that the Company has no controlling shareholder at 30 September 2018 as no shareholder holds over half of the Company's ordinary shares after the issuance of Tranche C Consideration shares for the Company's acquisition of 100% equity interest in Mega Convention.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

A number of amendments and new standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

HKFRS 16, Leases

As discussed in the 2018 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 19(b), at 30 September 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB69.1 million for properties.

Upon the initial adoption of HKFRS 16 at 1 April 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

REVIEW REPORT TO THE BOARD OF DIRECTORS

Review report to the Board of Directors of Lisi Group (Holdings) Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 56 which comprises the consolidated statement of financial position of Lisi Group (Holdings) Limited (the "Company") as of 30 September 2018 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

30 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2018, the Group recorded a revenue of approximately RMB1,948.4 million, representing a decrease of 6.5% when compared with the revenue of approximately RMB2,084.7 million reported for the corresponding period last year. Net profit for the six months ended 30 September 2018 was approximately RMB102.3 million compared to a net loss of RMB643.0 million for the corresponding period last year. The Group's basic and diluted earnings per share for the six months ended 30 September 2018 were RMB1.36 cent and RMB0.23 cent while the Group's basic and diluted loss per share were RMB11.32 cent for the corresponding period last year.

Net Assets, Liquidity and Financial Resources

As at 30 September 2018, the Group's net assets increased to RMB2,225.2 million, rendering net asset value per share at RMB29.5 cent. The increase in net assets is mainly the result of reclassification of RMB1,724.1 million from liabilities to shareholders' equity upon successful issuance of the Tranche C consideration shares on 28 September 2018 for the acquisition of car business in Tianjin in early 2017.

As at 30 September 2018, the Group's total assets were valued at RMB4,187.5 million, including cash and bank deposits of approximately RMB47.8 million and current non-equity investments of RMB835.9 million. Consolidated bank loans and other borrowings amounted to RMB1,055.1 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been decreased significantly from 427.2% as at 31 March 2018 to 47.4% as at 30 September 2018. The huge improvement in the debt-to-equity ratio was due to again the decrease in liabilities and increase in equity upon successful issuance of the Tranche C consideration shares mentioned above.

Most of the Group's business transactions were conducted in RMB and US$. As at 30 September 2018, the Group's major borrowings included bank loans, which had an outstanding balance of RMB874.8 million, other borrowings from shareholders and a third party totaling RMB180.3 million. All of the Group's borrowings have been denominated in RMB, HK$, US$ and CAD.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB929.9 million as at 30 September 2018 were pledged to secure bank borrowing and facilities of the Group.

Capital Expenditure and Commitments

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

Exposure to Foreign-Exchange Fluctuations

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

Segment Information

With the acquisition of Mega Convention, car-sale business has emerged to become the most important business segment of the Group in the six months ended 30 September 2018 and accounted for 71.0% of total revenue. Retail and wholesale business, manufacturing and trading business and investments holding business had 17.4%, 10.1% and 1.5% of the remaining respectively.

In terms of geographical location, China is the primary market of the Group, which accounted for 91.2% of total revenue of the Group for the six months ended 30 September 2018. The remaining comprised of revenue from North America 7.1%, Europe 1.2% and others 0.5%.

Contingent Liabilities

As at 30 September 2018, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB17.7 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 RMB18.0 million being the balance of the principal amount of the bank loans the Group pledged for.

Investments in New Businesses

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

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

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

Employee Information

As at 30 September 2018, the Group employed a workforce of 1,873 employees in its various chain stores, offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the six months ended 30 September 2018.

Review of Operations

For the six months ended 30 September 2018, the Group recorded a net gain of RMB102.3 million, compared to the net loss of RMB643.0 million for the corresponding period last year. The net gain was mainly attributable to the recognition of the gain in fair value change of approximately RMB85.0 million from the Tranche C consideration shares.

Revenue

During the six months ended 30 September 2018, the Group recorded total revenue of approximately RMB1,948.4 million, representing a decrease of 6.5% when compared with the total revenue of approximately RMB2,084.7 million reported for the corresponding period last year.

Car-sale Business

The trading and sales of imported cars business decreased by 10.5% to RMB1,383.2 million for the six months ended 30 September 2018 as compared with the corresponding period last year. The trade war between The United States of America and China did have some adverse impact on the business and investment environment in China and thus affected the mood of consumers in China especially in the market of durable goods. The desire for purchase of imported cars is lessoned and some customers have a wait-and-see attitude on their purchase plan which affected the transactions of imported cars and resulted in a drop of turnover for our car-sale business in the six months ended 30 September 2018 as compared with the corresponding period last year. The management team of car-sale business expected the market of imported cars will soon be back to normal as the Chinese government implement measures to encourage imports in response to trade war. The management is confident that the sales performance will catch up in the second half of the year and still deliver satisfactory results for the year as a whole.

Retail and Wholesale Business

Retail business decreased by 3.8% to RMB208.8 million while wholesale business decreased by 4.9% to RMB130.1 million for the six months ended 30 September 2018 as compared with the corresponding period last year. The market keen competition from e-commerce, large supermarket chains and new shopping malls nearby, the business of retail has been challenged and recorded a decrease in revenue. On the other hand, the Chinese central government keeps strictly on control of business entertainment and expenditure, so the wholesale business in wine and beverages dropped for the six months ended 30 September 2018.

Manufacturing and Trading Business

During the six months ended 30 September 2018, the manufacturing and trading business contributed approximately RMB196.1 million to the total revenue of the Group. The business of this segment increased by RMB38.0 million when compared with the corresponding period last year of approximately RMB158.1 million. The competition in overseas market has been very severe and our management team in this business line is working very hard to strengthen our established customer base and looking for further opportunities in the market.

Investments Holding Business

Dividend income was RMB3.3 million for the six months ended 30 September 2018 which was same to the corresponding period last year and investment income increased by 8.4% to RMB26.9 million for the six months ended 30 September 2018 as compared with the corresponding period last year.

PROSPECTS

Expanding into a Promising Car-Sale Business Market

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

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

On 9 October 2018, the Company and Valuable Peace Limited (the "Potential Vendor") entered into a memorandum of understanding (the "MOU"), pursuant to the MOU, the Company intends to acquire and the Potential Vendor intends to sell, 51% issued share capital of Robust Cooperation Limited (the "Target Company", together with its subsidiaries, the "Target Group") which holds indirectly the entire equity interest in 天津濱海國際汽車城有限公司 (Tianjin Binhai International Automobile City Company Ltd)(the "Possible Acquisition"). For details of the MOU, please refer to the announcements dated 9 October 2018.

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

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

Looking for New Business Opportunities with Growth Potential

With substantial funding available from the disposal of the land in Shenzhen, the management will actively look into investment and acquisition targets of appropriate and reasonable valuation and consider other uses of fund for the best benefit of the Company and the Shareholders as a whole. The investment objectives of the Group will be in driving impactful business growth, strengthening further competitive advantage of existing business segments and enhancing the return to the Shareholders.

OTHER INFORMATION

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

As at 30 September 2018, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Capacity	Number of shares/ underlying shares *(Note 1)*	Approximate percentage of the issued share capital of the Company
Mr Li Lixin	*Note 2*	2,832,373,680 (L)	37.54%
		2,814,550,681 (S)	37.31%
Mr Tong Shiping	*Note 3*	2,000,243,702 (L)	26.51%
Ms Cheng Weihong	*Note 3*	2,000,243,702 (L)	26.51%

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

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

Note 3: Mr Tong Shiping is the husband of Ms Cheng Weihong. Ms Cheng Weihong's interest in 2,000,243,702 shares is held through Mighty Mark Investments Limited ("Mighty Mark"). The issued share capital of Mighty Mark is wholly owned by Ms Cheng Weihong.

Furthermore, no share option had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there was no other option outstanding at the beginning or the end of the six months ended 30 September 2018. Other than that, at no time during the six months ended 30 September 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 September 2018.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares *(Note)*	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,332,139,014 (L) 1,332,139,014 (S)	17.66% 17.66%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666 (L) 1,482,411,667 (S)	19.65% 19.65%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	2,865,009,680 (L)	37.98%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	2,865,009,680 (L)	37.98%

Name	Capacity	Number of shares/ underlying shares *(Note)*	Approximate percentage of the issued share capital of the Company
Mighty Mark Investments Limited	Beneficial owner	2,000,243,702 (L)	26.51%
浙江省財務開發公司	Person having a security interest in shares	999,999,001 (L)	13.26%
Caitong Securities Co., Limited	Person having a security interest in shares	999,999,001 (L)	13.26%
Asia United Fund	Beneficial owner/ interest in controlled corporation	716,244,000 (L)	9.49%

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

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management, the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the six months ended 30 September 2018.

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

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the six months ended 30 September 2018 saved for the following:

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

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the period ended 30 September 2018.

PUBLICATION OF THE FURTHER INFORMATION

The 2018/2019 interim report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange and the Company in due course.

By Order of the Board
Li Lixin
Chairman

Hong Kong, 30 November 2018

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

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