CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED
中國汽車新零售(控股)有限公司

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

# Annual Report 2022
# 年報

# Contents

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Executive Directors
Mr LI Lixin
Mr CHENG Jianhe
Ms JIN Yaxue

Non-Executive Director
Ms CHENG Weihong

Independent Non-Executive Directors
Mr SHIN Yick Fabian
Mr HE Chengying
Mr KWONG Kwan Tong
Mr CHEUNG Kiu Cho Vincent
(Resigned on 21 April 2021)

## COMPANY SECRETARY

Ms PANG Yuen Shan Christina

## REGISTERED OFFICE

Clarendon House
2 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
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

## PRINCIPAL BANKERS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Effective from 15 August 2022
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr LI Lixin**, aged 54, is the executive Director of the Company. Mr Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of a private group of companies established in the PRC. The principal businesses of his private group include import and export business, chain supermarkets, commercial real estate development and operation management, real property development and investment holding, Mr Li's private group also has investments in real property development, printing business and local bank in the PRC. Mr Li has 31 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

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

Mr Li was awarded the title of model worker in Ningbo City for the years 2001 to 2003. He was awarded the titles of "Outstanding Builder of Socialist Undertakings of Chinese Characteristics" in 2003 and 2006 by the People's Governments of Ningbo City and Zhejiang Province respectively and was renowned for his contribution to the "Honourable Undertakings" and "Shining Star" promotional programme by the People's Government of Zhejiang Province.

Mr Li was appointed as non-executive Director in September 2008 and redesignated as executive Director in April 2011; Mr Li was appointed as chairman of the Group in September 2008 and resigned as chairman in November 2019.

**Mr CHENG Jianhe**, aged 56, is the executive Director of the Company. Mr Cheng has over 33 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. Mr Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. He holds an Executive Master of Business Administration degree from Renmin University of China. Mr Cheng is also a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

Mr Cheng was appointed as executive Director and Chief Executive Officer of the Group in September 2008 and resigned as Chief Executive Officer in August 2019.

**Ms JIN Yaxue**, aged 52, is the executive Director of the Company, member of remuneration committee of the Company and General Manager of household products business of the Group. Ms Jin has been responsible for sales and operations management of Ningbo plant since 1998. She holds an Executive Master of Business Administration degree from Fudan University. She has over 26 years experience in development and sales of household products and sundries. She joined the Group when the Ningbo plant was acquired by the Group in 2010 and was appointed as an executive Director in July 2014.

## NON-EXECUTIVE DIRECTOR

**Ms CHENG Weihong**, aged 60, is the non-executive Director and member of the nomination committee of the Company. Ms Cheng is the founder of 天津開利星空實業有限公司 (Tianjin Kaili Xingkong Industrial Co. Ltd.), a company incorporated in China principally engaged in resources consolidation and strategic planning for parallel imports of cars in China. She has over 23 years' experience in car imports and sales in PRC. She joined the Group in September 2018.

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr SHIN Yick Fabian**, aged 53, is the independent non-executive Director, chairman of the audit committee, member of the remuneration committee and nomination committee of the Company. Mr Shin is currently a non-executive director of Pak Tak International Limited (2668.HK), an independent director of Olympic Circuit Technology Co., Ltd (SH.603920), and an independent non-executive director of Newton Resources Limited (1231.HK) and Zhengye International Holdings Company Limited (3363.HK).

Mr Shin was an independent non-executive director of BIO-Key International, Inc (NASDAQ: BKYI), China Tianrui Automotive Interiors Co., Ltd (6162.HK) and Huabang Financial Holdings Limited (3638.HK).

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

The Securities and Futures Commission of Hong Kong (the "SFC") on 16 September 2020 imposed a public sanction against Mr Shin to prohibit Mr Shin, a former responsible officer and chief executive officer of a licensed corporation (the "Licensed Corporation"), from re-entering the industry for 20 months from 15 September 2020 to 14 May 2022 for breaching the Code of Conduct for Persons Licensed by or registered with the Securities and Futures Commission and the Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers. The Hong Kong Institute of Certified Public Accountants ("HKICPA") published a press release on 25 August 2021 in conclusion that Mr Shin failed or neglected to observe, maintain or otherwise apply the fundamental principle of professional behaviour under sections 100.5(e) and 150 of the applicable Code of Ethics for Professional Accountants for his failure to discharge his duties as the sponsor principal, a responsible officer and the chief executive officer of the Licensed Corporation and in breach of the relevant rules and regulations of the SFC. The HKICPA also concluded that Mr Shin be reprimanded and pay the costs of the HKICPA of HK$15,000.

**Mr HE Chengying**, aged 59, is the independent non-executive Director, chairman of the nomination committee and member of the audit committee of the Company. Mr He is a professor and tutor of doctoral students at the Zhejiang University of Finance and Economics. Mr He graduated from the Department of Accountancy of the South Western University of Finance and Economics, holds a Master's degree in Economics from Zhejiang University and a Doctoral Degree of Economics from Xiamen University and is a visiting scholar at the Wharton School of Business, the University of Pennsylvania and the School of Mathematics, Oxford University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities, and United Securities. He is an associate professor, senior economist and the chief research fellow of the Institute of Industrial Innovation and Finance, Tsinghua University. Mr He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state-owned asset management reforms. Subsequently, Mr He has engaged in stock market innovation, asset reorganisation, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, asset reorganisation and capital management planning. He joined the Group in September 2006.

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr KWONG Kwan Tong**, aged 56, is the independent non-executive Director, chairman of the remuneration committee and member of the audit committee of the Company. Mr Kwong is currently the General Manager of SWL Company Service Limited. Mr Kwong obtained a diploma in accountancy from the Morrison Hill Technical Institute in Hong Kong in 1987. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He has over 30 years' experience in accounting, internal audit and financial management fields. He joined the Group in September 2018.

## COMPANY SECRETARY

**Ms PANG Yuen Shan Christina**, age 49, is the company secretary of the Company. Ms Pang is a solicitor qualified in Hong Kong. She obtained a bachelor degree in Laws from City University of Hong Kong in 1995 and a master degree of Laws in International & Commercial Law from University of Sheffield in 1996. Ms Pang was admitted as a solicitor in 1999 and is currently a solicitor and working in private practice. Ms Pang has over 16 years of experience in corporate secretarial practice. She is now an independent non-executive director of Speedy Global Holdings Limited (stock code 540). She joined the Group in March 2021.

## SENIOR MANAGEMENT

**Ms CHAN Po Tai**, aged 55, is the deputy finance director of the Group. She has more than 28 years of experience in accounting and financial management fields. Ms Chan holds a Master degree in Accounting from Curtin University of Technology (Australia). Ms Chan is a member of CPA Australia and a fellow member of Hong Kong Institute of Certified Public Accountants. She joined the Group from December 2012 to December 2018 and rejoined the Group in November 2021.

**Madam ZHENG Rong**, aged 51, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 28 years of experience in the retail industry and around 25 years of experience in financial management in various industries. Madam Zheng has an Executive Master of Business Administration degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

**Mr LAM Wai Wah, Alan**, aged 59, is the Senior Sales and Marketing Manager of household products business of the Group. Mr Lam has been responsible for the international marketing and sales of products manufactured in Ningbo plant since September 2005. He has over 31 years experience in marketing and sales of household products and sundries. He joined the Group when the Ningbo plant was acquired by the Group in 2010.

**Mr NG Chun Ki**, aged 44, is the Technical Deputy General Manager for household products business of the Group. Mr Ng has been responsible for the product development and production management of Ningbo plant since June 2003 and has over 27 years experience in product development and manufacturing of plastic moulds. He joined Group when the Ningbo plant was acquired by the Group in 2010.

**Mr YANG Kehan**, aged 34, is the general manager of New JoySun non-staple food wholesale and is responsible for the daily management and direction of operations of New JoySun Group. Mr Yang holds a bachelor's degree from the Nanjing University of Science and Technology. He joined the Group in 2018.

**Mr YU Xiang**, aged 35, is the executive general manager of Ningbo New JoySun Supermarket Chain Limited. Mr Yu joined Ningbo New JoySun Supermarket Chain Limited in 2011 and is responsible for the daily management and direction of operations of Ningbo New JoySun Supermarket Chain Limited. He has nearly 11 years of experience in the retail industry.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Automobile New Retail (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I hereby present to all shareholders of the Company (the "shareholders") the annual report for the year ended 31 March 2022 (the "Year").

With the tremendous effort made by the Group to adapt to the evolving market and the ongoing impact of COVID-19 around the world, the Group rigorously achieved sales growth in 2021/22. For the Year, our revenue was approximately RMB2,149.6 million which represented an increase of 16.2% versus 2020/2021. Our net loss for the Year was approximately RMB385.2 million compared to a net loss of approximately RMB2,551.0 million in 2020/2021. The net loss was primarily due to the net valuation loss of investment properties and the impairment losses on financial assets, contract assets and guarantee contracts amounting to RMB166.1 million and RMB144.3 million during the Year.

The Board has resolved not to recommend any final dividend for the Year.

## FURTHER STRENGTHENING OUR COMPETENCE AND COMPETITIVENESS IN MANUFACTURING BUSINESS

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

## EXPANSION OF WHOLESALE BUSINESS WITH HIGH GROWTH POTENTIAL

Within the wholesale business of the Group, heating, ventilation and air-conditioning (HVAC) has been growing very rapidly with the good sales strategy and efforts of the business team. The Group will adopt the approach of working with large property companies in the long term to expand our business to various regions across the PRC.

## FURTHER STRENGTHENING FINANCIAL POSITION AND REDUCE LIABILITIES

On 6 May 2022, the Company and Kenpay International Company Limited (the "Purchaser") entered into a disposal agreement, pursuant to which, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire shareholding interest in Robust Cooperation Limited, Mega Convention Group Limited and their respective subsidiaries (the "Disposal Group"). The Disposal was approved by the Shareholders on 15 June 2022 and completed on 21 June 2022. The Disposal Group operated the car trading platforms and car-sale business in the PRC and following the completion of the Disposal, the Group will cease to engage in the trading of imported cars business and the provision of imported cars platform services business. The Board considered that the Disposal would provide an opportunity for the Group to reduce its debt burden and to improve the Group's financial performance and financial position. For details of the Disposal, please refer to the announcements of the Company dated 6 May 2022, 15 June 2022 and 21 June 2022 and the circular of the Company date 26 May 2022.

## APPRECIATION

With the widespread preventive measures imposed by the PRC and Hong Kong government and the number of people vaccinated against COVID-19 has been increasing, the epidemic seems to be under control. The financial market has been recovering and social distancing restrictions are also expected to be further relaxed. I am confident and optimistic with the prospect of the business development of the Group. On behalf of the Board, I would like to thank our customers, suppliers, business partners of the Group and the Shareholders for their continuous support. Last but not least, I would also like to take this opportunity to express my heartiest gratitude to all the employees of the Group for their industrious devotion and achievements in the challenging 2021/22. We shall continue to target for the long term business development of the Group and strive for improving the financial results and return to the Shareholders.

**LI Lixin**
*Executive Director*

Hong Kong 29 July 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

### General Information

For the Year, the Group recorded a revenue of approximately RMB2,149.6 million, representing an increase of 16.2% when compared with the revenue of approximately RMB1,850.0 million reported for the last year. Net loss for the Year was approximately RMB385.2 million compared to a net loss of RMB2,551.0 million for the last year. The Group's basic and diluted loss per share for the Year were RMB4.79 cents while the Group's basic and diluted loss per share were RMB31.71 cents for the corresponding period last year.

### Net Assets, Liquidity and Financial Resources

As at 31 March 2022, the Group's net assets decreased to approximately RMB(254.8) million, rendering net assets value per share at RMB(3.17) cents. The decrease in net assets was mainly due to net valuation loss of investment properties and impairment losses on financial assets, contract assets and guarantee contracts amounting to RMB166.1 million and RMB144.3 million during the year.

As at 31 March 2022, the Group's total assets were valued at RMB5,010.6 million, including cash and bank deposits of approximately RMB320.5 million. Consolidated bank loans and other borrowings were amounted to RMB2,487.2 million. Debt-to-equity ratio (bank loans and other borrowings over total equity) has been decreased from 2,159.9% as at 31 March 2021 to (976.1)% as at 31 March 2022. The change in the debt-to-equity ratio was essentially due to the significant reduction in equity as a result of the net loss of approximately RMB385.2 million for the year ended 31 March 2022 incurred mainly from impairment losses and valuation loss for car sale and car trading platform businesses.

Most of the Group's business transactions were conducted in RMB and US$. As at 31 March 2022, the Group's major borrowings included bank loans and loans from other financial institutions, which had an outstanding balance of RMB2,296.0 million, other borrowings from shareholders totaling RMB191.2 million. All of the Group's borrowings are denominated in RMB, HK$ and US$.

### Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,943.6 million as at 31 March 2022, and equity interest were pledged to secure bank borrowing and facilities of the Group. Bank deposits of RMB172 million were pledged for the Group's bank loans and bills and security performance.

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB14.6 million as at 31 March 2022 were pledged to secure bank loans borrowed by a third party company.

### Prepayment to Suppliers

As at 31 March 2022, the balance of prepayment to suppliers is RMB288.3 million. Subsequent to 31 March 2022, the utilization of the prepayment to suppliers was approximately RMB35.1 million or 12.2% of the balance and RMB195 million or 67.6% of the balance was refunded.

### Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

### Segment Information

Car-sale business and car trading platform business contribute 0.7% of total revenue of the Group in the Year. Retail and wholesale business, manufacturing and trading business and investments holding business had 43.0%, 54.0% and 2.3% of the remaining respectively.

In terms of geographical location, China is the primary market of the Group, which accounted for 49.6% of total revenue of the Group for the Year. The remaining comprised of revenue from North America 36.6%, Europe 8.1% and others 5.7%.

### Contingent Liabilities

As at 31 March 2022, the Group provides guarantees to secure bank loans borrowed by some major customers. Such arrangements were made by 天津濱海國際汽車城有限公司 (Tianjin Binhai International Automobile City Company Ltd, the "Automobile City"). The maximum liability of the Group as of the close of business under the guarantees issued is RMB2,623 million being the aggregate banking facilities granted to third party customer of the Group by banks.

### Employee Information

As at 31 March 2022, the Group employed a workforce of 1,500 employees in its various chain stores, offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the Year.

### Review of Operations

For the Year, the Group recorded a net loss of RMB385.2 million, compared to the net loss of RMB2,551.0 million for the corresponding last year. The loss was attributable to the net valuation loss on investment properties of approximately RMB166.1 million and the impairment losses on financial assets, contract assets and guarantee contracts of approximately RMB144.3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

During the Year, the Group recorded revenue of approximately RMB2,149.6 million, representing an increase of 16.2% when compared with the revenue of RMB1,850.0 million reported for the last year.

*Car-sale Business*

The trading and sales of imported cars business decreased substantially by 100% to RMBnil for the year ended 31 March 2022 as compared with RMB136.7 million for the corresponding period last year. The trade friction between the United States of America and China, the issuance of Limits and Measurement Methods for Emissions from Light-duty Vehicles (China VI) and COVID-19 pandemic did have 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.

*Car Trading Platform Business*

The imported cars platform services and property rental business contributed revenue of RMB15.9 million for the Year, representing a decrease of 54.9% when comparing with the revenue of RMB35.3 million for the last year. The business was also affected by the COVID-19 pandemic.

*Retail and Wholesale Business*

For the keen market competition from e-commerce and large supermarket chains, the slowdown of consumption and recurrence of the pandemic, the revenue of the retail business decreased by 18% to RMB422.9 million for the Year as compared with the last year. The revenue of the wholesale business increased by 73.5% to RMB500.7 million. The wholesale business in wine and beverages has stabilized and in electrical appliances (heating, ventilation and air-conditioning (HVAC)) recorded a significantly increase in revenue which contributed by the working with large property companies.

*Manufacturing and Trading Business*

During the Year, the manufacturing and trading business contributed approximately RMB1,159.9 million to the revenue. The business of this segment increased by RMB326.8 million when compared with the last year of approximately RMB833.1 million. The competition in overseas market has been severe and our management team in this business line works very hard to look for further opportunities in the market. Their contribution successfully strengthen our established customer base, and the base can cope with short term fluctuation in the market during the period of the COVID-19 pandemic. The business of this segment performed quite well in the Year.

*Investments Holding Business*

Dividend income and investment income increased by 22.8% to RMB50.0 million during the Year as compared with the last year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

### Further strengthening our competence and competitiveness in the manufacturing business

Manufacturing is the pillar of the Group's ability to operate as a going concern. In recent years, the Group's manufacturing business has grown steadily and at a high speed, thanks to the hard work of the team and appropriate strategies. The Group will continue with its cost control measures and the business strategy of focusing on higher margin products and customers that have improved the Group's business and financial performance. Apart from the continuing effort in cost control measures such as integration and realignment of management and sales resources together with structural changes in procurement and manufacturing planning, the Group will also continue with its efforts to develop and roll out new products so as to satisfy the needs of different customers. Besides, the Group will also enlarge our customer base in both existing and emerging markets to achieve our goal of continuous achievement growth and performance improvement.

### Expansion of the wholesale business with high growth potential

Within the Group's wholesale business, the heating, ventilation and air-conditioning (HVAC) wholesale business is growing rapidly due to the sales strategy and efforts of the business team. The Group will adopt the approach of working with large property groups in the long term to rapidly expand its business to various regions across the PRC. For the wholesale business in HVAC, the Group has signed contracts with various property development companies for the large scale air-conditioning business cooperation.

### Car-sale and platform business

On 6 May 2022, the Group entered into an agreement to sell the automotive business which comprise of car-sale and platform business at a consideration of HK$3 million. The Disposal is completed in 21 June 2022.

Subsequent to the Disposal of Automotive Business, the Group will focus its resources and efforts on its remaining business segments which include (i) manufacturing and trading of household products; (ii) operation of supermarkets, (iii) wholesale of wine and electrical appliances, and (iv) investment holding (collectively, the "Remaining Business Segments"). Moreover, the Disposal would provide an opportunity for the Group to reduce its debt burden and to improve the Group's financial performance and financial position.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance for enhancing shareholders' value. During the Year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviation:

Pursuant to CG Code C.2.1 the roles of the chairman and the chief executive officer ("CEO") of the Company are expected to be separated and not be performed by the same individual. Since 1 October 2020 and up to the date of this annual report, the Company does not have any officer with the title of chairman or CEO. Although the Company after 30 September 2020 has not designated any person as chairman or CEO, the Board have met regularly to consider major matters regarding the operations of the Group. The roles of the executive Directors and senior management has complemented the role of the chairman and CEO. Under the supervision by the Board which is comprised of three independent non-executive Directors and one non-executive Director, which represent more than half of the Board, the interests of the Shareholder has been adequately and fairly represented.

The Company understands the importance to comply with the CG Code C.2.1 and will consider the feasibility of appointing a chairman and a CEO of the Company in the near future.

## DIRECTORS' SECURITIES TRANSACTIONS

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

## THE BOARD OF DIRECTORS

The Board currently comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The present Board is composed of three independent non-executive Directors which is more than one-third of the Board which complied with the requirement of the Rule 3.10(1) and Rule 3.10A of the Listing Rules.

The biographical details of each Director are set out on pages 3 to 5 of this annual report. Mr Shin Yick Fabian and Mr Kwong Kwan Tong have the appropriate professional qualifications as required by the Rule 3.10(2) of the Listing Rules. Save as disclosed in the section headed "Directors and Senior Management Profile" to this annual report, the Directors have no other financial, business, family or other material relationships with one another.

## BOARD MEETINGS

The Board gathers regularly to discuss and review the strategic objectives, as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary to discuss and review the risks of the Group's business and to approve any substantial investment, acquisition or disposal made by the Company. Major corporate matters that are delegated to the management include the execution of business strategies and the preparation of interim and annual reports for the Board's approval. Such Board meetings were held through other electronic means of communication by the majority of Directors. There were 10 board meetings during the Year. The attendance of Directors at the Board meetings were as follow:

| Members | Director's attendance/ Number of Board meetings |
|---|---|
| **Executive Directors** | |
| Mr Li Lixin | 5/10 |
| Mr Cheng Jianhe | 10/10 |
| Ms Jin Yaxue | 7/10 |
| **Non-executive Director** | |
| Ms Cheng Weihong | 7/10 |
| **Independent non-executive Directors** | |
| Mr Shin Yick Fabian | 8/10 |
| Mr He Chengying | 5/10 |
| Mr Kwong Kwan Tong | 8/10 |

Appropriate notices and agendas of the meeting are given to all Directors in advance for the regular and other Board meetings.

Directors can access to the services of the Company Secretary to ensure the Board procedures and all other rules and regulations have been followed.

After the Board meetings, the relevant minutes are sent to all Directors for their signature and records. The minutes are kept by the Company Secretary and are open for inspection by prior notice of any Director.

## GENERAL MEETING

The annual general meeting of the Company was held on 30 September 2021 during the Year. The attendance of Directors at the annual general meeting was as follows:

| Members | Director's attendance/ Number of general meeting |
|---|---|
| Mr Li Lixin | 0/1 |
| Mr Cheng Jianhe | 1/1 |
| Ms Jin Yaxue | 1/1 |
| Ms Cheng Weihong | 0/1 |
| Mr Shin Yick Fabian | 1/1 |
| Mr He Chengying | 1/1 |
| Mr Kwong Kwan Tong | 1/1 |

Pursuant to code F.2.2 of the CG Code, the chairman of the Board, the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee should attend the annual general meeting. During the Year, the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee have attended the annual general meeting.

## RESPONSIBILITIES OF THE BOARD AND SENIOR MANAGEMENT

The Board assume responsibility for leadership and control of the Company and is primarily responsible for overseeing and managing the Company's affairs. The Board assumes responsibility for adopting the long term strategies and appointing and supervising the senior management to ensure the operation of the Group is operated adhere to the Group's objective. All Directors should act and take decisions in the interests of the Company. The Board decide and review on all major matters relating to policy making, strategies, budgets, internal control and risk management, financial information, appointment of Directors, material transactions (including connected transactions) and other significant operational matters of the Company.

The Board has delegated the responsibility of implementing strategies and the daily operation to the management of the Company under the guidance and leadership of the executive Directors.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 63 to 153 were prepared on the basis set out in Note 2 to the financial statements. The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 58 to 62 of this annual report.

## CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the Year, Mr Li Lixin, Mr Cheng Jianhe, Ms Jin Yaxue, Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong have attended training courses conducted by the professional parties. The attended Directors have provided the Company with their respective training records pursuant to the CG Code. All Directors were provided with reading materials on relevant rules and regulatory updates in the training courses. Continuing briefings and professional development to Directors will be arranged to Directors whenever necessary.

## APPOINTMENT, RE-ELECTION AND REMOVAL

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

In accordance with the Bye-laws of the Company, at each annual general meeting one third of the Directors (including the chairman of the Board and/or the managing director of the Company) for the time being shall retire from office by rotation. If the number of the Directors is not a multiple of three, then the number nearest to but not less than one third shall be the retiring Directors provided that every Director (including those appointed for a specific term) shall retire from office by rotation at least once every three years. A retiring Director shall be eligible for re election and shall continue to act as Director throughout the meeting at which he retires. Any Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot (unless they otherwise agree among themselves). Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

## REMUNERATION COMMITTEE

The Company has established a remuneration committee ("Remuneration Committee") with specific written terms of reference. The present Remuneration Committee consists of a majority of independent non-executive Directors.

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

During the Year (after the resignation of Mr Cheung Kiu Cho Vincent), the Remuneration Committee comprised of two independent non-executive Directors, Mr Kwong Kwan Tong (chairman), Mr Shin Yick Fabian and one executive Director, Ms Jin Yaxue.

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

The Company's remuneration policies are determined on the basis of the contributions of staff and Directors. The amounts paid to each Director for the Year are set out in note 8 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG code, the remuneration of the members of the senior management by band for the Year is set out below:

| **In the band of** | **Number of individual**<br>*2022* |
|---|---|
| Nil - HK$1,000,000 | 6 |

The Remuneration Committee held one meeting during the Year and the attendance of its members was as follows:

| **Members** | **Director's attendance/ Number of general meeting** |
|---|---|
| Mr Kwong Kwan Tong | 1/1 |
| Mr Shin Yick Fabian | 1/1 |
| Ms Jin Yaxue | 1/1 |

## NOMINATION COMMITTEE

The Company has established a nomination committee ("Nomination Committee") with specific written terms of reference.

The role and function of the Nomination Committee are principally to evaluate the structure of the Board regularly and make recommendations to the Board on any proposed change. The Nomination Committee shall review the structure, size, composition, diversity (including the skills, knowledge and experience) gender, age, cultural, educational background and professional experience of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors.

On the nomination process, the Nomination Committee reviews the suggested candidates for directorship having regard to the candidates' reputation and the specific skills or expertise that these candidates can contribute to the Company in the light of the structure, size, composition, diversity (including but not limited to skills, knowledge, experience, gender, age, cultural, educational background and professional experience), personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions.

All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

During the Year (after the resignation of Mr Cheung Kiu Cho Vincent), the Nomination Committee comprised of two independent non-executive Directors, Mr He Chengying (chairman) and Mr Shin Yick Fabian, and one non-executive Director, Ms Cheng Weihong. The present Nomination Committee consists a majority of independent non-executive Directors.

The Nomination Committee held one meeting during the Year and the attendance of its members was as follows:

| Members | Director's attendance/ Number of general meeting |
|---|---|
| Mr He Chengying | 0/1 |
| Ms Cheng Weihong | 1/1 |
| Mr Shin Yick Fabian | 1/1 |

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

### Board Diversity Policy

The Company has adopted a board diversity policy setting out the approach to achieve diversity on the Board. Pursuant to the diversity policy, the Nomination Committee will carry out the selection process by making reference to a range of diversity perspectives, including but not limited to gender, age, cultural, educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. Selection of candidates will be based on the Company's nomination policy and will take into account the board diversity policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age and length of service) will be disclosed in the corporate governance report of the Company annually.

If involving the appointment of an independent non-executive Director, the Nomination Committee shall also consider the perspectives, skills and experience that the person can bring to the Board, and how the person would contribute to the diversity of the Board.

The Nomination Committee will monitor and review the implementation of the diversity policy, to ensure the effectiveness of the board diversity policy. The Nomination Committee will discuss any revisions to the diversity policy that may be required and make recommendation to the Board for approval.

# CORPORATE GOVERNANCE REPORT

Currently, the Board comprises seven members and the Board's composition and diversity are as follows:

| | |
|---|---|
| Capacity: | Executive Directors, non-executive Director and independent non-executive Directors |
| Gender: | Male and female |
| Age: | 52-60 |
| Nationality: | Chinese |
| Length of service: | 3 to 15 years |
| Board expertise: | Finance, law, accounting, investment, engineering, economic, insurance, investment consulting analysis |

## AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with specific written terms of reference.

The roles and function of the Audit Committee are, among other things, making recommendations to the Board on the engagement of external auditors, reviewing the financial statements of the Group, overseeing and reviewing at least annually the Group's financial reporting system, financial control and internal control procedures, risk management systems and the environmental, social and governance report ("ESG"), reviewing the Group's financial and accounting policies, procedures and practices.

During the Year (after the resignation of Mr Cheung Kiu Cho Vincent), the Audit Committee comprised of three independent non-executive Directors, Mr Shin Yick Fabian (chairman), Mr Kwong Kwan Tong and Mr He Chengying.

The Audit Committee held two meetings during the Year and the attendance of its members was as follows:

| Members | Director's attendance/ Number of general meeting |
|---|---|
| Mr Shin Yick Fabian | 2/2 |
| Mr Kwong Kwan Tong | 2/2 |
| Mr He Chengying | 2/2 |

In addition to the meetings mentioned above, the Audit Committee has during the Years convened the ad hoc meetings with the external auditors of the Company frequently to follow up the audit process of the Group's annual results during the Year.

During the Year, the Audit Committee reviewed the Group's annual results for the year ended 31 March 2021 and interim results for the six months ended 30 September 2021. The Audit Committee also reviewed the Group's financial controls, internal control, risk management systems, the ESG and the adequacy of resources, staff qualifications and experience, training programs, budget of the Company's accounting and financial reporting function.

The Audit Committee has reviewed the consolidated financial statements of the Group for the Year pursuant to the relevant provisions contained in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and was of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof. The Audit Committee has annually reviewed the adequacy of resources, staff qualifications and experience, training and budget of the accounting, internal audit and financial reporting functions as well as those relating to its ESG performance and reporting.

The accounts for the Year were audited by KPMG whose term of office will expire at the conclusion of the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that KPMG be reappointed as the external auditor of the Company at the forthcoming annual general meeting of the Company.

## ACCOUNTABILITY AND AUDIT

The Board is aware that its responsibilities to present a balanced, clear and understandable assessment extend to annual and interim reports, reports to regulators, other inside information and financial disclosures required under the Listing Rules as well as information required to be disclosed pursuant to statutory requirements. The Board has conducted an annual review of the effectiveness of the system of internal control and risk management of the Group.

The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 58 to 62 of this annual report.

## AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of statutory audit services and other services, provided by the auditor of the Company to the Group amounted to RMB6,500,000 and RMB1,030,000, respectively.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

During the Year, the Board has engaged an independent consultant to undertake an internal audit function and to review the risk management and the internal control system of the Group on material issues covering financial, operational and legal compliance controls and risk management function as well as risks factors on ESG.

With the assistance of the independent internal control consultants, a risk report with risk ranking and responsible person has been issued to the Company for assessment of risk. The responsible persons are required to take mitigating actions to address the identified risks and such actions are closely monitored. During the Year, the risk report with key risks, evaluation and relevant mitigating actions has been circulated for discussion and assessed by the key personnel and management for considering the likelihood and impact of each risk. Then, the risk report have been reported to the Audit Committee and reviewed by the Board. This written report assists the Board in identifying those risks (including ESG risks) of the Company and assisting the management to monitor the risks (including ESG risks) and the internal control procedures of the Company.

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

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

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

– Develop necessary measures to manage those risks; and

– Monitor and review the effectiveness of such measures.

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

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

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

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

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

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

The Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems by considering written reports prepared by the independent internal control consultants, covering the material financial, operational and compliance controls, which are considered effective and adequate.

The Board has reviewed the risk management and internal control system adopted by the Group for the Year and considered that it was effective and adequate.

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

## COMPANY SECRETARY

Ms Pang Yuen Shan Christina, being our company secretary, is primarily responsible for the company secretarial work of the Group. For the Year, Ms Pang Yuen Shan Christina confirmed that she has taken no less than 15 hours of relevant professional training.

## SHAREHOLDERS' RIGHTS

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

# CORPORATE GOVERNANCE REPORT

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

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

## INVESTOR RELATIONS

The Board recognizes the importance of the relations with the investors and good communications with all Shareholders. The Company is committed to establishing the policy on open and timely disclosure of corporate information to the Shareholders and the investors.

By publishing the annual reports, interim reports and the announcements, the Company keep its Shareholders with updated business developments and financial performance. The information of the Company's activities for the Year has been provide in this annual report. The annual general meeting also provide a forum that direct communications is made between the Board and the Shareholders. The Company also maintains its website http://www.lisigroup.com.hk to provide an alternative communication channel for the public and the Shareholders.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

China Automobile New Retail (Holdings) Limited (hereafter the "Company") together with its subsidiaries (hereafter the "Group", "we" or "our") operates businesses including car trading platform, car-sale, manufacturing and trading of plastic and metallic household products, retailing and wholesaling. The Group is committed to establishing sustainability principles in daily operations and building an environmentally friendly community.

Having a belief that the environmental, social and governance ("ESG") is critical for the Group to build up long-term trusted ties with stakeholders, we are very pleased to publish our sixth ESG report (the "Report"), which demonstrates our policies, approaches and practices towards sustainable development. The Report serves as a channel to communicate with and enable our stakeholders to have a better understanding of the progress and performance of the Group's ESG development. The board of directors (the "Board") has reviewed and approved this Report.

**Reporting Scope**

The Report covers the ESG management approaches and focuses on the environmental and social performance of the Group from 1 April 2021 to 31 March 2022 (the "Reporting Period", "FY2022") with the scope of our core operations in Tianjin, Ningbo and Hong Kong as listed in the table below:

| Business Segments | Locations | Companies |
|---|---|---|
| Head office | Hong Kong | China Automobile New Retail (Holdings) Limited |
| Car-sale | Tianjin, PRC | Tianjin Calistar Automall Operation Management Co., Ltd. |
| Car trading platform | | Tianjin Binhai International Auto Mall Co., Ltd. |
| Investment holding | Ningbo, PRC | Ningbo Lisi Household Products Company Limited |
| Manufacturing and trading of plastic and metallic household products | | |
| Wholesaling | | Ningbo New JoySun Corp. |
| Retailing | | Ningbo New JoySun Supermarket Chain Limited |

The reporting boundary is defined by the materiality of the businesses. Operations that generate the largest total revenue from each of the segments were selected.

**Reporting Standard**

This Report has been prepared in accordance with the "Comply or Explain" provisions of the ESG Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Hong Kong Exchanges and Clearing Limited ("HKEx").

Throughout the Report, we adopt the reporting principles of materiality, quantitative, balance and consistency, as described below:

| Reporting Principles | Descriptions |
|---|---|
| Materiality | We made a consensus on the material topics through internal discussion and participation of key stakeholders. The outcome is summarised in the section – Materiality Assessment. |
| Quantitative | To ensure that the effectiveness of our ESG policies and management systems can be evaluated and validated, we presented our ESG performance with the aid of environmental and social key performance indicators ("KPIs") using robust methodologies, with reference to the ESG Reporting Guide. |
| Balance | All environmental and social KPIs were computed and presented with reference to the ESG Reporting Guide and robust methodologies were adopted as illustrated in the respective sections of the Report.<br>Data comparisons over years have been made to provide an objective comparison of our ESG performance from time to time. |
| Consistency | The Report has been prepared based on the same methodologies, standards and reporting scope as compared to the previous year. |

**Contact and Feedback**

The Group welcomes your feedback and suggestion on this ESG Report, please feel free to provide your comments via email at info@lisigroup.com.hk.

## STAKEHOLDER ENGAGEMENT

We highly value opinions and views from our stakeholders. To continuously improve our ESG performance and sustainable operations, it is crucial to understand the perspectives and expectations of our stakeholders. Through various communication channels, the Group gathers the stakeholders' opinions with respect to the corporate's approaches to ESG management, as well as their expectations of the business operations.

We have identified the major types of stakeholders. During the Reporting Period, we have engaged our stakeholders through various channels. The following table summarised our stakeholder engagement methods:

| Stakeholder groups | Communication channels |
|---|---|
| **Investors and shareholders** | • Company website<br>• Company's announcements<br>• Annual general meeting<br>• Annual and interim reports |
| **Customers** | • Company website<br>• Customer direct communication<br>• Customer feedback and complaints |
| **Employees** | • Training and orientation<br>• Email and opinion box<br>• Regular meetings<br>• Employee performance evaluation<br>• Employee activities |
| **Suppliers and business partners** | • Selection assessment<br>• Procurement process<br>• Performance assessment<br>• Regular communication with business partners (e.g. emails, meetings, on-site visits etc.) |
| **Government authorities and regulators** | • Documented information submission<br>• Compliance inspections and checks<br>• Forums, conferences and workshops |
| **Non-governmental organisations** | • Email<br>• Phones<br>• Charity donations |
| **Communities** | • Company website<br>• Community activities |
| **Media** | • Company website<br>• Company's announcements |

## MATERIALITY ASSESSMENT

We have conducted a materiality assessment through an online questionnaire in order to identify the priority of material issues to the Group. In the questionnaire, 27 ESG-related issues were listed, including environmental protection, operational practices, community involvement and human resources. Different stakeholder groups were invited to rate the relative importance of the ESG issues to the Group's development as well as to the stakeholders. The questionnaire result was analysed and presented in a materiality matrix, as shown below.

**Processes of Materiality Assessment**

| | |
|---|---|
| **Stage 1** | • Identify ESG-related issues |
| **Stage 2** | • Conduct stakeholder engagement survey |
| **Stage 3** | • Prioritise ESG-related issues with materiality assessment |
| **Stage 4** | • Review and verification of the ESG-related issues for reporting and policy formulation |

**Materiality Matrix**


<table>
<tr><th rowspan="2">Environment</th><th colspan="2">Social</th></tr>
<tr><th>Employment</th><th>Operation</th></tr>
<tr><td rowspan="3">1. Air emission<br>2. Greenhouse gas emission<br>3. Climate change<br>4. Energy efficiency<br>5. Water and effluents<br>6. Use of materials<br>7. Waste management<br>8. Environmental compliance</td><td rowspan="3">9. Labour rights<br>10. Labour-management relations<br>11. Employee retention<br>12. Diversity and equal opportunity<br>13. Non-discrimination<br>14. Occupational health and safety<br>15. Employee training<br>16. Employee development<br>17. Prevention of child labour and forced labour</td><td>18. Customer satisfaction<br>19. Customer service quality and complaints handling<br>20. Customer health and safety<br>21. Marketing and product and service labelling compliance<br>22. Intellectual property<br>23. Customer privacy and data protection<br>24. Responsible supply chain management<br>25. Business ethics<br>26. Socio-economic compliance</td></tr>
<tr><th>Community</th></tr>
<tr><td>27. Community investment</td></tr>
</table>

The assessment result shows that the stakeholders put a higher priority on aspects relating to sustainable operations. In particular, they afford higher significance on issues relating to socio-economic compliance, business ethic, customer privacy and data protection, responsible supply chain management and customer satisfaction. This allows us to prioritise our effort in improving various aspects of our ESG policies and forward-looking strategy.

## ESG GOVERNANCE

**Governance Structure**

In view of the ever-growing importance of ESG in the business setting, the Group realises the need of establishing a comprehensive governance structure. In May 2021, we have established a new governing hierarchy specifically to manage material ESG issues.


In this new structure, the Board is ultimately responsible for overseeing all ESG matters of the Group. Under the Board, an ESG Supervisory Committee has been tasked with the following functions:

1. Review the Group's ESG strategies, risks, opportunities and material issues
2. Assess the Group's progress and performance in implementing ESG policies and initiatives, and devise plans for improvement
3. Discuss and review the recommendations by the ESG Work Group
4. Make recommendations to the Board regarding ESG strategies and policies

Currently, members of the Audit Committee are temporarily assuming the role and functions of the ESG Supervisory Committee.

An ESG Working Group is formed, consisting of core members of the administrative department, safety committee, environmental protection, human resources, internal controls and procurement. The Working Group is responsible for:

1. Execute the Group's ESG policies
2. Set up ESG targets and plans
3. Collect and analyse the Group's ESG data to track the Group's performance in various ESG aspects
4. Monitor the implementation of ESG policies and improvement plans in each department

**ESG Risk Management**

We have established a "Risk and Opportunity Response Control Procedure" to identify risk assessment and analysis in a timely manner so that we can properly prioritise and manage the risks and opportunities.

This year, the Group engaged an external consultant to conduct an ESG risk assessment on its operations. After reviewing our operations and considering the likelihood and severity of various risks, the assessments identified the following material ESG risk items to the Group as follows:

| Risks | Importance | Our Responses |
|---|---|---|
| **Climate physical risk** | The Group's locations of operations in Hong Kong and Mainland China are all susceptible to climate physical risks such as extreme weather event and rising temperature. Failing to prepare for the acute and chronic physical impacts of climate change will result in financial losses and disruption to our operation, as well as threatening the safety and health of our employees | The Group will incorporate climate physical risks in our risk management system, devise relevant measures to limit and mitigate the potential physical damage to the Group's facilities and assets. We will also enhance our emergency preparedness by incorporating climate events into our emergency plans. |
| **Climate transitional risk** | Being a global issue, climate change has become an important item on the agenda of government, investors, customers and other stakeholders. Failing to adopt to the tightening policy and legal requirement, as well as higher expectations in ESG matters by the market will severely affect the sustainability of the Group's business. Furthermore, new and low-carbon technology is developing. Failing to transit to the low-carbon economy will lower the Group's reputations, overall competitiveness and prospect of future development. | This year, the Group has utilised its governance structure for ESG issues. A series of new ESG policies have been devised and implemented to govern the Group's environmental sustainability, climate change and corporate social responsibility. Under the new governance structure, we will manage our ESG performance and transition to a low-carbon operations more effectively. |
| **Changing consumer needs risk** | Increasingly, consumers are paying more attention to a business's sustainability performance when they make decisions. A business that failed to adopt a sound ESG strategy in response to this trend will eventually lose competitiveness in the market and appeal to customers. | The Group will pay close attention to the latest development of the market trend and the expectations of our customers. Furthermore, we will encourage our suppliers to adhere to our ESG standards to ensure our operation is sustainable throughout our value chain. |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUSTAINABLE BUSINESS

The success of the Group is based on the spirit of "Create Better Living" by providing excellent products and services while satisfying customer needs. Building trust between our customers, staff, suppliers and business partners is crucial to maintaining a sustainable business. By upholding integrity, the Group is committed to providing high-quality services and environmentally friendly products to our customers as well as standing against any business corruption practices.

**Product Responsibility**

We strive to provide high quality products for our customers, as it is our priority to ensure the customers' health and safety. To maintain our Group's competitiveness in the market, we provide environmentally friendly housewares, especially for the food storage and kitchenware product line, with excellent quality to meet our customers' needs. Being compliant with the relevant national laws and regulations including the Product Quality Law of the PRC, we established a product quality management system certified with international standards of ISO 9001 for our houseware products manufacturing facilities.

*Quality Assurance*

We provide environmentally friendly housewares like food storage and kitchenware to customers. As they use these products every day, product safety and quality are of utmost importance.

Our products undergo a series of quality tests prior to delivery to ensure their safety and durability. Before production begins, we test the materials from suppliers to verify their suitability for usage. For example, plastic materials are subjected to thermal testing, dynamic stability control and thermomechanical analysis. The next stage is random sampling, which is conducted regularly to detect product defects in the production line. Defective products will be filtered out for additional inspection.

We appreciate any feedback from our customers. We invite them to complete an electronic customer satisfaction survey so that we can identify room for improvement. When we receive a complaint, our customer service team will look into the issue thoroughly. Once the complaint is substantiated, we will arrange for a refund or replacement to be delivered to the customer. All our products are subjected to the Law on Protection of the Rights and Interests of Consumers of the People's Republic of China.

*Data Privacy and Intellectual Property Rights*

We put a high priority on confidentiality at all times, keeping customers' information confidential and not exposing any information, directly or indirectly. Every employee has to sign a confidentiality agreement as part of the employment terms.

The Group is committed to fully complying with relevant legislation, including China's Personal Information Protection Law and Data Security Law. We have established a comprehensive documents and data control system. All customer data, records and proprietary documents are safely stored electronically or in the archives, accessible only to authorised personnel. The data management system is compartmentalised and is managed by different persons to enhance security and lower the risk and impact of data breaches.

During the Reporting Period, we had not received products- and service-related complaints. There were no sold or shipped products that needed to be recalled for safety and health reasons. The Group was not aware of material non-compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

**Supplier Management**

Maintaining a trustful and long-term relationship with our supply chain is crucial to the business operation of the Group. We are committed to providing high quality products that satisfy the customers. We have established a procurement management system to select the most suitable suppliers with high quality raw materials for our products.

This year, we improved our supplier management policy to include ESG considerations. It governs all aspects of our supplier engagement practices, from selection and evaluation criteria to business conduct. Under the new policy, we expect potential suppliers to be able to demonstrate that their performances have met and better still exceeded the legal requirement, as well as environmental and social standards.

For existing suppliers, we prioritise those with consistent track records of good environmental performances. We regularly review and evaluate the performance of our partners based on various criteria. On top of product quality, safety and service professionalism, we will also look into suppliers' ability to demonstrate their eco-consciousness in their business activities. In addition, we also prioritise sourcing from local or neighbouring provinces to reduce the carbon footprint from transportation.

To reduce social risk from the supply chain, we require all suppliers to strictly adhere to our standards in business ethics, occupational health and safety ("OHS"), equal opportunity and labour standards. We will not consider suppliers who failed to meet any of these standards.

During the Reporting Period, the Group worked with a total of 595 suppliers, all of which were from Mainland China.

**Ethical Business**

The Group upholds the highest standards throughout the operation when it comes to business integrity and accountability. To maintain the long-term business growth and the trust among our employees, business partners and customers, we strictly forbid any forms of business misbehaviour. The Group complies with the relevant laws and regulations, including the Criminal Law of the PRC and Anti-money Laundering Law of the PRC.

The Group has zero tolerance for any corrupt practices such as bribery, extortion, fraud and money laundering. We communicate this with all of our staff from the very beginning of their employment with us. All new joiners must sign an integrity commitment letter. There is a dedicated section in the staff handbook where we explained our business integrity policy, expectations, and guidelines for handling various situations to avoid breaching our codes and national anti-corruption laws. This year, the Group did not arrange anti-corruption training for employees to minimise exposure to the coronavirus disease.

It is also strictly prohibited for employees to disclose business and trade information to any third parties as dictated by the non-disclosure agreement signed after the recruitment process. They are likewise forbidden to exploit their capacity as our employees to obtain any unauthorised benefits. By the same token, we apply the same moral standards on business integrity and practices to our supply chain and business partners.

Furthermore, we have established an anonymous reporting mechanism for employees to report to the management any concerns that they might have. The reports will be kept confidential and the identities of the employees will be protected by the Group from any harassment or unfair treatment. Written complaints are collected in the opinion boxes once a week. In general, we aim to complete the investigation within 3 working days and report to the relevant department head. Written feedback is provided to employees, when applicable, within 10 working days. For sensitive cases, special arrangements will be made on a case-by-case basis according to the nature of the complaints.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong and PRC. There was no concluded legal case regarding corrupt practice brought against the Group or employees.

**Engaging the Community**

Giving back to the community has been a key to the Group's corporate social responsibility. We endeavour to create a sustainable business as well as a harmonious and sustainable community. This year, the Group donated approximately HK$489,000 to the Guizhou Charity Federation. The donation would be used to support various charitable and community development initiatives for ethnic minorities in the Qiandongnan Miao and Dong Autonomous Prefecture.

## CARE FOR OUR EMPLOYEES

We treasure our employees the most as they are the cornerstones to the continuous development of the Group. We closely link the growth of our employees to the Group, where we provide a space and opportunity for growth and demonstration of their talents and quality.

| Total Workforce | |
|---|---|
| | FY2022 |
| *By Gender* | |
| Male | 690 |
| Female | 810 |
| *By Employment Type* | |
| Full-time | 1,457 |
| Part-time | 43 |
| *By Age Group* | |
| 18-29 | 302 |
| 30-50 | 909 |
| > 50 | 289 |
| *By Position* | |
| Senior Management | 27 |
| Management/Supervisor | 119 |
| General Staff | 1,354 |
| *By Geographical Region* | |
| China | 1,491 |
| Hong Kong | 9 |
| *Total* | 1,500 |

**Employment Practices**

The Group endeavour to be a responsible employer. Our labour management policies, as set out below, are devised under a people-oriented principle and designed to attract and retain talents.

| Policy Aspects | Descriptions |
|---|---|
| **Recruitment and dismissal** | Job applicants are screened and shortlisted for interviews. The human resources department will verify the authenticity of the candidates' documentation. On top of background checking, additional written tests and personality tests will be arranged where necessary.<br><br>Successful applicants will also need to provide a medical report to certify their physical fitness for work. Employment terms and conditions, including dismissal, are included in the employment contract prepared according to relevant laws and regulations. |
| **Work hours and rest period** | We ensure working hour arrangements in different operation locations are in strict compliance with relevant labour laws and regulations in Hong Kong and Mainland China respectively.<br><br>Employees are also entitled to the following leaves:<br>• Annual leave & sick leave<br>• Statutory holidays<br>• Marriage leave<br>• Maternity leave<br>• Bereavement leave<br>• Injury leave<br>• Home leave (for non-local workers) |
| **Wages** | Our salary packages comply with minimum wage levels as stipulated by applicable legal requirements. Overtime hours on weekdays, weekends and statutory holidays are compensated. |
| **Welfare and benefits** | All employees are covered under the social security statutory requirement. Employees are entitled to free meals or meal subsidies. We also subsidise their telecommunication fees. To support non-local employees, hostels are provided at a rate lower than the market rate.<br><br>We provide a year-end bonus to employees based on their performance. On special occasions such as Spring Festival and other major festivities, we will send gifts to all employees. On their birthday months, employees also receive cash vouchers. |
| **Anti-discrimination** | We pay extra effort to construct a discrimination-free workplace where any forms of discrimination against sex, sexual orientation, age, colour, nationality, disability, religion, pregnancy, political inclination, union membership or socioeconomic status are prohibited. |
| **Equal opportunity** | The Group protects the labour rights and safety of all employees. Female workers will not be dismissed due to their menstruation, pregnancy, childbirth and nursing period.<br><br>To support working mothers with infants, they are given two sessions of 30-minute nursing breaks every day until the infants reach 12 months of age. |

During the Reporting Period, the Group was not aware of any breaches of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

**Labour Standards**

The Group values human rights, as well as our social responsibility and reputation. We have formalised the Approach to Social Responsibility which sets out the guiding principles in governing various aspects of our management and operations. We also ensure our business strictly comply with the relevant laws and regulations, including the Labour Law of the PRC and Provisions on the Prohibition of Using Child Labour.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to child and forced labour in Hong Kong and Mainland China.

*Prevention of Forced Labour*

All employees will form a contractual agreement with the Group on a voluntary basis, and their rights are protected by the relevant labour legislation. We forbid the practice of demanding deposit payment from job applicants and employees, or withholding their identification documents. We also guarantee that wages deduction will not be taken as a punitive action. We regularly communicate with employees regarding the composition of their salary package to ensure they understand how their salary and other benefits are being calculated. Wages and other monetary benefits are paid directly to employees in cash or cheques.

*Protecting Children Rights*

Our new employees undergo a rigorous examination to ensure they are of legal working age and fit to work. Supporting evidence including their identity documents, qualification certificates and work references are collected as part of the recruitment screening process.

When discovering any child labour in our workplace, the Group will take remedial actions, including making the record and reviewing the recruitment process to prevent future cases. We also provide education subsidies to support their education.

Juvenile workers aged between 16 to 18 years old are assigned proper tasks under such principle that the assignment will not expose them to a hazardous environment, as well as not hinder their academic studies.

**Harmonious Workplace**

To truly understand and satisfy the needs of our people, it is essential to develop a friendly relationship with the employees to facilitate two-way communication. Therefore, we value the relationship with our employees, by promoting work-life balance and building a sense of belonging to the Group. We organise various recreational and team-building activities such as an annual dinner party with our fellow employees to not only relieve stress but also to create a close bond with them.

The Group also respects the employees' right to collective bargaining and membership in labour unions as a reasonable means to negotiate for desirable labour conditions. We guarantee employees who participated in these activities will not be discriminated against, harassed or punished.

We do not see our employees as replaceable workers, but as companions along the road of our development. As we build a close relationship with our staff, we would also like to share the joy in their lives or be there to give them a helping hand whenever they needed. Hence, we implemented the "5 Must-Visit" policy:

1. We must visit employees who are hospitalised due to serious illness or injuries
2. We must visit employees who encounter major disasters
3. We must visit employees who are facing abrupt family difficulties
4. We must visit employees who have given birth to a child
5. We must visit employees who are getting married

**Training and Development**

To enable excellent services to our customers as well as help our employees to develop their career paths, we provide various types of training opportunities including induction training, on-job training and professional training for our employees. With the strong knowledge and professional skills of our talents, the Group can stay competitive and keep up with the latest development in the industry.

Each functional department will conduct training need assessment through questionnaires, interviews with employees and by observation, and report to the human resource department. An annual training plan and budget are prepared at the end of the previous year by the human resources departments of each subsidiary.

For our new employees, the Group offers induction training to introduce them to our corporate development and culture, corporate rules and regulations, as well as employee welfare and benefits, such that new staff can easily adapt to the new environment. After the training is concluded, the employees will take a compulsory written test. Only after the candidates have passed the test can they formally assume their job roles.

A total of 2,577 hours of training were held in the Reporting Period. Our training data is summarised below:

| | Employees Trained (%) | Average Training Hours |
|---|---|---|
| *Total* | 694 (46.27) | 1.72 |
| *By gender* | | |
| Male | 363 (52.61) | 1.99 |
| Female | 331 (40.68) | 1.49 |
| *By employment category* | | |
| Senior Management | 24 (88.89) | 5.26 |
| Management/Supervisor | 71 (59.66) | 5.81 |
| General Staff | 599 (44.24) | 1.29 |


This year, we walk out of the classroom and lecture halls, and organised an adventurous team-building exercise for the new members of the Group. We hope that through this exciting and fun exercise, we can instil in the minds of the new employees a sense of cohesion and belonging to the Group.

To boost the skills of the staff, we provide comprehensive on-job training as well as special training for different positions. Apart from internal training delivered by experienced staff or supervisors, we also invite certified personnel in the industry. Furthermore, we sponsor or subsidise the costs for trainings provided by external bodies. This year, we arranged a training course for our Ningbo segment on improving management skills.


**Occupational Health and Safety**

The Group is committed to providing a safe and healthy workplace for our employees. We are strictly complying with the relevant laws and regulations including the Work Safety Law of the PRC, the Law of the PRC on Prevention and Control of Occupational Diseases and the Fire Control Law of the PRC. Besides, we provide detailed guidance and instructions for emergencies and occupational accidents in accordance with ISO 18001 OHS standard for identifying potential OHS risks.

Based on the major risks identified, we developed a series of working guidelines and procedures and emergency plans to lower the likelihood and control the impact of OHS incidents. These include safe operation manuals for various machinery, electrical safety management regulation, and emergency procedures for incidents such as fire and chemical leakage. Our manufacturing plant is fully stocked with necessary personal protective equipment like earplugs and goggles to protect frontline workers in hazardous or high-risk environments. Safety facilities and fire safety equipment are properly maintained.

If an accident occurs, we will launch investigations as soon as possible to determine the causes of the accidents and whether there are any irregularities or non-compliance with national safety requirements. Mitigation measures and safety approaches will be implemented and refined promptly to prevent reoccurrences. Whenever appropriate, plans for continuous improvement will also be formulated.

We also organise OHS training for employees to build up their awareness of workplace safety and promote OHS best practices. This year, we continue to conduct fire-safety training.

During the Reporting Period, we recorded 11 cases of workplace accidents and 244 lost days due to work-related injuries. There was no work-related fatality that occurred in each of the past three years including FY2022. The Group was not aware of any non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

## ENVIRONMENTAL SUSTAINABILITY

The Group understands the importance of green production and environmental protection. Our environmental vision of "Create Better Living" does not only refer to the present, but also to the lives of future generations. Bearing this in mind, environmental commitments and goals have been set up to promote environmentally sustainable development in our corporations.

**Our 4 Commitments**

1. Reduce energy usage continually
2. Prevent pollution and comply with relevant laws and regulations
3. Promote waste sorting and reduction
4. Enhance workplace safety and environmental management

We aim to promote the concept of green business and it is our obligation to achieve environmental compliance. In the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations including the Environmental Protection Law of the PRC.

**Minimising Our Impacts on the Environment and Natural Resources**

We believe every business has the responsibility to control and mitigate the impact of its operations, products and services on the environment. The first step for us to do so is to identify the impact we are causing. Hence, we defined the environmental factors and hazard source identifications and for developing and implementing the assessment procedure. This procedure applies to all of our business locations and activities. It considers the scope of impacts, severity, frequency and degree of public awareness. Currently, we have identified the following environmental factors:

- Solid wastes
- Hazardous wastes
- Noise
- Energy consumption

An Environmental Management System ("EMS") with suitable measures has been designed and established in different departments. The policies in our EMS are set up based on the recognised international standard of ISO 14001. The following sections detail our current environmental performance and initiatives to improve our sustainability and manage our environmental impacts.

**Emission Control**

*Air Emissions*

The major sources of air emissions are mainly the combustion of diesel and gasoline fuel in vehicles. Moreover, dust particles are emitted from our vehicles during the transportation and delivery of our houseware products.

During the Reporting Period, the air emission of nitrogen oxides ("NOx"), sulphur oxides ("SOx") and Particulate Matter ("PM") were 525.69 kg, 1.84kg and 44.33kg respectively.

| Air Emissions[1] | Unit | FY2022 | FY2021 |
|---|---|---|---|
| NOx | kg | 525.69 | 635.11 |
| SOx | kg | 1.84 | 1.55 |
| PM | kg | 44.33 | 47.63 |

The Group pays great effort into lowering the air emissions through several mitigation measures. Pollution-reduction scheme is implemented to minimise the potential generation of air pollutants. To reduce the VOCs emission, we use low-styrene content resins in our production line. In addition, the air quality is measured by a third party to guarantee that we meet the Integrated Emission Standard of Air Pollutants (GB16297-2012) and fulfil the Prevention and Control of Atmospheric Pollution.

*Greenhouse Gas Emissions*


The Group is aware of the intensifying impact of climate change and the urgency of controlling Greenhouse Gas ("GHG") emissions. We actively identify the inventory of our GHG emissions in order to facilitate the reduction in emissions. Direct GHG emission (Scope 1) is generated from the consumption of stationary fuel in power generators, as well as the combustion of fuel for product delivery and other transportation. For indirect GHG emission (Scope 2), it is mainly generated from the consumption of purchased electricity for production, which constitutes a significant portion of our carbon emissions. Methane gas generation at landfills due to disposal of paper waste and business air travel by the employees account for other indirect GHG emission (Scope 3).

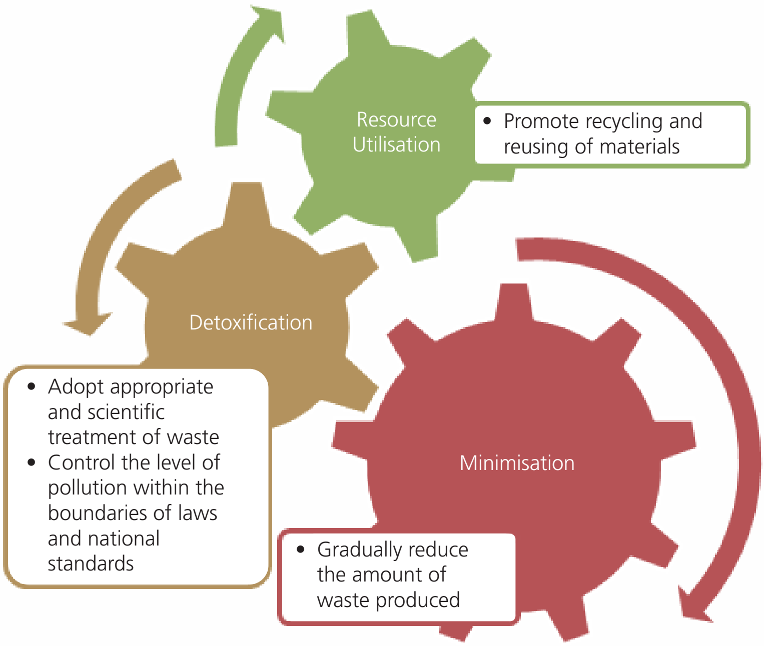
[1] The air emissions figures were calculated with reference to the emission factors published in Appendix 2: Reporting Guidance on Environmental KPIs of the How to prepare an ESG Report guidebook (March 2022) by HKEx.

During the Reporting Period, the total emission of GHG was 44,679.30 tonnes of carbon dioxide equivalent ("$tCO_2e$"). The increase is mainly due to the gradual recovery of business operations as compared with the previous year. Looking forward, we will continue to make effort in reducing GHG emissions.

| GHG Emissions | Unit | FY2022 | FY2021 |
|---|---|---|---|
| Scope 1[2] | $tCO_2e$ | 809.18 | 726.57 |
| Scope 2[3] | $tCO_2e$ | 43,819.66 | 36,042.69 |
| Scope 3[4] | $tCO_2e$ | 50.47 | 24.31 |
| Total | $tCO_2e$ | 44,679.30 | 36,793.57 |
| Intensity | $tCO_2e$ per $m^2$ floor area | 0.30 | 0.20 |

*Waste Management*

With the continuous growth of the Group and the increase in production, solid wastes can inevitably be generated. To cope with the increase in waste generation and comply with China's Law on the Prevention and Control of Environmental Pollution by Solid Waste, the Group implements a comprehensive and integrated waste management hierarchy with three main principles:




2 Scope 1 emission data was calculated using the emission factors published in the Greenhouse Gas Protocol Tool for Energy Consumption in China (version 2.1).

3 Scope 2 emission data was calculated with reference to the emission factor in the CLP Sustainability Report 2021 and the 2019 China Regional Power Grid Baseline Emission Factors for the operations in Hong Kong and China respectively.

4 Scope 3 emission data relating to paper disposal at landfill was calculated with reference to the emission factor published in Appendix 2: Reporting Guidance on Environmental KPIs of the How to prepare an ESG Report guidebook (March 2022) by HKEx; emission from business air travel was calculated according to the 2021 UK Government GHG Conversion Factors for Company Reporting.

In our waste handling practices, the wastes generated are classified into recyclable waste, non-recyclable waste and hazardous waste. Clear classifications and waste handling instructions are listed in the waste management procedures for our employees to follow. For hazardous waste, the collection, transportation and disposal processes are handled by licensed collectors properly. Waste oil containers are stored in a designated location and surrounded by a cofferdam.

| Waste Generated | Unit | FY2022 |
|---|---|---|
| Non-hazardous Waste[5] | Tonne | 183.67 |
| Intensity | Tonne per $m^2$ floor area | 0.0039 |
| Hazardous Waste[6] | Tonne | 0.0028 |
| Intensity | Tonne per $m^2$ floor area | 0.00002 |

*Wastewater Discharge*

The Group complies with all relevant laws and regulations including the Urban Drainage and Sewage Treatment Regulations, the Integrated Wastewater Discharge Standard of PRC (GB8978-1996) and Environmental Quality Standards for Surface Water (GB3838-2002). To ensure compliance with laws and regulations, environmental inspections and testing on domestic wastewater discharge quality are conducted every year by a third party. In addition, the wastewater is discharged into the municipal sewage system and handled by the government.

*Noise Reduction*

Inadequate noise management may cause a nuisance to the nearby community as well as the wildlife habitats. Hence, noise emission is another concern for our manufacturing segment. The main source of noise is from our comminution operations. We regularly check and maintain our industrial equipment in our manufacturing plants, especially the comminution machines to improve insulation. The old equipment that cannot be repaired is swiftly removed and replaced.

We engage external testing agencies to conduct annual monitoring testing in our factory area to ensure that we comply with the relevant statutory regulations and standards such as the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) the Occupational Exposure Limits for Hazardous Agents in the Workplace Part 2: Physical Agents (GBZ2.2-2007) and the Environmental Quality Standard for Noise (GB3096-2008).

5 The figure consists of waste paper used in office, and discarded carton boxes recycled in our supermarket segment. The Group will continue to refine our data collection system and practices in the future.

6 Hazardous waste consists of printer toner cartridges used in office. The Group will continue to refine our data collection system and practices in the future.

**Responsible Use of Resources**

With the growing demand for conserving natural resources in the market, utilisation of resources becomes crucial. In addition, it is one of the responsibilities of the Group to contribute to environmental protection and reduce its carbon footprint. To achieve sustainable development and lower the operational cost, employees are encouraged to avoid wastage, and the Group has established various measures for resources utilisation with regular supervision.

### Electricity

- Use of LED lights and natural light
- Reduce the use of air conditioner with better ventilation in building design
- Install energy-saving equipment
- Promote energy-saving practices among employees

### Water

- Turn the faucets off when not in use
- Repair promptly when dripping, spraying and leaking faucet is discovered
- Inspection and maintenance of faucet regularly

### Paper

- Avoid unecessary printing
- Promote e-platform for internal information circulation
- Encourge the use of recycled paper and double-sided printing

### Equipment and Raw Materials

- Use degradable plastics in manufacturing process
- Supervise raw and packaging material consumption to avoid wastage
- Purchase precise amount of raw material to avoid over-ordering and wastage

Data of the main types of resources consumed by the Group are as follows:

| Energy Consumption | Unit | FY2022 | FY2021[7] |
|---|---|---|---|
| Electricity | MWh | 54,864.58 | 45,075.72 |
| Intensity | MWh per $m^2$ floor area | 0.37 | 0.24 |
| Stationary Fuel – Natural Gas | $m^3$ | 334,812.70 | 306,452.00 |
| Mobile Fuel – Diesel | L | 96,986.20 | 92,889.59 |
| Mobile Fuel – Gasoline | L | 20,000.00 | 2,150.00 |
| Energy by Fuel Type[8] | | | |
| Electricity | GJ | 197,512.48 | 162,272.59 |
| Stationary Fuel – Natural Gas | GJ | 11,249.71 | 10,296.79 |
| Mobile Fuel – Diesel | GJ | 3,503.14 | 3,355.17 |
| Mobile Fuel – Gasoline | GJ | 655.64 | 70.48 |
| Total Direct Energy Consumption | GJ | 212,920.97 | 175,995.03 |
| Intensity | GJ per $m^2$ floor area | 1.44 | 0.93 |

This year, there was a noteworthy increase in the Group's energy consumption. This was mainly due to the fact that our operations were expanding to non-local regions, which resulted in more long-distance business travel, as well as the recovery from the economic downturn and growth in production. As set out in our new environmental policies, we will continue to look for opportunities to reduce energy consumption and increase the use of green energy in our business activities.

| Resource Consumption | Unit | FY2022 | FY2021[9] |
|---|---|---|---|
| Water | Tonne | 242,439.01 | 257,680.93 |
| Intensity | Tonne per $m^2$ floor area | 1.65 | 1.37 |
| Paper | Tonne | 10.95 | 5.06 |
| Intensity | Tonne per employee | 0.0073 | 0.0025 |
| Packaging Materials[10] | Tonne | 141.45 | 23.68 |
| Intensity[11] | Tonne per $m^2$ floor area | 0.0022 | 0.00027 |

7 Data presentation in FY2022 is refined to provide the KPI data for the Group as a whole as opposed to separating into Ningbo and Tianjin business segments in previous years. Therefore, data for FY2021 is consolidated and restated to retain consistency.

8 Energy values of non-electricity fuel consumption are converted with reference to the conversion factors published in the GHG Protocol – Emission Factors from Cross-Sector Tools March 2017.

9 Data presentation in FY2022 is refined to provide the KPI data for the Group as a whole as opposed to separating into Ningbo and Tianjin business segments in previous years. Therefore, data for FY2021 is consolidated and restated to retain.

10 The significant increase in packaging material usage is due to recovery of business activities in our retail segments.

11 The significant increase in packaging material intensity is due to the increase in overall consumption and the reduction of floor area as a result of the reduction of retail stores this year.

**Preparing for Climate Change**

In view of the urgency of the impending climate change, the Group has formulated a Climate Change Policy this year.

Energy consumption accounts for a dominant proportion of our carbon footprint. As such, this policy prioritises reducing energy use through various means. Under the policy, the Group will actively seek new ways to reduce our carbon emissions, especially from energy use. We will achieve this by investing and incorporating energy-saving technologies into our product design and manufacturing cycle, environmental education and knowledge exchange, analysing and utilising our energy consumption pattern.

We will also continue to monitor the climate-related risks and opportunities, and maintain effective risk management procedures to predict, prepare and respond to extreme climate-related events.

*Our Sustainability Targets*

Climate change has been a global phenomenon for years. Counteracting its effect requires concerted, persistent and timely efforts. This year, the Group set the following targets to guide our progress toward a more sustainable business operation:

| Environmental KPIs | Targets |
|---|---|
| **GHG Emissions** | By 2030<br>• Reduce carbon intensity emissions (per $m^2$ floor area) by 15% (2021 baseline)<br>By 2050/2060<br>• Achieve net zero in Hong Kong and China operation |
| **Air Emissions** | By 2023<br>• Study the feasibility of switching to biodiesel options for existing diesel engine vehicles<br>By 2030<br>• Stop procuring fuel-based or hybrid power vehicle<br>• Study the feasibility of adopting electric model delivery vehicle |
| **Energy** | By 2023<br>• Study the feasibility of installing solar panels and skylight systems at manufacturing facilities<br>• Study the feasibility of purchasing renewable energy<br>By 2035<br>• All facilities controlled by the Group consume renewable energy |
| **Water** | By 2023<br>• Develop water conversation plan to explore ways to optimise water use in Ningbo manufacturing plant<br>• Study the feasibility of installing rainwater collection devices in Ningbo manufacturing plant and accommodation complex |
| **Waste** | By the end of 2022<br>• Refine waste data collection procedures for all waste streams (hazardous and non-hazardous) of each business segment (office, supermarket, manufacturing plant) to record<br>1. Food waste generated from the supermarket segment<br>2. Both hazardous and non-hazardous waste generated from the Ningbo manufacturing plant<br>3. Amount of waste being recycled |

## HKEX ESG REPORTING GUIDE INDEX

| HKEx ESG Reporting Guide General Disclosures & KPIs | | Explanation/Reference Section |
|---|---|---|
| **Aspect A: Environmental** | | |
| A1 Emissions | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.<br><br>Note:<br>Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.<br><br>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.<br><br>Hazardous wastes are those defined by national regulations. | Environmental Sustainability |
| KPI A1.1 | The types of emissions and respective emissions data. | Environmental Sustainability |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental Sustainability – Greenhouse Gas Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental Sustainability – Waste Management |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Environmental Sustainability – Waste Management |
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them. | Environmental Sustainability – Our Sustainability Targets |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them. | Environmental Sustainability – Waste Management |

| HKEx ESG Reporting Guide General Disclosures & KPIs | | Explanation/Reference Section |
|---|---|---|
| **Aspect A: Environment** | | |
| A2 Use of Resources | Policies on efficient use of resources including energy, water and other raw materials.<br><br>Note:<br>Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc. | Environmental Sustainability – Responsible Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Environmental Sustainability – Responsible Use of Resources |
| KPI A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Environmental Sustainability – Responsible Use of Resources |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Environmental Sustainability – Our Sustainability Targets |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Environmental Sustainability – Responsible Use of Resources – Our Sustainability Targets |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Environmental Sustainability – Responsible Use of Resources |
| A3 The Environment and Natural Resources | Policies on minimising the issuer's significant impacts on the environment and natural resources. | Environmental Sustainability |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environmental Sustainability |
| A4 Climate Change | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Environmental Sustainability – Preparing for Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Environmental Sustainability – Preparing for Climate Change |

| HKEx ESG Reporting Guide General Disclosures & KPIs | | Explanation/Reference Section |
|---|---|---|
| **Aspect B: Social** | | |
| B1 Employment | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Care for Our Employees – Employment Practices |
| KPI B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Care for Our Employees |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Care for Our Employees |
| B2 Health and Safety | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to providing a safe working environment and protecting employees from occupational hazards. | Care for Our Employees – Occupational Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period. | Care for Our Employees – Occupational Health and Safety |
| KPI B2.2 | Lost days due to work injury. | Care for Our Employees – Occupational Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Care for Our Employees – Occupational Health and Safety |
| B3 Development and Training | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.<br><br>Note: Training refers to vocational training. It may include internal and external courses paid by the employer. | Care for Our Employees – Training and Development |
| KPI B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Care for Our Employees – Training and Development |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Care for Our Employees – Training and Development |

| HKEx ESG Reporting Guide General Disclosures & KPIs | | Explanation/Reference Section |
|---|---|---|
| **Aspect B: Social** | | |
| B4 Labour Standards | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to preventing child or forced labour. | Care for Our Employees – Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Care for Our Employees – Labour Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Care for Our Employees – Labour Standards |
| B5 Supply Chain Management | Policies on managing environmental and social risks of the supply chain. | Sustainable Business – Supplier Management |
| KPI B5.1 | Number of suppliers by geographical region. | Sustainable Business – Supplier Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Sustainable Business – Supplier Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Sustainable Business – Supplier Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Sustainable Business – Supplier Management |
| B6 Product Responsibility | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Sustainable Business – Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Sustainable Business – Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Sustainable Business – Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Sustainable Business – Product Responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Sustainable Business – Product Responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Sustainable Business – Product Responsibility |

| HKEx ESG Reporting Guide General Disclosures & KPIs | | Explanation/Reference Section |
|---|---|---|
| **Aspect B: Social** | | |
| B7 Anti-corruption | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br><br>relating to bribery, extortion, fraud and money laundering. | Sustainable Business – Ethical Business |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Sustainable Business – Ethical Business |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | Sustainable Business – Ethical Business |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | Sustainable Business – Ethical Business |
| B8 Community Investment | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Sustainable Business – Ethical Business |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Sustainable Business – Engaging the Community |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | Sustainable Business – Engaging the Community |

# DIRECTORS' REPORT

The Directors submit their report together with the consolidated financial statements of the Company and the Group for the Year. For the independent auditor's report, please refer to pages 58 to 62 of this annual report.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW

A review of the business of the Group during the year and discussion on the Group's prospects, as well as discussion and analysis of the Group's performance using financial key performance indicators during the Year and the material factors underlying its financial performance are set out in the "Chairman's Statement" on page 6, "Management Discussion and Analysis" on pages 7 to 10 and "Environmental, Social and Governance Report" on pages 20 to 46, respectively, of this annual report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

1. a non-compliance of Rule 14A.54(1) of Listing Rules regarding the exceeding of annual caps of continuing connected transactions. For details, please refer to the announcement of the Company dated 9 June 2021 and 23 November 2021 and the circular of the Company dated 30 November 2021.

2. a non-compliance with Rules 14.34 of the Listing Rules regarding the failure to make timely disclosure on the discloseable and major transactions of the Company relating to the subscriptions of financial products. For details, please refer to the announcement of the Company dated 9 June 2021 and 18 January 2022 and the circular of the Company dated 29 April 2022.

3. unable to (i) publish the 2021 Audited Annual Results by 30 June 2021 in accordance with Rules 13.49(1) and 13.49(2) of the Listing Rules; and (ii) send to every Shareholder a copy of its annual report in respect of the financial year ended 31 March 2021, including its annual accounts, by 31 July 2021 in compliance with the requirement of Rule 13.46 of the Listing Rules.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces various risks such as foreign currency risk and market uncertainties in operations. To cope with the risks and uncertainties, the Group's risk management and internal control systems are in place to ensure the principal risks are continuously identified, monitored and managed on an established bases. The policies and procedures of risk management and internal control that the Group is adopting are set out in the "Corporate Governance Report" on pages 11 to 19 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in Note 30 to the consolidated financial statements.

# DIRECTORS' REPORT

## RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on page 63 of this annual report.

A management discussion and analysis of the results of the Group for the Year is set out on pages 7 to 10 of this annual report.

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: RMBnil).

## RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 67 of this annual report and in Note 26 to the consolidated financial statements respectively.

## FIXED ASSETS

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

## SIGNIFICANT INVESTMENTS

Details of significant investments held as at 31 March 2022 are set out in "Schedule of Financial Products" on pages 156 to 157 of this annual report.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2022 are set out in Note 14 to the consolidated financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in Note 26(c) to the consolidated financial statements and on pages 54 to 55 of this annual report respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2022, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval, and contributed surplus, subject to satisfaction of the related laws and regulations) available for distribution to the equity shareholders of the Company was RMB792,315,000 (2021: RMB224,929,000).

## PRE-EMPTIVE RIGHTS

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

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 158 of this annual report.

## DIRECTORS

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

Executive Directors
Mr LI Lixin
Mr CHENG Jianhe
Ms JIN Yaxue

Non-Executive Director
Ms CHENG Weihong

Independent Non-Executive Directors
Mr SHIN Yick Fabian
Mr HE Chengying
Mr KWONG Kwan Tong
Mr CHEUNG Kiu Cho Vincent
*(Resigned on 21 April 2021)*

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

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

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

# DIRECTORS' REPORT

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' AND A CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as set out in Note 27 of the consolidated financial statements, no other contracts of significance in relation to the Group's business to which the Company or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with the relevant rules and regulations in the PRC. Details of the Group's retirement benefit schemes are set out in note 6(b) to the consolidated financial statements.

According to the retirement benefit schemes of the Group, there is no applicable circumstance of forfeited contributions.

## PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Company's articles of association.

## CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2022:

(a) Lease of properties

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

Pursuant to a lease agreement signed on 22 November 2018 and 20 December 2021 between Ningbo Lisi Household Products Company Limited ("Ningbo Lisi"), the Company's subsidiary, and Da Mei (Ningbo) New Materials Company Limited ("Da Mei"), a company owned by Mr Li Lixin, a director and substantial shareholder of the Company, Da Mei agreed to lease east part of its property at 518 Cheng Xin Lu, Yinzhou Investment and Business Incubation of Ningbo, the People's Republic of China (the "East District") to Ningbo Lisi for a term of 3 years commencing from 1 January 2019 to 31 December 2021 and for a term of 9 months commencing from 1 January 2022 to 30 September 2022 as its factory space and office premises with monthly rent of RMB532,242 and RMB701,528.

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

| | **Annual Cap** | **Rental expenses** |
|---|---|---|
| | RMB | RMB |
| From 1 April 2021 to 31 December 2021 | 4,790,178 | 4,790,178 |
| From 1 January 2022 to 30 September 2022 | 6,313,752 | 2,104,583* |

* Rental expenses from 1 January 2022 to 31 March 2022.

(b) Export agency services

Pursuant to an export agency agreement signed on 22 November 2018 and 20 December 2021 between Ningbo Lisi and Lisi Import and Export Company Limited ("Lisi I&E"), a company owned by Mr Li Lixin, a director and substantial shareholder of the Company, Lisi I&E agreed to provide Ningbo Lisi export agency services which include assisting Ningbo Lisi on handling government applications, settlement services and other liaison services between local government departments and the customers. The term of the export agency agreements are commencing from 1 January 2019 to 31 December 2021 and from 1 January 2022 to 31 December 2024.

As stated in the announcement dated on 22 November 2018, the original annual cap of service fees payable Lisi I&E for Export Agency Services for the period from 1 April 2021 to 31 December 2021 was RMB5.25 million. Up to 23 November 2021, the actual transaction amount exceeded the cap.

Taking into account of the amount of service fees paid to Lisi I&E for Export Agency Services for the year ended 31 March 2021, the expectation of increase in demand of export agency services and the increase in the volume of sales, the Company proposes to set revised export annual cap of service fees payable to Lisi I&E for Export Agency Services pursuant to the Export Agency Agreement for the period from 1 April 2021 to 31 December 2021 as RMB7.125 million. Shareholders' approval has been obtained on 17 December 2021 for ratification for transactions that exceeded the original cap as well as the revised cap.

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

| | Revised Annual Cap | Export agency fee |
|---|---|---|
| | RMB | RMB |
| From 1 April 2021 to 31 December 2021 | 7,125,000 | 6,919,600 |

| | Annual Cap | Export agency fee |
|---|---|---|
| | RMB | RMB |
| From 1 January 2022 to 31 March 2022 | 3,250,000 | 2,755,133 |

(c) Import agency services

Pursuant to an import agency agreement signed on 22 November 2018 and 20 December 2021 between Ningbo Lisi and Lisi I&E, Lisi I&E agreed to provide Ningbo Lisi import agency services. The term of the import agency agreements are commencing from 1 January 2019 to 31 December 2021 and from 1 January 2022 to 31 December 2024. The import agency services include assisting Ningbo Lisi on handling government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Ningbo Lisi with other third parties.

As stated in the announcement dated on 22 November 2018, the original annual cap of service fees payable Lisi I&E for Import Agency Services for the period from 1 April 2021 to 31 December 2021 was RMB68.75 million. Up to 23 November 2021, the actual transaction amount exceeded the cap.

Taking into account of the amount of service fees paid to Lisi I&E for Import Agency Services for the year ended 31 March 2021, the expectation of increase in demand of export agency services and the increase in the volume of sales, the Company proposes to set revised import annual cap of service fees payable to Lisi I&E for Import Agency Services pursuant to the Import Agency Agreement for the period from 1 April 2021 to 31 December 2021 as RMB102.75 million. Shareholders' approval has been obtained on 17 December 2021 for ratification for transactions that exceeded the original cap as well as the revised cap.

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

| | Revised Annual Cap of gross transaction amount | Gross transaction amount | Import agency fee incurred |
|---|---|---|---|
| | RMB | RMB | RMB |
| From 1 April 2021 to 31 December 2021 | 102,750,000 | 100,712,643 | 604,276 |

| | Annual Cap of gross transaction amount | Gross transaction amount | Import agency fee incurred |
|---|---|---|---|
| | RMB | RMB | RMB |
| From 1 January 2022 to 31 March 2022 | 27,200,000 | 26,093,976 | 156,564 |

(d) Mutual supply of products

Pursuant to a mutual supply framework agreement signed on 22 November 2018 and 20 December 2021 between New JoySun Corp. (for itself and on behalf of its subsidiaries), the Company's subsidiary, and Lisi Group Co. Ltd. (for itself and on behalf of its subsidiaries), a company owned by Mr Li Lixin, a director and substantial shareholder of the Company, it was agreed that members of the group of New JoySun Corp. will supply to members of the group of Lisi Group Co. Ltd. electrical appliance products, food and beverage products and various domestic products, and reciprocally, members of the group of Lisi Group Co. Ltd. will supply to members of the group of New JoySun Corp. household products. The term of the mutual supply agreements are commencing from 1 January 2019 to 31 December 2021 and from 1 January 2022 to 31 December 2024. Subsidiaries from both sides will enter into individual supply contracts with the pricing of the products transacted and the payment terms determined and negotiated based on normal commercial terms, with reference to the prevailing fair market prices of comparable products and no less favourable than those offered to or from members of the group of New JoySun Corp. by or to independent third parties.

As stated in the announcement dated on 22 November 2018, (i) the original annual cap of gross transaction amounts payable to New JoySun for Mutual Supply of Products from New JoySun for the period from 1 April 2021 to 31 December 2021 was RMB2.772 million, and (ii) that payable to Lisi Group for supply of products from Lisi Group to New JoySun pursuant to the Mutual Supply Agreement for such period was RMB1.193 million. Taking into account of the gross transaction amounts payable to New JoySun for Mutual Supply of Products from New JoySun for the year ended 31 March 2021 and the continuous trend of the increase of the transaction volume due to the enhancement of the staff benefits by Lisi Group, the Company proposes to revise the (i) revised annual cap for Mutual Supply of Products from New JoySun; (ii) the revised annual cap for Mutual Supply of Products from Lisi Group; and (iii) revised annual cap for Mutual Supply of Products pursuant to the mutual supply agreement (as amended by the Supplemental Mutual Supply Agreement) for the period from 1 April 2021 and ending 31 December 2021 to RMB9 million, RMB1.55 million and RMB10.56 million, respectively.

The Revised Annual Caps for the transactions contemplated and transactions incurred under the mutual supply framework agreement are as follows:

| | Revised Annual Cap From 1 April 2021 to 31 December 2021 | Transaction amount From 1 April 2021 to 31 December 2021 |
|---|---|---|
| | RMB | RMB |
| Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd. | 9,000,000 | 6,739,271 |
| Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp. | 1,550,000 | – |

| | Annual Cap From 1 January 2022 to 31 March 2022 | Transaction amount From 1 January 2022 to 31 March 2022 |
|---|---|---|
| | RMB | RMB |
| Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd. | 3,037,000 | 1,253,643 |
| Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp. | 300,000 | – |

As disclosed in the announcement dated 15 February 2022, the Company has not complied with the announcement and shareholders' approval requirements (where applicable) before the relevant annual caps were exceeded in accordance with Rule 14A.54 of the Listing Rules. Subsequently, the Company has re-complied with the announcement requirement on 8 June 2021 to announce the exceeding of annual caps mentioned above and the revised annual caps. The Company has also obtained the shareholders' approval on 17 December 2021 for the ratification for transactions under the Import Agency Agreement and Export Agency Agreement that exceeded the respective original annual caps, as well as for the revised annual caps under Import Agency Agreement and Export Agency Agreement.

Having reviewed the Continuing Connected Transactions, the independent non-executive Directors, pursuant to Rule 14A.55 of the Listing Rules on the requirement to carry out an annual review on all continuing connected transactions, other than fully exempt continuing connected transactions under the Listing Rules (if any), confirmed that the continuing connected transactions were made in the ordinary and usual course of business of the Company, were made on normal commercial terms and in accordance with the relevant agreements governing the continuing connected transactions on terms that were fair and reasonable and in the interests of the shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its modified letter containing their findings, conclusions and emphasis of matters in respect of the continuing connected transactions disclosed by the Group on pages 49 to 53 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules.

The following is the extract of the auditor's letter:

Conclusion

Based on the foregoing, in respect of the disclosed continuing connected transactions:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap or the revised annual cap, where applicable, as set by the Company.

Emphasis of Matters

We draw your attention to the narratives in connection with the disclosed continuing connected transactions, which describe that the actual transaction amounts for Export Agency Services and Import Agency Services for the period from 1 April 2021 to 23 November 2021 exceeded the respective original caps of RMB5.25 million and RMB68.75 million for the period from 1 April 2021 to 31 December 2021. The Group has obtained shareholders' approval on 17 December 2021 for ratification for transactions under the Export Agency Agreement and Import Agency Agreement that exceeded the respective original caps, as well as the revised caps under Import Agency Agreement and Export Agency Agreement.

Our conclusion is not modified in respect of these matters.

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

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

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in Note 27 to the consolidated financial statements.

The related party transactions included in Note 27(a) to the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Directors' Report as required by Chapter 14A of the Listing Rules, except for certain service income, operating lease income, interest expenses, net increase in non-interest bearing advances received from related parties and net increase in loans received from related parties which are exempted from the disclosure. The related party transaction included in Note 27(b) to the consolidated financial statements did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

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

As at 31 March 2022, 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 | 2,755,137,680 (L)<br>1,687,282,681 (S) | 34.25%<br>20.98% |
| Ms Cheng Weihong | Note 3 | 1,849,407,702 (L)<br>398,000,000 (S) | 22.99%<br>4.95% |

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

Note 2: Mr Li Lixin's interest in 2,755,137,680 shares is held as to 17,822,000 shares personally, 1,382,141,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,355,174,666 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: Ms Cheng Weihong's interest in 1,849,407,702 shares is held as to 956,407,702 shares through Mighty Mark Investments Limited ("Mighty Mark") and 893,000,000 shares through Hopeful Glad Limited ("Hopeful Glad"). The issued share capital of Mighty Mark and Hopeful Glad are wholly owned by Ms Cheng Weihong.

Furthermore, no share options had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there were no other options outstanding at the beginning or the end of the year ended 31 March 2022. Other than that, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the Year.

Save as disclosed herein, as at 31 March 2022, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

### Share option scheme

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

*Purpose of the Scheme:*

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

*Participants:*

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

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

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

*Maximum entitlement of each participant:*

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

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

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

*Minimum holding period before an option can be exercised:*

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

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

Not applicable

*Basis of determining the exercise price:*

Determined by the Board and shall be:

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

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

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

*The remaining life of the Scheme:*

The Scheme remains in force until 31 August 2022.

No share options had been granted under the Scheme up to 31 March 2022 and there were no other options outstanding at the beginning or at the end of the Year.

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

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, 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 | 1,382,141,014 (L) | 17.18% |
| | | 893,521,680 (S) | 11.11% |
| Shi Hui Holdings Limited | Beneficial owner | 1,355,174,666 (L)<br>793,761,001 (S) | 16.85%<br>9.87% |
| Tong Shiping | Interest of spouse | 1,849,407,702 (L)<br>398,000,000 (S) | 22.99%<br>4.95% |
| Mighty Mark Investments Limited | Beneficial owner | 956,407,702 (L) | 11.89% |
| Hopeful Glad Limited | Beneficial owner | 893,000,000 (L)<br>398,000,000 (S) | 11.10%<br>4.95% |
| Central Huijin Investment Limited | Person having a security interest in shares/ interest in controlled corporation | 2,413,065,680 (L) | 29.99% |
| China Construction Bank Corporation | Person having a security interest in shares/ interest in controlled corporation | 2,413,065,680 (L) | 29.99% |
| Poly Platinum Enterprises Limited | Beneficial owner/Person having a security interest in shares | 1,051,144,000 (L) | 13.07% |
| Greater Bay Area Homeland Development Fund (GP) Limited | Person having a security interest in shares/ interest in controlled corporation | 1,051,144,000 (L) | 13.07% |
| Greater Bay Area Homeland Investments Limited | Person having a security interest in shares/ interest in controlled corporation | 1,048,124,000 (L) | 13.03% |

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

# DIRECTORS' REPORT

## DIVIDEND POLICY

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

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

## MANAGEMENT CONTRACTS

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

| | |
|---|---|
| *Purchases* | |
| – the largest supplier | 12% |
| – five largest suppliers | 30.5% |
| *Sales* | |
| – the largest customer | 13.5% |
| – five largest customers | 38% |

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

## RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

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

## SUFFICIENCY OF PUBLIC FLOAT

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

# DIRECTORS' REPORT

## AUDITOR

A resolution for the reappointment of KPMG as auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Li Lixin**
*Executive Director*

Hong Kong, 29 July 2022

# INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
**China Automobile New Retail (Holdings) Limited**
*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Automobile New Retail (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 153, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (CONTINUED)

**Revenue recognition**

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

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| The Group's revenue for the year is mainly derived from the manufacturing and trading of household products, wholesale of wine and electrical appliances and retail operations.<br><br>In general, revenue from the manufacturing and trading of household products is recognised when the goods are loaded onto shipping vessels for export or delivered to customers' premises for domestic sales; wholesale revenue is recognised when the goods are delivered or services are rendered; retail revenue is recognised when sales are made to customers over the counter.<br><br>We identified revenue recognition of manufacturing and trading of household products, wholesale of wine and electrical appliances and retail operations as a key audit matter because revenue is one of the key performance indicators of the Group, revenue from these businesses is significant to the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations. | Our audit procedures to assess the recognition of revenue from manufacturing and trading of household products, wholesale of wine and electrical appliances and retail operations included the following:<br><br>• assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue;<br><br>• involving our internal IT specialists to assist us in assessing the operating effectiveness of those IT controls which were critical to the recognition of revenue from retail operations;<br><br>• inspecting sales contracts with customers for the trading and wholesale operations, on a sample basis, to understand the terms of sales transactions in order to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;<br><br>• in respect of trading and wholesale revenue, obtaining audit confirmations of sales transaction amounts during the year from customers on a sample basis;<br><br>• selecting a sample of sales transactions around the financial year end and assessing the timing of revenue recognition by comparing details of the sales with underlying documentation, which included goods delivery notes, customer acceptance forms and/or shipping documents; and<br><br>• inspecting a sample of journal entries affecting revenue raised during the financial year, which met certain risk-based criteria, enquiring of management the reasons for such entries and comparing the details of the entries with relevant underlying documentation. |

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

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

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

**KPMG**
*Certified Public Accountants*

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

29 July 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022
(Expressed in Renminbi ("RMB"))

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Revenue | 4 | 2,149,573 | 1,850,030 |
| Cost of sales | | (1,596,143) | (1,529,930) |
| **Gross profit** | 4(b) | 553,430 | 320,100 |
| Other income | 5 | 38,226 | 22,081 |
| Selling and distribution expenses | | (95,591) | (88,631) |
| Administrative expenses | | (279,467) | (131,754) |
| Finance costs | 6(a) | (256,425) | (171,014) |
| Impairment losses on financial assets, contract assets and guarantee contracts | 6(c) | (144,263) | (1,866,895) |
| Impairment loss on property, plant and equipment | 12 | (14,478) | – |
| Net valuation loss on investment properties | 13 | (166,131) | (195,707) |
| Impairment loss on goodwill | 15 | – | (396,464) |
| **Loss before taxation** | 6 | (364,699) | (2,508,284) |
| Income tax | 7 | (20,491) | (42,709) |
| **Loss for the year** | | (385,190) | (2,550,993) |
| **Loss per share (RMB cent)** | | | |
| – Basic and diluted | 11 | (4.79) | (31.71) |

The notes on pages 70 to 153 form part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022
(Expressed in RMB)

| | Note | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Loss for the year** | | (385,190) | (2,550,993) |
| **Other comprehensive income for the year (after tax and reclassification adjustments):** | 10 | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| – Exchange differences on translation into presentation currency | | 11,121 | 23,095 |
| **Other comprehensive income for the year** | | 11,121 | 23,095 |
| **Total comprehensive income for the year attributable to equity shareholders of the Company** | | (374,069) | (2,527,898) |

The notes on pages 70 to 153 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022
(Expressed in RMB)

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 504,724 | 505,392 |
| Investment properties | 13 | 1,774,302 | 2,005,840 |
| Financial assets at fair value through profit or loss ("FVPL") | 16 | 808,419 | 802,314 |
| Deferred tax assets | 25(b) | 16,216 | 15,284 |
| | | 3,103,661 | 3,328,830 |
| **Current assets** | | | |
| Inventories | 17 | 281,603 | 180,197 |
| Trade and other receivables and contract assets | 18(a) | 841,724 | 860,616 |
| Prepayments | 18(b) | 290,195 | 148,447 |
| Financial assets at FVPL | 16 | – | 80,296 |
| Restricted cash | 19 | 172,878 | 194,437 |
| Cash and cash equivalents | 20 | 320,504 | 332,738 |
| | | 1,906,904 | 1,796,731 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 1,922,528 | 1,493,412 |
| Promissory note | 22 | 318,262 | – |
| Bank and other loans | 23 | 2,422,568 | 2,480,464 |
| Lease liabilities | 24 | 15,551 | 13,182 |
| Income tax payable | 25(a) | 41,817 | 72,795 |
| | | 4,720,726 | 4,059,853 |
| **Net current liabilities** | | (2,813,822) | (2,263,122) |
| **Total assets less current liabilities** | | 289,839 | 1,065,708 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2022

(Expressed in RMB)

| | Note | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Promissory note | 22 | – | 314,743 |
| Bank and other loans | 23 | 64,600 | 95,780 |
| Lease liabilities | 24 | 33,952 | 29,153 |
| Deferred tax liabilities | 25(b) | 446,082 | 506,758 |
| | | 544,634 | 946,434 |
| **NET ASSETS** | | (254,795) | 119,274 |
| **CAPITAL AND RESERVES** | 26 | | |
| Share capital | | 69,888 | 69,888 |
| Reserves | | (324,683) | 49,386 |
| **TOTAL EQUITY** | | (254,795) | 119,274 |

Approved and authorised for issue by the board of directors on 29 July 2022.

**Cheng Jianhe**
*Director*

**Cheng Weihong**
*Director*

The notes on pages 70 to 153 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022
(Expressed in RMB)

| | Share capital RMB'000 (Note 26(c)) | Share premium RMB'000 (Note 26(d)(i)) | Capital redemption reserve RMB'000 (Note 26(d)(i)) | Statutory reserves RMB'000 (Note 26(d)(ii)) | Contributed surplus RMB'000 (Note 26(d)(iii)) | Exchange reserve RMB'000 (Note 26(d)(iv)) | Other reserve RMB'000 (Note 26(d)(v)) | Accumulated losses RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2020** | 69,888 | 2,690,990 | 1,341 | 59,780 | 202,449 | (28,963) | 30,340 | (378,653) | 2,647,172 |
| **Changes in equity for the year ended 31 March 2021:** | | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | – | (2,550,993) | (2,550,993) |
| Other comprehensive income | – | – | – | – | – | 23,095 | – | – | 23,095 |
| Total comprehensive income for the year | – | – | – | – | – | 23,095 | – | (2,550,993) | (2,527,898) |
| Appropriation to reserves | – | – | – | 9,737 | – | – | – | (9,737) | – |
| **Balance at 31 March 2021** | 69,888 | 2,690,990 | 1,341 | 69,517 | 202,449 | (5,868) | 30,340 | (2,939,383) | 119,274 |
| **Changes in equity for the year ended 31 March 2022:** | | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | – | (385,190) | (385,190) |
| Other comprehensive income | – | – | – | – | – | 11,121 | – | – | 11,121 |
| Total comprehensive income for the year | – | – | – | – | – | 11,121 | – | (385,190) | (374,069) |
| Appropriation to reserves | – | – | – | 5,553 | – | – | – | (5,553) | – |
| **Balance at 31 March 2022** | 69,888 | 2,690,990 | 1,341 | 75,070 | 202,449 | 5,253 | 30,340 | (3,330,126) | (254,795) |

The notes on pages 70 to 153 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022
(Expressed in RMB)

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation | | (364,699) | (2,508,284) |
| Adjustments for: | | | |
| Investment and dividend income | 4(a) | (50,036) | (40,761) |
| Depreciation and amortisation | 6(c) | 85,096 | 74,456 |
| Net (gain)/loss on disposal of property, plant and equipment and investment properties | 5 | (17,307) | 1,068 |
| Interest income on cash at bank | 5 | (6,599) | (9,629) |
| Finance costs | 6(a) | 256,425 | 171,014 |
| Impairment losses on financial assets, contract assets and guarantee contracts | 6(c) | 144,263 | 1,866,895 |
| Impairment loss on property, plant and equipment | | 14,478 | – |
| Net valuation loss on investment properties | 13 | 166,131 | 195,707 |
| Impairment loss on goodwill | 15 | – | 396,464 |
| Changes in working capital: | | | |
| Decrease in restricted cash | | 6,559 | – |
| (Increase)/decrease in inventories | | (101,406) | 246,434 |
| (Increase)/decrease in trade and other receivables, prepayments and contract assets | | (282,795) | 174,863 |
| Increase/(decrease) in trade and other payables | | 300,801 | (709,176) |
| **Cash generated from/(used in) operations** | | 150,911 | (140,949) |
| Income tax paid | 25(a) | (113,077) | (34,447) |
| **Net cash generated from/(used in) operating activities** | | 37,834 | (175,396) |

# CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 March 2022
(Expressed in RMB)

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Payments for purchase of financial assets at FVPL | 30(e) | – | (800,000) |
| Proceeds from sale of financial assets at FVPL | 30(e) | 80,320 | 998,980 |
| Payments for purchase of property, plant and equipment | | (127,528) | (71,968) |
| Proceeds from disposal of property, plant and equipment and investment properties, net of transaction cost | | 124,677 | 2,783 |
| Net decrease in restricted cash | | – | 133,050 |
| Interest received | | 6,599 | 9,629 |
| Investment and dividend income received | | 43,907 | 50,534 |
| Net increase in other receivables | | – | (350,086) |
| **Net cash generated from/(used in) investing activities** | | 127,975 | (27,078) |
| **Financing activities** | | | |
| Proceeds from new bank and other loans | 20(b) | 742,731 | 1,602,695 |
| Proceeds from new bond, net of transaction cost | 20(b) | – | 9,020 |
| Repayment of bank and other loans | 20(b) | (853,416) | (1,554,023) |
| Decrease in restricted cash pledged to secure bank loans | | 15,000 | – |
| Finance costs paid | 20(b) | (56,885) | (79,975) |
| Capital element of lease rentals paid | 20(b) | (21,449) | (25,513) |
| Interest element of lease rentals paid | 20(b) | (2,740) | (2,791) |
| **Net cash used in financing activities** | | (176,759) | (50,587) |
| **Net decrease in cash and cash equivalents** | | (10,950) | (253,061) |
| **Cash and cash equivalents at 1 April** | | 332,738 | 586,112 |
| **Effect of foreign exchange rate changes** | | (1,284) | (313) |
| **Cash and cash equivalents at 31 March** | 20 | 320,504 | 332,738 |

The notes on pages 70 to 153 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 1 CORPORATE INFORMATION

China Automobile New Retail (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 1995. The consolidated financial statements of the Company for the year ended 31 March 2022 comprise the Company and its subsidiaries (collectively referred to as the "Group"). During the year, the Group is principally engaged in manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances, property rental, investments holding, provision of imported cars platform services and trading of imported cars (see Note 4).

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets at FVPL (see Note 2(g)) and investment properties (see Note 2(h)) which are stated at their fair values.

The Group recorded a loss of RMB385 million for the year ended 31 March 2022. Due to the implementation of Limits and Measurement Methods for Emissions from Light-duty Vehicles ("CHINA VI"), the COVID-19 outbreak and the intensified tension caused by the ongoing trade issues between the United States and the Peoples' Republic of China (the "PRC"), the trading of imported cars business and the provision of imported cars platform services business (collectively, the "automotive business") had been suspended during the year ended 31 March 2021 and have not yet been resumed during the year ended 31 March 2022. The automotive business recorded minimal rental income for the year ended 31 March 2022.

As at 31 March 2022, the Group has net current liabilities of RMB2,814 million, which included bank and other loans amounted to RMB2,423 million, bills payable of RMB190 million and promissory note of RMB318 million, which are repayable within one year. As at 31 March 2022, bank and other loans of RMB1,041 million under the automotive business were overdue. Included in these bank and other loans were RMB458 million the lenders of which have commenced litigations against the Group for repaying the outstanding balances.

As disclosed in Note 29(b), the subsidiaries in automotive business provided guarantees to the lenders of some of its customers of automotive business in relation to these customers' banking facilities and bank loans amounting to RMB2,623 million. As at 31 March 2022, bank loans of RMB324 million out of the abovementioned guarantees were defaulted. Included in these bank loans were RMB100 million the banks of which have commenced litigations against the borrowers and the guarantors, including the subsidiaries of the Group, for repaying the outstanding loans.

The courts in the PRC have ordered to freeze certain of the Group's bank accounts and seize the properties of the subsidiaries under the automotive business (Notes 12, 13 and 19).

Notwithstanding these circumstances, the directors of the Company do not consider material uncertainties exist which may cast significant doubt on the Group's ability to continue as a going concern. As disclosed in Note 32, the Company sold the automotive business through the disposal of the entire issued share capital of Robust Cooperation Limited ("Robust") and Mega Convention Group Limited ("Mega") (collectively, the Disposal Group") to a third party on 21 June 2022 (the "Disposal") and since then, the Group ceased to engage in the automotive business. Upon completion of the Disposal, the Group is no longer liable to settle the overdue bank and other loans of the automotive business and no longer liable to the obligation under guarantees granted by the automotive business as disclosed in Note 29(b).

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Taking into account the Group's cash flow forecast for the twelve months ending 31 March 2023 prepared by management and the completion of the Disposal, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

### (c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs to these financial statements:

– Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

– Amendments to HKFRS 16, Covid-19-*related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the 2021 amendment to HKFRS 16. The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see Note 2(j)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2021.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Business combination

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

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

### (e) Subsidiaries

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Goodwill

Goodwill represents the excess of:

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

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

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

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

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (g) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss.

For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Other investments in debt and equity securities (continued)

*(i) Investments other than equity investments*

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

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

– fair value through other comprehensive income (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.

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

*(ii) Equity investments*

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Investment properties

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

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

### (i) Property, plant and equipment

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

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

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

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

| | **Estimated useful lives** |
|---|---|
| Leasehold land and buildings | Over the shorter of the lease term and their estimated useful lives of 11 – 47 years |
| Leasehold improvements | Over the shorter of the lease term and their estimated useful lives of 3 – 10 years |
| Plant and machinery | 5 – 10 years |
| Furniture, fixtures and equipment | 3 – 10 years |
| Moulds | 3 – 4 years |
| Motor vehicles | 4 – 5 years |
| Right-of-use assets | Over the shorter of the lease term and their estimated useful lives of 1 – 14 years |

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Property, plant and equipment (continued)

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

### (j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

*(i) As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less, leases that the remaining lease term is less than 12 months and leases of low value assets which, for the Group are primarily retail stores and office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Leased assets (continued)

*(i) As a lessee (continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(k)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Leased assets (continued)

*(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(u)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

### (k) Credit losses and impairment of assets

*(i) Credit losses from financial instruments, contract assets and lease receivables*

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

Other financial assets measured at fair value 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 for trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Credit losses and impairment of assets (continued)

*(i) Credit losses from financial instruments, contract assets and lease receivables (continued)*

*Measurement of ECLs (continued)*

ECLs are measured on either of the following bases:

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

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

Loss allowances for trade receivables and contract assets 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. The Group classifies other financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Credit losses and impairment of assets (continued)

*(i) Credit losses from financial instruments, contract assets and lease receivables (continued)*

*Significant increases in credit risk*

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

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

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Credit losses and impairment of assets (continued)

*(i) Credit losses from financial instruments, contract assets and lease receivables (continued)*

*Significant increases in credit risk (continued)*

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, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in fair value reserve (recycling).

*Basis of calculation of interest income*

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Credit losses and impairment of assets (continued)

*(i) Credit losses from financial instruments, contract assets and lease receivables (continued)*

*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.

*(ii) Credit losses from financial guarantees issued*

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Credit losses and impairment of assets (continued)

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

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.

*(iii) Impairment of other non-current assets*

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

– property, plant and equipment, including right-of-use assets;

– goodwill; and

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

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Credit losses and impairment of assets (continued)

*(iii) Impairment of other non-current assets (continued)*

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

*(iv) Interim financial reporting and impairment*

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Inventories and other contract costs

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

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

The Group takes advantage of practical expedient in paragraph 94 of the HKFRS 15 and recognises the incremental costs of obtaining a contract as an expense if the amortisation of the asset that the Group otherwise would have recognised is one year or less.

### (m) Contract assets and contract liabilities

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(k)(i)).

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(k)(i).

### (p) Trade and other payables

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

### (q) Interest-bearing borrowings

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

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

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

*(ii) Termination benefits*

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

(s) Income tax

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income tax (continued)

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income tax (continued)

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

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

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

  – the same taxable entity; or

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

### (t) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenue and other income

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

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

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

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

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

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

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

*(ii)* *Service fee and commission income*

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenue and other income (continued)

*(iii) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

*(iv) Customer loyalty programme*

The Group's customer loyalty programme awards customers credits which entitle the customers to the right to exchange for programme credits. The Group allocates a portion of the consideration received to programme credits. This allocation is based on the relative stand-alone selling price. The amount allocated to the loyalty programme is deferred and is recognised as revenue when programme credits are redeemed or the likelihood of the customer redeeming the programme credits becomes remote.

*(v) Dividends*

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

*(vi) Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

*(vii) Government grants*

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

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

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (w) Borrowing costs

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Non-current assets held for sale and discontinued operations

*(i) Non-current assets held for sale*

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

When criteria for held for sale are no longer met, the Group will cease to classify the asset (or disposal group) as held for sale.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Non-current assets held for sale and discontinued operations (continued)

*(ii) Discontinued operations*

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

If the Group ceases to classify a component as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented. The statement of financial position is not re-presented as a result of the change to a plan of sale of a component.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

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

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

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Segment reporting

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

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

## 3 ACCOUNTING JUDGEMENTS AND ESTIMATES

### (a) Critical accounting judgements

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

*(i) Deferred taxation*

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

### (b) Sources of estimation uncertainties

Notes 13 and 30(e) contain information about the assumptions and their risk factors relating to valuation of investment properties and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

*(i) Expected credit losses of trade and other receivables, contract assets and guarantee granted*

As explained in Notes 2(k)(i) and (ii), the Group takes into account information such as past collection history, current conditions, forecasts to future economic conditions and viability of realising the estimated value of collaterals held by the Group in estimating ECLs for trade and other receivables, contract assets and guarantee granted. If the financial condition of the debtors were to deteriorate, or the realisable value of collaterals held by the Group were lower than the estimated value, actual provision would be higher than expected.

## 3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### (b) Sources of estimation uncertainties (continued)

*(ii) Impairment of non-current assets*

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

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

*(i) Disaggregation of revenue*

Disaggregation of revenue by major products or service lines is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major products of service lines | | |
| – sales of goods | 1,925,099 | 1,662,618 |
| – rendering of services | 125,135 | 80,518 |
| | 2,050,234 | 1,743,136 |
| **Revenue from other resources** | | |
| – investment income | 50,036 | 40,761 |
| – rental income from operating leases | 49,303 | 66,133 |
| | 99,339 | 106,894 |
| | 2,149,573 | 1,850,030 |

Disaggregation of revenue from contracts with customers by timing of revenue recognition is disclosed as below:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by timing of revenue recognition | | |
| – Point in time | 1,932,786 | 1,724,627 |
| – Over time | 117,448 | 18,509 |
| | 2,050,234 | 1,743,136 |

The directors of the Company consider that the customer base is diversified and includes only one customer of manufacturing and trading segment with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 March 2022 (2021: Nil). Revenue from this customer amounted to RMB261,473,000 during the year ended 31 March 2022. Details of the Group's credit risk are set out in Note 30(a).

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (a) Revenue (continued)

*(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 March 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts with customers of wholesale of heating, ventilation and air-conditioning systems ("HVAC") is RMB474 million. The Group will recognise the revenue in future when or as the customers accept the goods and the services are rendered, which is expected to occur over the next 36 months. The Group has applied practical expedient in paragraph 121 of HKFRS15 to its contracts for other businesses such that the above information does not include information about revenue that the Group will be entitled to and when it satisfies the remaining performance obligations under the contracts for other business that had an original expected duration of one year or less.

*(iii) Total future minimum lease payments receivable by the Group*

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 year | 47,744 | 52,277 |
| After 1 year but within 5 years | 113,794 | 119,136 |
| After 5 years | 38,525 | 59,332 |
| | 200,063 | 230,745 |

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting

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

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

– Retail: this segment manages the supermarket operations and property rental services.

– Wholesale: this segment carries out the wholesale of wine and electrical appliances business, and provides central air-conditioner installation services.

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

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

– Car trading platform: this segment provides imported cars platform services and property rental services.

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 or equity securities, interest expenses and reconciliation of reportable segment profit to consolidated profit before tax is presented.

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (continued)

*(i) Segment results (continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is set out below.

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Manufacturing and trading RMB'000 | Retail RMB'000 | Wholesale RMB'000 | Investments holding RMB'000 | Car-sale RMB'000 | Car trading platform RMB'000 | Total RMB'000 |
| Revenue from external customers | 1,159,942 | 422,906 | 500,743 | 50,036 | – | 15,946 | 2,149,573 |
| Inter-segment revenue | – | 1,107 | 97,474 | – | – | 51 | 98,632 |
| Reportable segment revenue | 1,159,942 | 424,013 | 598,217 | 50,036 | – | 15,997 | 2,248,205 |
| Reportable segment profit | 284,687 | 110,992 | 104,298 | 50,036 | – | 3,417 | 553,430 |

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Manufacturing and trading RMB'000 | Retail RMB'000 | Wholesale RMB'000 | Investments holding RMB'000 | Car-sale RMB'000 | Car trading platform RMB'000 | Total RMB'000 |
| Revenue from external customers | 833,089 | 515,608 | 288,618 | 40,761 | 136,663 | 35,291 | 1,850,030 |
| Inter-segment revenue | 1,393 | – | 77,664 | – | – | 449 | 79,506 |
| Reportable segment revenue | 834,482 | 515,608 | 366,282 | 40,761 | 136,663 | 35,740 | 1,929,536 |
| Reportable segment profit/(loss) | 217,754 | 148,857 | 67,986 | 40,761 | (162,325) | 7,067 | 320,100 |

## 4 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting (continued)

*(ii) Reconciliations of reportable segment revenue*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Reportable segment revenue | 2,248,205 | 1,929,536 |
| Elimination of inter-segment revenue | (98,632) | (79,506) |
| Consolidated revenue | 2,149,573 | 1,850,030 |

*(iii) Geographic information*

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Mainland China and Hong Kong (place of domicile) | 1,065,747 | 1,095,305 |
| The United States | 787,331 | 531,247 |
| Europe | 173,444 | 120,230 |
| Others | 123,051 | 103,248 |
| | 2,149,573 | 1,850,030 |

The analysis above includes property rental income from external customers and investment income in Mainland China of RMB49,303,000 and RMB50,036,000, respectively, for the year ended 31 March 2022 (2021: RMB66,133,000 and RMB40,761,000).

All of the Group's non-current assets (excluding deferred tax assets) are located in Mainland China and Hong Kong as at 31 March 2022 and 2021.

## 5 OTHER INCOME

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Government grants | 14,220 | 10,803 |
| Interest income on cash at bank | 6,599 | 9,629 |
| Net gain from sale of scrap materials | 1,729 | 1,988 |
| Net gain/(loss) on disposal of property, plant and equipment and investment properties | 17,307 | (1,068) |
| Others | (1,629) | 729 |
| | 38,226 | 22,081 |

## 6 LOSS BEFORE TAXATION

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

(a) Finance costs

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Interest on bank and other borrowings and promissory note | 277,530 | 215,483 |
| Interest on lease liabilities | 2,740 | 2,791 |
| Net foreign exchange difference | (23,845) | (47,260) |
| | 256,425 | 171,014 |

## 6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, wages and other benefits | 148,000 | 132,221 |
| Contributions to defined contribution retirement plans | 6,178 | 3,935 |
| | 154,178 | 136,156 |

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 14% to 16% (2021: 14% to 16%) of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement age.

From 1 February 2020 to 31 December 2020, in an effort to provide financial support to enterprises during the COVID-19 pandemic, the PRC government authorities have granted partial exemption on the Group's contributions to the social insurance, including the contribution to defined retirement schemes.

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

Contributions to these retirement plans vest immediately. There are no forfeited contributions that may be used by the Group to reduce the existing level of distribution. The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

## 6 LOSS BEFORE TAXATION (CONTINUED)

(c) Other items

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cost of inventories[#] (Note 17(b)) | 1,465,836 | 1,431,908 |
| Depreciation charge | | |
| – owned property, plant and equipment | 64,059 | 50,624 |
| – right-of-use assets | 21,037 | 23,832 |
| Auditor's remuneration | 7,530 | 8,050 |
| Rental income from investment properties less direct outgoings of RMB19,603,000 (2021: RMB33,998,000) | (29,700) | (32,135) |
| Impairment losses on trade and other receivables and contract assets (Note 30(a)) | 105,075 | 1,570,562 |
| Expected credit losses for financial guarantees issued (Note 29(b)) | 39,188 | 296,333 |
| | 144,263 | 1,866,895 |

[#] Cost of inventories includes RMB110,826,000 (2021: RMB81,166,000) for the year ended 31 March 2022, relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Current taxation (Note 25(a)):** | | |
| – Provision for the year | 81,917 | 49,306 |
| – Under-provision in respect of prior years | 182 | 122 |
| | 82,099 | 49,428 |
| **Deferred taxation:** | | |
| – Origination and reversal of temporary differences | (61,608) | (6,719) |
| | 20,491 | 42,709 |

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

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Loss before taxation | (364,699) | (2,508,284) |
| Expected tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i) and (iii)) | (90,801) | (594,650) |
| Tax effect of non-deductible expenses | 9,022 | 75,096 |
| Tax effect of non-taxable income | (3,935) | (7,796) |
| Tax effect of unused tax losses and deductible temporary differences not recognised | 128,972 | 583,570 |
| Tax effect of PRC tax concessions (Note (ii)) | (22,949) | (13,633) |
| Under-provision in respect of prior years | 182 | 122 |
| Income tax | 20,491 | 42,709 |

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 March 2022 is 16.5% (2021: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2022 (2021: RMBNil).

(ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% (2021: 25%). One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% applicable for enterprise with advanced and new technologies.

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

## 8 DIRECTORS' EMOLUMENTS

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

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | |
| Mr Li Lixin | – | – | – | – | – |
| Mr Cheng Jianhe | – | – | – | – | – |
| Ms Jin Yaxue | – | 324 | – | – | 324 |
| **Non-executive director** | | | | | |
| Ms Cheng Weihong | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Mr He Chengying | 199 | – | – | – | 199 |
| Mr Cheung Kiu Cho Vincent (resigned on 21 April 2021) | 11 | – | – | – | 11 |
| Mr Shin Yick Fabian | 219 | – | – | – | 219 |
| Mr Kwong Kwan Tong | 199 | – | – | – | 199 |
| | 628 | 324 | – | – | 952 |

## 8 DIRECTORS' EMOLUMENTS (CONTINUED)

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | |
| Mr Li Lixin | – | – | – | – | – |
| Mr Cheng Jianhe | – | – | – | – | – |
| Ms Jin Yaxue | – | 407 | – | – | 407 |
| Mr Tong Shiping (resigned on 30 September 2020) | – | – | – | – | – |
| **Non-executive director** | | | | | |
| Ms Cheng Weihong | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Mr He Chengying | 212 | – | – | – | 212 |
| Mr Cheung Kiu Cho Vincent (resigned on 21 April 2021) | 212 | – | – | – | 212 |
| Mr Shin Yick Fabian | 233 | – | – | – | 233 |
| Mr Kwong Kwan Tong | 212 | – | – | – | 212 |
| | 869 | 407 | – | – | 1,276 |

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none of them are directors (2021: none). The aggregate of the emoluments in respect of the five (2021: five) individuals are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 2,078 | 2,917 |
| Discretionary bonuses | 577 | 615 |
| Retirement scheme contributions | 61 | 67 |
| | 2,716 | 3,599 |

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

| | 2022 | 2021 |
|---|---|---|
| (In HK$) | | |
| Nil – 1,000,000 | 5 | 4 |
| 1,000,001 – 1,500,000 | – | 1 |

## 10 OTHER COMPREHENSIVE INCOME

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Before tax amount<br>RMB'000 | Tax expense<br>RMB'000 | Net-of-tax amount<br>RMB'000 | Before tax amount<br>RMB'000 | Tax expense<br>RMB'000 | Net-of-tax amount<br>RMB'000 |
| Exchange differences on translation into presentation currency | 11,121 | – | 11,121 | 23,095 | – | 23,095 |

## 11 LOSS PER SHARE

(a) **Basic loss per share**

The calculation of basic loss per share for the year ended 31 March 2022 is based on the loss attributable to ordinary equity shareholders of the Company of RMB385,190,000 (2021: RMB2,550,993,000) and the weighted average of 8,044,020,000 ordinary shares (2021: 8,044,020,000 ordinary shares) in issue during the year.

(b) **Diluted loss per share**

There were no potential dilutive ordinary shares during the years ended 31 March 2022 and 2021. Hence, diluted loss per share is the same as basic loss per share.

## 12 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

| | Leasehold land and buildings RMB'000 | Leasehold improvements RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and equipment RMB'000 | Moulds RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 April 2020 | 460,585 | 135,054 | 112,576 | 65,036 | 162,624 | 10,101 | 945,976 |
| Exchange adjustments | (51) | (20) | – | (20) | – | – | (91) |
| Additions | 13,314 | 6,452 | 34,469 | 2,349 | 29,730 | 904 | 87,218 |
| Disposals | – | (1,972) | (6,844) | (3,913) | – | (3,827) | (16,556) |
| At 31 March 2021 | 473,848 | 139,514 | 140,201 | 63,452 | 192,354 | 7,178 | 1,016,547 |
| **Accumulated depreciation and impairment losses:** | | | | | | | |
| At 1 April 2020 | (105,873) | (111,171) | (39,063) | (53,443) | (135,813) | (4,114) | (449,477) |
| Exchange adjustments | 37 | 20 | – | 16 | – | – | 73 |
| Charge for the year | (33,408) | (10,216) | (12,264) | (4,543) | (11,240) | (2,785) | (74,456) |
| Written back on disposals | – | 1,972 | 4,438 | 3,670 | – | 2,625 | 12,705 |
| At 31 March 2021 | (139,244) | (119,395) | (46,889) | (54,300) | (147,053) | (4,274) | (511,155) |
| **Net book value:** | | | | | | | |
| At 31 March 2021 | 334,604 | 20,119 | 93,312 | 9,152 | 45,301 | 2,904 | 505,392 |

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (continued)

| | Leasehold land and buildings RMB'000 | Leasehold improvements RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and equipment RMB'000 | Moulds RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 April 2021 | 473,848 | 139,514 | 140,201 | 63,452 | 192,354 | 7,178 | 1,016,547 |
| Exchange adjustments | (26) | (10) | – | (34) | – | – | (70) |
| Additions | 38,238 | 6,303 | 48,761 | 3,013 | 51,894 | 2,886 | 151,095 |
| Reclassification to investment property (Note 13) | (16,340) | – | – | – | – | – | (16,340) |
| Disposals | (85,241) | (37) | (13,722) | (7,356) | – | (24) | (106,380) |
| At 31 March 2022 | 410,479 | 145,770 | 175,240 | 59,075 | 244,248 | 10,040 | 1,044,852 |
| **Accumulated depreciation and impairment losses:** | | | | | | | |
| At 1 April 2021 | (139,244) | (119,395) | (46,889) | (54,300) | (147,053) | (4,274) | (511,155) |
| Exchange adjustments | 18 | 10 | – | 32 | – | – | 60 |
| Charge for the year | (30,867) | (8,308) | (18,068) | (4,781) | (21,619) | (1,453) | (85,096) |
| Impairment loss | (14,478) | – | – | – | – | – | (14,478) |
| Reclassification to investment property (Note 13) | 647 | – | – | – | – | – | 647 |
| Written back on disposals | 50,283 | 37 | 12,290 | 7,264 | – | 20 | 69,894 |
| At 31 March 2022 | (133,641) | (127,656) | (52,667) | (51,785) | (168,672) | (5,707) | (540,128) |
| **Net book value:** | | | | | | | |
| At 31 March 2022 | 276,838 | 18,114 | 122,573 | 7,290 | 75,576 | 4,333 | 504,724 |

(i) At 31 March 2022, property certificates of certain properties with a net book value of RMB13,937,000 (31 March 2021: RMB14,405,000) are yet to be obtained.

(ii) Certain of the Group's leasehold land and buildings were pledged against loans drawn by the Group (see Note 23(b)) and a third party company (see Note 29(a)).

(iii) At 31 March 2022, certain leasehold buildings with a net book value of RMB49 million and investment properties with a net book value of RMB1,193 million are subject to seizures caused by creditors' applications to the court for property preservation.

## 12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (b) Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Leasehold premises carried at depreciated cost | 50,396 | 43,340 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Depreciation charge of right-of-use assets | 21,037 | 23,832 |
| Interest on lease liabilities (Note 6(a)) | 2,740 | 2,791 |
| Expense relating to short-term leases | 5,955 | 2,398 |
| Variable lease payments not included in the measurement of lease liabilities | 1,586 | 1,827 |

Note: During the year, additions to right-of-use assets were RMB38,238,000 (2021: RMB15,250,000). This amount primarily related to the capitalised lease payments payable under tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 20(c) and 24, respectively.

## 13 INVESTMENT PROPERTIES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Valuation:** | | |
| At 1 April | 2,005,840 | 2,201,547 |
| Reclassification from property, plant and equipment (Note 12) | 15,693 | – |
| Fair value adjustments included in the consolidated statement of profit or loss | (166,131) | (195,707) |
| Disposals | (81,100) | – |
| At 31 March | 1,774,302 | 2,005,840 |

As disclosed in note 23(b) and note 12, certain investment properties were pledged against the loans of the Group and certain investment properties are subject to seizures caused by creditors' application to the court for property preservation.

Notes:

(i) Fair value hierarchy

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

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

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

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

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

During the year ended 31 March 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 March 2022. The valuations were carried out by a qualified independent surveyor, Knight Frank Petty Limited, who has among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management of the Group has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

## 13 INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

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

The investment properties located in Ningbo, Mainland China, are shopping arcade, retail shops and warehouse, the fair value of which is determined using income capitalisation approach. The significant unobservable input used in the fair value measurement is yield rate, ranged from 6.25% to 6.5% for the year ended 31 March 2022 (2021: 6.25% to 6.5%). The fair value measurement is negatively correlated to the yield rate.

The investment properties located in Tianjin, Mainland China, are office building and convention hall, the fair value of which is determined using market comparison approach. The significant unobservable input used in the fair value measurement is sales price per square meter of the buildings, ranged from RMB15,602 to RMB20,372 at 31 March 2022 (2021: RMB17,567 to RMB22,997). The fair value measurement is positively correlated to the price per square meter.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 14 INVESTMENTS IN SUBSIDIARIES

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

| Name of company | Place of establishment/ business | Particulars of registered/issued and paid-up capital | Proportion of ownership interest: The Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|---|---|
| Ningbo New JoySun Corp (i)(ii) 寧波新江厦股份有限公司 | The PRC | Registered and paid-up capital of RMB60,000,000 | 100% | – | 100% | Wholesale of household products and wine, operation of department stores, and provision of financing to group companies |
| Ningbo New JoySun HVAC equipment Limited (i)(ii) 寧波新江厦暖通設備有限公司 | The PRC | Registered and paid-up capital of RMB10,000,000 | 100% | – | 100% | Wholesale and installation of household electrical appliances and HVAC equipment |
| Ningbo New JoySun Supermarket Chain Limited (i)(ii) ("New JoySun Supermarket") 寧波新江厦連鎖超市有限公司 | The PRC | Registered and paid-up capital of RMB30,000,000 | 100% | – | 100% | Operation of supermarkets |
| Xiangshan Lisi Department Store Limited (i)(ii) 象山利時百貨有限公司 | The PRC | Registered and paid-up capital of RMB20,000,000 | 100% | – | 100% | Property rental |
| Ningbo Lisi Household Products Company Limited (i)(iii) 寧波利時日用品有限公司 | The PRC | Registered and paid-up capital of HK$50,000,000 | 100% | – | 100% | Manufacturing and trading of plastic and metallic household products |
| Tianjin Calistar Automall Operation Management Co., Ltd. (i)(iii) 天津開利星空汽車城運營管理有限公司 | The PRC | Registered and paid-up capital of RMB100,000,000 | 100% | – | 100% | Trading and sales of Imported cars and providing related services, and the provision of agency services for trading of cars |
| Tianjin Binhai International Auto Mall Co., Ltd. (i)(ii) 天津濱海國際汽車城有限公司 | The PRC | Registered and paid-up capital of RMB350,000,000 | 100% | – | 100% | operation of parallel imported car trading platform |
| Tianjin Prominent Hero International Logistics Co., Ltd. (i)(iii) 天津英之杰國際物流有限公司 | The PRC | Registered and paid-up capital of USD10,000,000 | 100% | – | 100% | Investment holding and provision of ancillary services related to parallel imported car trading platform |

(i) The English translation of the names is for reference only and the official names of these entities are in Chinese.

(ii) These companies are limited liability companies established in the mainland China.

(iii) These companies are wholly foreign owned enterprises established in the mainland China.

## 15 GOODWILL

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Cost:** | | |
| At 1 April 2020, 31 March 2021 and 2022 | 1,329,844 | 1,329,844 |
| **Accumulated impairment losses:** | | |
| At 1 April | (1,329,844) | (933,380) |
| Impairment loss | – | (396,464) |
| At 31 March | (1,329,844) | (1,329,844) |
| **Carrying amount:** | | |
| At 31 March | – | – |

The goodwill is allocated to the car-sale segment cash-generating units ("CGU"). Due to the impact of the implementation of Limits and Measurement Methods for Emissions from Light-duty Vehicles (CHINA VI), COVID-19 outbreak and trade issues between the governments of the PRC and the United States on car-sale CGU, the business of car-sale had been negatively affected. Impairment loss of RMB396,464,000 had been recognised in "impairment loss on goodwill" during the year ended 31 March 2021 to reduce the carrying value of the car-sale CGU to its recoverable amount.

## 16 FINANCIAL ASSETS AT FVPL

The financial assets measured at FVPL represent trust investment products issued by financial institutions with variable returns. Further information on the fair value measurement is disclosed in Note 30(e).

## 17 INVENTORIES

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Raw materials | 50,204 | 40,886 |
| Work in progress | 34,913 | 14,599 |
| Finished goods | 70,920 | 29,153 |
| Merchandises | 125,566 | 95,559 |
| | 281,603 | 180,197 |

(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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Carrying amount of inventories sold | 1,465,836 | 1,431,908 |

## 18 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS

### (a) Trade and other receivables and contract assets

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade receivables from: | | |
| – Third parties | 151,598 | 209,790 |
| – Companies under the control of a shareholder of the Company (Note (i)) | 451,416 | 332,618 |
| | 603,014 | 542,408 |
| Less: loss allowance | (68,500) | (71,205) |
| | 534,514 | 471,203 |
| Amounts due from companies under the control of a shareholder of the Company (Note (ii)) | 876 | 5,529 |
| Other receivables (Note (iii)) | 1,822,088 | 1,884,429 |
| Less: loss allowance | (1,621,225) | (1,515,098) |
| | 200,863 | 369,331 |
| Financial assets measured at amortised cost | 736,253 | 846,063 |
| Deposits: | | |
| – Deposits for operating leases expenses paid to third parties | 7,686 | 8,484 |
| – Others | 7,078 | 6,069 |
| | 14,764 | 14,553 |
| Trade and other receivables (Note (iv)) | 751,017 | 860,616 |
| Contract assets (Note (v)) | 90,707 | – |
| | 841,724 | 860,616 |

## 18 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS (CONTINUED)

### (a) Trade and other receivables and contract assets (continued)

Notes:

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

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

(iii) Other receivables include advances to customers of car trading platform segment and prepayment for purchase of parallel imported cars which orders were subsequently cancelled, amounted to RMB1,815,745,000 (31 March 2021: RMB1,864,727,000). Further information on credit risk is disclosed in Note 30.

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

(v) Contract assets are mainly arising from performance under the sale and installation of HVAC. The Group's HVAC business requires stage payments. A 20% to 30% of the consideration of goods will be payable after the completion of the installation inspection. This amount is included in contract assets until the completion of installation inspection as the Group's entitlement to this final payment is conditional upon the Group's work satisfactorily passing inspection. The contract assets are expected to be fully recovered in three years.

**Ageing analysis**

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 month | 143,359 | 109,858 |
| More than 1 month but less than 3 months | 240,597 | 186,505 |
| Over 3 months | 150,558 | 174,840 |
| | 534,514 | 471,203 |

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 30(a).

## 18 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS (CONTINUED)

(b) Prepayments

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Prepayments: | | |
| – Prepayments to suppliers | 288,310 | 146,757 |
| – Others | 1,885 | 1,690 |
| | 290,195 | 148,447 |

During the year ended 31 March 2022, the Group made prepayments to certain suppliers for raw materials and trading merchandises of RMB866 million. The purchase orders corresponding to these prepayments were subsequently cancelled. Prepayments of RMB671 million were refunded during the year and prepayment of RMB195 million were subsequently refunded.

## 19 RESTRICTED CASH

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Pledged deposits for issuance of bank loans and bills | 165,826 | 156,741 |
| Pledged deposits for issuance of letter of credit | – | 30,000 |
| Pledged deposits for security performance | 6,536 | 3,598 |
| Other restricted cash (Note) | 516 | 4,098 |
| | 172,878 | 194,437 |

Note: The bank balance was frozen by courts due to the litigations against the subsidiaries of the Group.

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Cash at bank and on hand | 320,504 | 332,738 |

The Group conducts its operations in the PRC mainly in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by PRC government.

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

| | Bank and other loans RMB'000 (Note 23) | Interest payable RMB'000 (Note 21) | Lease liabilities RMB'000 (Note 24) | Promissory note RMB'000 (Note 22) | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 April 2021** | 2,576,244 | 134,614 | 42,335 | 314,743 | 3,067,936 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from new bank and other loans | 742,731 | – | – | – | 742,731 |
| Repayment of bank and other loans | (853,416) | – | – | – | (853,416) |
| Capital element of lease rentals paid | – | – | (21,449) | – | (21,449) |
| Interest element of lease rentals paid | – | – | (2,740) | – | (2,740) |
| Other borrowing costs paid | – | (56,885) | – | – | (56,885) |
| Total changes from financing cash flows | (110,685) | (56,885) | (24,189) | – | (191,759) |
| **Exchange adjustments** | (7,941) | – | – | (13,231) | (21,172) |
| **Other changes:** | | | | | |
| Bank charges and other finance costs | – | 13,958 | – | – | 13,958 |
| Interest expenses | – | 246,822 | 2,740 | 16,750 | 266,312 |
| Increase in lease liabilities from entering into new leases during the period | – | – | 9,886 | – | 9,886 |
| Lease modification | – | – | 28,352 | – | 28,352 |
| Early termination of lease contracts | – | – | (9,621) | – | (9,621) |
| Transfer of overdue bills payable to bank loans | 29,550 | – | – | – | 29,550 |
| Total other changes | 29,550 | 260,780 | 31,357 | 16,750 | 338,437 |
| **At 31 March 2022** | 2,487,168 | 338,509 | 49,503 | 318,262 | 3,193,442 |

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

| | Bank and other loans RMB'000 (Note 23) | Interest payable RMB'000 (Note 21) | Lease liabilities RMB'000 (Note 24) | Promissory note RMB'000 (Note 22) | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 April 2020** | 2,406,269 | 15,942 | 52,598 | 323,385 | 2,798,194 |
| **Changes from financing cash flows:** | | | | | |
| Proceeds from new bank and other loans | 1,602,695 | – | – | – | 1,602,695 |
| Repayment of bank and other loans | (1,554,023) | – | – | – | (1,554,023) |
| Proceeds from new bond, net of transaction cost | 9,020 | – | – | – | 9,020 |
| Capital element of lease rentals paid | – | – | (25,513) | – | (25,513) |
| Interest element of lease rentals paid | – | – | (2,791) | – | (2,791) |
| Other borrowing costs paid | – | (79,975) | – | – | (79,975) |
| Total changes from financing cash flows | 57,692 | (79,975) | (28,304) | – | (50,587) |
| **Exchange adjustments** | (15,604) | – | – | (25,478) | (41,082) |
| **Other changes:** | | | | | |
| Bank charges and other finance costs | – | 13,669 | – | – | 13,669 |
| Interest expenses | – | 184,978 | 2,791 | 16,836 | 204,605 |
| Increase in lease liabilities from entering into new leases during the period | – | – | 9,884 | – | 9,884 |
| Lease modification | – | – | 5,366 | – | 5,366 |
| Transfer of overdue bills payable to bank loans | 127,887 | – | – | – | 127,887 |
| Total other changes | 127,887 | 198,647 | 18,041 | 16,836 | 361,411 |
| **At 31 March 2021** | 2,576,244 | 134,614 | 42,335 | 314,743 | 3,067,936 |

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

### (c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following, these amounts relate to lease rentals paid.

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within operating cash flows | 7,541 | 3,502 |
| Within financing cash flows | 24,189 | 28,304 |
| | 31,730 | 31,806 |

## 21 TRADE AND OTHER PAYABLES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade payables to: | | |
| – Third parties | 216,623 | 158,996 |
| – Companies under the control of shareholders of the Company | 67,886 | 48,422 |
| | 284,509 | 207,418 |
| Bills payable | 189,550 | 147,993 |
| | 474,059 | 355,411 |
| Amounts due to companies under the control of shareholders of the Company (Note (i)) | 46,652 | 35,928 |
| Accrued charges and other payables: | | |
| – Accrued expenses | 21,991 | 42,585 |
| – Payables for staff related costs | 71,614 | 70,825 |
| – Deposits from customers and suppliers | | |
| – Third parties | 22,052 | 28,198 |
| – Company under the control of shareholders of the Company | 265 | 265 |
| – Interest payable (Note 20(b)) | 338,509 | 134,614 |
| – Payables for miscellaneous taxes | 32,244 | 28,554 |
| – Payables for acquisition of subsidiaries | 243,300 | 253,282 |
| – Others (Note 29(c)) | 249,070 | 154,683 |
| | 979,045 | 713,006 |
| Financial liabilities measured at amortised cost | 1,499,756 | 1,104,345 |
| Expected credit loss for financial guarantee granted (Note 29(b)) | 376,081 | 336,893 |
| Contract liabilities (Note (ii)) | 46,691 | 52,174 |
| | 1,922,528 | 1,493,412 |

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 21 TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

(ii) The entire contract liabilities balance at the beginning of the year 2021 and 2022 have been recognised as revenue or reclassified as other payables due to cancellation of orders during the year.

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 payable with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 month | 187,780 | 163,543 |
| Over 1 month but within 3 months | 86,053 | 40,423 |
| Over 3 months but within 6 months | 185,913 | 83,327 |
| Over 6 months | 14,313 | 68,118 |
| | 474,059 | 355,411 |

## 22 PROMISSORY NOTE

The Company issued a three-year interest-free promissory note of HK$400,000,000 in 2019 as part of consideration for acquisition of Robust and its subsidiaries. The promissory note is due on 31 July 2022.

## 23 BANK AND OTHER LOANS

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Bank loans:** | | |
| – Unsecured and guaranteed (Note (iii)) | 48,669 | 99,545 |
| – Secured and unguaranteed (Note (ii)) | 535,580 | 786,762 |
| – Secured and guaranteed (Notes (ii) and (iii)) | 1,350,444 | 941,624 |
| | 1,934,693 | 1,827,931 |
| **Bond payable:** | | |
| – Unsecured and unguaranteed | – | 8,442 |
| **Loans from other financial institutions:** | | |
| – Secured and guaranteed (Notes (ii) and (iii)) | 361,339 | 547,343 |
| **Loans from shareholders and companies under the control of shareholders of the Company:** | | |
| – Unsecured and unguaranteed (Note (i)) | 191,136 | 192,528 |
| | 2,487,168 | 2,576,244 |

Notes:

(i) At 31 March 2022, the loans from shareholders and companies under the control of shareholders of the Company bearing interest ranged from 0% to 7% (31 March 2021: 0% to 7%) per annum and are repayable by March 2023 (31 March 2021: by March 2022).

(ii) Certain bank and other loans are secured by the leasehold land and buildings and equity interests of certain third parties and/or assets of the Group (Note 23(b)).

(iii) Bank and other loans of RMB1,760 million as at 31 March 2022 (2021: RMB1,589 million) were guaranteed by shareholders of the Company, directors of the Company, close family members of a shareholder of the Company and/or companies under the control of shareholders of the Company.

(iv) At 31 March 2022, bank and other loans of RMB1,041 million (2021: RMB587 million) were overdue but were not yet renewed or repaid at the end of the reporting period. Included in these bank and other loans were RMB458 million (2021: RMB429 million) the banks of which have commenced litigations against a subsidiary of the Group requesting the subsidiary to repay the outstanding balances.

(v) At 31 March 2022, in addition to the overdue loans, the Group failed to fulfil certain covenants of bank and other loans of RMB450 million (2021: RMB875 million) and the lenders have the right to require the Group to repay the loans immediately at any time prior to their original repayment dates. Loans of RMB404 million which were long-term loans were reclassified as current liabilities at the end of the reporting period.

## 23 BANK AND OTHER LOANS (CONTINUED)

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 year or on demand | 2,422,568 | 2,480,464 |
| After 1 year but within 2 years | 34,500 | 31,180 |
| After 2 years but within 5 years | 30,100 | 64,600 |
| | 64,600 | 95,780 |
| | 2,487,168 | 2,576,244 |

All of the bank and other loans are carried at amortised cost.

(b) Certain of the Group's loans are secured by the Group's leasehold land and buildings, investment properties, trade receivables, cash and equity interest of a subsidiary of the Group. The aggregate carrying values of the leasehold land and buildings, investment properties and trade receivables pledged are analysed as follows. Further details of pledged deposit are disclosed in note 19.

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Pledged for bank loans:** | | |
| Leasehold land and buildings | 181,347 | 67,158 |
| Investment properties | 1,762,302 | 1,467,580 |
| Trade receivables | – | 1,182 |
| | 1,943,649 | 1,535,920 |

(c) At 31 March 2022, the Group's banking facilities amounted to RMB1,458,906,000 (31 March 2021: RMB1,493,906,000) were utilised to the extent of RMB1,369,206,000 (31 March 2021: RMB1,222,477,000).

(Expressed in RMB unless otherwise indicated)

## 24 LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period are as follows:

| | 2022 Present value of the minimum lease payments RMB'000 | 2022 Total minimum lease payments RMB'000 | 2021 Present value of the minimum lease payments RMB'000 | 2021 Total minimum lease payments RMB'000 |
|---|---|---|---|---|
| Within 1 year | 15,551 | 16,042 | 13,182 | 13,698 |
| After 1 year but within 2 years | 15,697 | 16,983 | 12,304 | 13,891 |
| After 2 years but within 5 years | 15,000 | 17,549 | 11,985 | 14,664 |
| After 5 years | 3,255 | 5,083 | 4,864 | 7,076 |
| | 33,952 | 39,615 | 29,153 | 35,631 |
| | 49,503 | 55,657 | 42,335 | 49,329 |
| Less: total future interest expenses | | (6,154) | | (6,994) |
| Present value of lease liabilities | | 49,503 | | 42,335 |

## 25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Balance of income tax payable at 1 April | 72,795 | 57,814 |
| Provision for income tax for the year | 81,917 | 49,306 |
| Under-provision in respect of prior years | 182 | 122 |
| Income tax paid | (113,077) | (34,447) |
| Balance of income tax payable at 31 March | 41,817 | 72,795 |

(b) Deferred tax assets and liabilities recognised:

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

| | Assets | | | | | | | | Liabilities | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deferred tax arising from: | Unused tax losses<br>RMB'000 | Accrued operating lease expenses<br>RMB'000 | Impairment losses on property, plant and equipment<br>RMB'000 | Credit loss allowance<br>RMB'000 | Inventory provision<br>RMB'000 | Accrued expenses<br>RMB'000 | Unrealised profit and losses resulting from intragroup transaction<br>RMB'000 | Total<br>RMB'000 | Fair value adjustments on property, plant and equipment and investment properties and related depreciation<br>RMB'000 | Tax allowance in excess of depreciation on property, plant and equipment<br>RMB'000 | Fair value adjustments on other investments<br>RMB'000 | Total<br>RMB'000 |
| At 1 April 2020 | 14,777 | 3,060 | 9,691 | 22,766 | 3,054 | 230 | – | 53,578 | (531,287) | (17,373) | (3,111) | (551,771) |
| (Charged)/credited to the consolidated statement of profit or loss | (14,777) | (65) | (54) | (21,515) | (3,054) | – | 1,171 | (38,294) | 44,183 | (1,611) | 2,441 | 45,013 |
| At 31 March 2021 | – | 2,995 | 9,637 | 1,251 | – | 230 | 1,171 | 15,284 | (487,104) | (18,984) | (670) | (506,758) |
| (Charged)/credited to the consolidated statement of profit or loss | – | (12) | (53) | 724 | – | – | 273 | 932 | 63,600 | (1,392) | (1,532) | 60,676 |
| At 31 March 2022 | – | 2,983 | 9,584 | 1,975 | – | 230 | 1,444 | 16,216 | (423,504) | (20,376) | (2,202) | (446,082) |

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

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB2,940,137,000 (31 March 2021: RMB2,422,839,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB89,636,000 (31 March 2021: RMB86,316,000) which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2022 will expire on or before 31 December 2026.

### (d) Deferred tax liabilities not recognised

At 31 March 2022, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB2,244,571,000 (31 March 2021: RMB1,989,185,000). Deferred tax liabilities of RMB112,229,000 (31 March 2021: RMB99,459,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

## 26 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

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

**The Company**

| | Share capital | Share premium | Capital redemption reserve | Contributed surplus | Exchange reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Note 26(c)) | (Note 26(d)(i)) | (Note 26(d)(i)) | (Note 26(d)(iii)) | (Note 26(d)(iv)) | | |
| **At 1 April 2020** | 69,888 | 2,690,990 | 1,341 | 226,796 | (20,648) | (1,251,328) | 1,717,039 |
| **Changes in equity for the year ended 31 March 2021:** | | | | | | | |
| Loss and total comprehensive income | – | – | – | – | – | (1,453,171) | (1,453,171) |
| Waiver of payables by subsidiaries | – | – | – | – | – | 11,642 | 11,642 |
| | – | – | – | – | – | (1,441,529) | (1,441,529) |
| **At 31 March 2021 and 1 April 2021** | 69,888 | 2,690,990 | 1,341 | 226,796 | (20,648) | (2,692,857) | 275,510 |
| **Changes in equity for the year ended 31 March 2022:** | | | | | | | |
| Profit and total comprehensive income | – | – | – | – | – | 831 | 831 |
| Waiver of payables by subsidiaries | – | – | – | – | – | 566,555 | 566,555 |
| | – | – | – | – | – | 567,386 | 567,386 |
| **At 31 March 2022** | 69,888 | 2,690,990 | 1,341 | 226,796 | (20,648) | (2,125,471) | 842,896 |

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: RMBNil).

(c) Share capital

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | 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 |

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | No. of shares '000 | RMB'000 | No. of shares '000 | RMB'000 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 April and 31 March | 8,044,020 | 69,888 | 8,044,020 | 69,888 |

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.

## 26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

*(i) Share premium and capital redemption reserve*

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

*(ii) Statutory reserves*

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

*(iii) Contributed surplus*

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

Pursuant to a shareholders' resolution on 15 February 2016, an amount of HK$715.3 million (equivalent to approximately RMB580.2 million) was transferred from share premium accounts to contributed surplus accounts of the Company.

*(iv) Exchange reserve*

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

*(v) Other reserve*

The balance of other reserve represents the difference between the consideration paid and the carrying value of the non-controlling interests of New JoySun Supermarket acquired by the Group in April 2016.

## 26 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (e) Capital management

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

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

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

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain the adjusted net debt-to-capital ratio at a stable level. In order to improve the Group's capital structure, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 March 2022 and 2021 was as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade and other payables | 1,922,528 | 1,493,412 |
| Bank and other loans | 2,487,168 | 2,576,244 |
| Lease liabilities | 49,503 | 42,335 |
| Promissory note | 318,262 | 314,743 |
| Total debts | 4,777,461 | 4,426,734 |
| Less: Cash and cash equivalents | (320,504) | (332,738) |
| Adjusted net debt | 4,456,957 | 4,093,996 |
| **Total equity and adjusted capital** | (254,795) | 119,274 |
| **Adjusted net debt-to-capital ratio** | (1,749%) | 3,432% |

## 27 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 parties:

### (a) Transactions with companies under the control of shareholders of the Company

| | Note | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| Sales of goods | | 8,180 | 8,993 |
| Rental income from operating leases | | 32 | 69 |
| Services income from operating leases | | 30 | 69 |
| Purchase of goods | | – | 1,403 |
| Import and export handling charges | (i) | 10,436 | 7,381 |
| Rental payment for operating leases and in respect of the recognised lease liabilities (net of VAT) | | 14,389 | 13,342 |
| Interest expenses | (ii) | 911 | 918 |
| Net (increase)/decrease in non-interest-bearing advances received from related parties | (iii) | (11,444) | 88,780 |
| Net increase in loans received from related parties | (iv) | 1,392 | 3,476 |

Notes:

(i) Pursuant the import agency agreement and export agency agreement (collectively, the "agreements") between the Group and the related party, the related party provided import and export agency services to the Group. The gross transaction amount under the agreements amounted to RMB1,113,018,000 (2021: RMB790,759,000).

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

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

(iv) The loans are unsecured, bear interest ranging from 0% to 7.00% (2021: 0% to 7.00%) per annum and are repayable before March 2023 (2021: February 2023).

During the year ended 31 March 2022, there are certain fund transfer with a related party with aggregated transaction amount of RMB2.5 billion. The maximum outstanding balance during the year is RMB0.3 billion. The balance is unsecured, interest-free and repayable on demand. The balance is fully settled as of the end of the reporting period.

As disclosed in Note 23, certain of the Group's bank and other loans were guaranteed by shareholders of the Company, directors of the Company, close family members of a shareholder of the Company and/or companies under the control of shareholders of the Company.

## 27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Key management personnel remuneration

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Short-term employee benefits | 4,450 | 5,161 |
| Contributions to defined contribution retirement plans | 67 | 72 |
| | 4,517 | 5,233 |

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

## 28 COMMITMENTS

At 31 March 2022, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Commitments in respect of plant and machinery | | |
| – Contracted for | 494 | 724 |

## 29 CONTINGENT LIABILITIES

(a) Assets pledged

At 31 March 2022, the Group pledged certain leasehold land and buildings and investment properties to secure bank loans borrowed by a third party company. The carrying values of the leasehold land and buildings and investment properties are analysed as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Leasehold land and buildings | 2,587 | 2,683 |
| Investment properties | 12,000 | 12,800 |
| | 14,587 | 15,483 |

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group under the pledge. The exposure of the Group at 31 March 2022 under the pledge is RMB29,500,000, being the banking facility granted by bank to the third party company (31 March 2021: RMB29,500,000).

(b) Financial guarantees issued

In addition to the disclosure in Note 29(a), the Group has provided guarantees to the lenders of some of its customers of automotive business in relation to these customers' banking facilities and bank loans amounting to RMB2,623 million as at 31 March 2022 (2021: RMB2,623 million). As at 31 March 2022, bank loans of RMB324 million out of the above-mentioned guarantees were defaulted (31 March 2021: RMB1,299 million). Included in these bank loans were RMB100 million the banks of which have commenced litigations against the borrowers and the guarantors (31 March 2021: RMB100 million), including the subsidiaries of the Group, for repaying the outstanding loans. The Group estimated the expected credit loss and provision of RMB376,081,000 was made against the guarantees granted by the Group as of 31 March 2022 (31 March 2021: RMB336,893,000) (Note 21).

(c) Litigations

In addition to the litigations commenced by banks against subsidiaries of the Group as disclosed in Notes 23 and 29(b), there are other litigations against the Group. For those other litigations, management recognised a provision of RMB134 million in accordance with the court's ruling or management's best estimate of the most likely outcome for those litigations that the courts have not yet made a ruling. The provision is included in administrative expenses in the statement of profit or loss and "accrued charges and other payables – others" in the consolidated statement of financial position (Note 21).

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

### (a) Credit risk

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

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

Except for the pledges of certain of the Group's properties for bank loans drawn by a company and the financial guarantees given by the Group as set out in Note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees is disclosed in Note 29.

*Trade receivables and contract assets*

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the debtors operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, 74.9% (2021: 70.6%) and 87.3% (2021: 86.3%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. During the years ended 31 March 2022 and 2021, due to the adverse business environment encountered by the market participants of parallel imported car business in the PRC as a result of CHINA VI, the COVID-19 outbreak and the intensified tension caused by the ongoing trade issues between the United States and the PRC, the Group's assess the credit risk and ECLs separately for trade receivables and contract assets of automotive business and non-automotive business segments.

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

*Trade receivables and contract assets (continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2022:

*Automotive business:*

| | 2022 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Current (not past due) | 0.52% | 80 | – |
| More than 90 days past due | 100.00% | 62,044 | (62,044) |
| | | 62,124 | (62,044) |

*Non-automotive business:*

| | 2022 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Current (not past due) | 0.52% | 582,370 | (3,038) |
| 1 – 30 days past due | 0.57% | 17,169 | (97) |
| 31 – 90 days past due | 1.63% | 15,504 | (253) |
| More than 90 days past due | 25.93% | 18,207 | (4,721) |
| | | 633,250 | (8,109) |

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Credit risk (continued)

*Trade receivables and contract assets (continued)*

*Automotive business:*

| | 2021 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Current (not past due) | 60.06% | 109,188 | (65,577) |
| More than 90 days past due | 100.00% | 415 | (415) |
| | | 109,603 | (65,992) |

*Non-automotive business:*

| | 2021 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Current (not past due) | 0.25% | 422,371 | (1,072) |
| 1 – 30 days past due | 0.51% | 3,944 | (20) |
| 31 – 90 days past due | 1.68% | 119 | (2) |
| More than 90 days past due | 64.65% | 6,371 | (4,119) |
| | | 432,805 | (5,213) |

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Credit risk (continued)

*Trade receivables and contract assets (continued)*

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

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Balance at 1 April | 71,205 | 25,043 |
| Impairment losses (reversed)/recognised during the year | (1,052) | 79,144 |
| Amounts written off during the year | – | (32,982) |
| At 31 March | 70,153 | 71,205 |

*Other receivables and financial guarantee granted*

To determine ECLs for other receivables and financial guarantee granted, the Group considers changes in the risk of default of the specified debtor since the initial recognition of other receivables or issuance of the guarantee.

The Group recognises a loss allowance for other receivables and financial guarantee granted 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.

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Credit risk (continued)

*Other receivables and financial guarantee granted (continued)*

The following table presents the carrying amounts of other receivables and financial guarantee granted and indicates whether they are subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired:

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Other receivables | | | | Financial guarantee granted | | | |
| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
| Gross carrying amounts | 86,473 | 544,991 | 1,190,624 | 1,822,088 | – | – | – | – |
| Loss allowance | (81,342) | (544,991) | (994,892) | (1,621,225) | (70,751) | (26,653) | (278,677) | (376,081) |
| Carrying amount | 5,131 | – | 195,732 | 200,863 | (70,751) | (26,653) | (278,677) | (376,081) |

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Other receivables | | | | Financial guarantee granted | | | |
| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
| Gross carrying amounts | 137,579 | 544,991 | 1,201,859 | 1,884,429 | – | – | – | – |
| Loss allowance | (80,227) | (519,991) | (914,880) | (1,515,098) | (68,069) | (24,747) | (244,077) | (336,893) |
| Carrying amount | 57,352 | 25,000 | 286,979 | 369,331 | (68,069) | (24,747) | (244,077) | (336,893) |

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Credit risk (continued)

*Other receivables and financial guarantee granted (continued)*

The movement in the allowance for impairment for other receivables and financial guarantee granted during the year was as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
| Balance at 1 April | 148,296 | 544,738 | 1,158,957 | 1,851,991 |
| Net remeasurement of loss allowance | 3,797 | 26,906 | 114,612 | 145,315 |
| Balance at 31 March | 152,093 | 571,644 | 1,273,569 | 1,997,306 |

| | 2021 | | | |
|---|---|---|---|---|
| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
| Balance at 1 April | 66,467 | – | – | 66,467 |
| Transfer to Stage 2 | (12,564) | 12,564 | – | – |
| Transfer to Stage 3 | (18,979) | – | 18,979 | – |
| Net remeasurement of loss allowance | 115,599 | 532,174 | 1,139,978 | 1,787,751 |
| Amount written off during the year | (2,227) | – | – | (2,227) |
| Balance at 31 March | 148,296 | 544,738 | 1,158,957 | 1,851,991 |

During the year ended 31 March 2021, due to the adverse business environment encountered by the market participants of parallel imported car business in the PRC as a result of CHINA VI, the COVID-19 outbreak and the intensified tension caused by the ongoing trade issues between the United States and the PRC, the credit risk of receivables from and guarantee granted to the lenders of the Group's customers in the parallel imported car business increased significantly. As a result, addition provision for expected credit loss is provided during the year ended 31 March 2021. The parallel imported car business in the PRC has not yet recovered during the year ended 31 March 2022. The Group reassessed the credit risk of its debtors and further provision was made accordingly during the year ended 31 March 2022.

A debtor of the Group has pledged its property with a value of RMB163 million to secure a bank loan of the Group of RMB357 million as at 31 March 2022. Certain debtors have provided assets of approximately RMB33 million as counter-guarantee for the outstanding balances.

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Note 2(b) explains management's plans in managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

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

For the bank and other loans subject to repayment on demand clauses which can be exercised at the banks' or other financial institutions' sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the banks and other financial institutions were to invoke their unconditional rights to call the loans with immediate effect.

| | 2022 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount at 31 March RMB'000 |
| Trade and other payables measured at amortised cost | 1,499,756 | – | – | – | 1,499,756 | 1,499,756 |
| Bank and other loans | 2,021,880 | 92,092 | 453,872 | – | 2,567,844 | 2,487,168 |
| Promissory note | 323,920 | – | – | – | 323,920 | 318,262 |
| Lease liabilities | 16,042 | 16,983 | 17,549 | 5,083 | 55,657 | 49,503 |
| | 3,861,598 | 109,075 | 471,421 | 5,083 | 4,447,177 | 4,354,689 |
| Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment | 403,670 | (54,345) | (422,653) | – | (73,328) | |
| | 4,265,268 | 54,730 | 48,768 | 5,083 | 4,373,849 | |

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity risk (continued)

| | 2021 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount at 31 March RMB'000 |
| Trade and other payables measured at amortised cost | 1,104,345 | – | – | – | 1,104,345 | 1,104,345 |
| Bank and other loans | 2,425,461 | 93,794 | 157,894 | – | 2,677,149 | 2,576,244 |
| Promissory note | – | 337,680 | – | – | 337,680 | 314,743 |
| Lease liabilities | 13,698 | 13,891 | 14,664 | 7,076 | 49,329 | 42,335 |
| | 3,543,504 | 445,365 | 172,558 | 7,076 | 4,168,503 | 4,037,667 |
| Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment | 92,844 | (51,383) | (48,638) | – | (7,177) | |
| | 3,636,348 | 393,982 | 123,920 | 7,076 | 4,161,326 | |

### 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group's bank and other loans, promissory note and lease liabilities at the end of the reporting period.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Effective interest rate % | RMB'000 | Effective interest rate % | RMB'000 |
| **Fixed rate borrowings:** | | | | |
| Bank and other loans | 0.0%-18.0% | 2,194,420 | 0.0%-18.0% | 2,377,560 |
| Promissory note | 5.4% | 318,262 | 5.4% | 314,743 |
| Lease liabilities | 4.7%-5.6% | 49,503 | 5.2%-5.6% | 42,335 |
| **Variable rate borrowings:** | | | | |
| Bank and other loans | 2.2%-5.5% | 292,748 | 2.2%-5.7% | 198,684 |
| **Total borrowings** | | 2,854,933 | | 2,933,322 |
| **Fixed rate borrowings as a percentage of total borrowings** | | 90% | | 93% |

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Currency risk

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

*(i) Recognised assets and liabilities*

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

*(ii) Exposure to currency risk*

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

| | 2022 Exposure to foreign currencies | |
|---|---|---|
| | US$ RMB'000 | HK$ RMB'000 |
| Cash and cash equivalents | 5,733 | 908 |
| Trade and other payables | – | (250,936) |
| Bank and other loans | (5,146) | (185,990) |
| Promissory note | – | (318,262) |
| Gross exposure arising from recognised assets and liabilities | 587 | (754,280) |

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Currency risk (continued)

*(ii) Exposure to currency risk (continued)*

| | 2021 Exposure to foreign currencies | |
|---|---|---|
| | US$ | HK$ |
| | RMB'000 | RMB'000 |
| Cash and cash equivalents | 1,526 | 5,310 |
| Trade and other payables | – | (261,231) |
| Bank and other loans | – | (7,171) |
| Bond payable | – | (8,442) |
| Promissory note | – | (314,743) |
| Lease liabilities | – | (410) |
| Gross exposure arising from recognised assets and liabilities | 1,526 | (586,687) |

*(iii) Sensitivity analysis*

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

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Currency risk (continued)

*(iii) Sensitivity analysis (continued)*

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Increase/ (decrease) in loss after tax and increase/ (decrease) in accumulated losses RMB'000 | Increase/ (decrease) in foreign exchange rates | Increase/ decrease) in loss after tax and increase/ (decrease) in accumulated losses RMB'000 |
| US$ | 10% | – | 10% | 127 |
| | (10%) | – | (10%) | (127) |
| HK$ | 10% | (21,390) | 10% | (48,988) |
| | (10%) | 21,390 | (10%) | 48,988 |

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as 2021.

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

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

Fair value hierarchy

The fair value measurement of the Group's financial assets at FVPL falls into level 3 of the fair value hierarchy.

Information about level 3 fair value measurements

The fair value of the Group's financial assets at FVPL is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate, ranged from 4.0% to 4.1% for the year end 31 March 2022. The fair value measurement is negatively correlated to the discount rate. As at 31 March 2022, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have increased/decreased the Group's loss after tax by RMB1,602,000.

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Financial assets at FVPL | | |
| At 1 April | 882,610 | 1,091,363 |
| Payment for purchases | – | 800,000 |
| Changes in fair value recognised in profit during the year | 6,129 | (9,773) |
| Proceeds from sales | (80,320) | (998,980) |
| At 31 March | 808,419 | 882,610 |

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2022 and 2021.

## 31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At 31 March 2022

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 216 | 614 |
| Investments in subsidiaries | | 849,472 | 849,472 |
| | | 849,688 | 850,086 |
| **Current assets** | | | |
| Other receivables | | 2,878 | 14,526 |
| Cash and cash equivalents | | 364 | 5,310 |
| | | 3,242 | 19,836 |
| **Current liabilities** | | | |
| Other payables | | 4,803 | 264,056 |
| Other loans | | 5,231 | 15,613 |
| | | 10,034 | 279,669 |
| **Net current liabilities** | | (6,792) | (259,833) |
| **Non-current liabilities** | | | |
| Promissory note | 22 | – | 314,743 |
| **NET ASSETS** | | 842,896 | 275,510 |
| **CAPITAL AND RESERVES** | 26 | | |
| Share capital | | 69,888 | 69,888 |
| Reserves | | 773,008 | 205,622 |
| **TOTAL EQUITY** | | 842,896 | 275,510 |

## 32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 March 2022, in view of the continuous low performance of automotive business, the directors of the Company considered that the full recovery of automotive business will be no earlier than the end of 2023 and it was difficult to ascertain and predict when exactly it will take place and, accordingly, started seeking buyers of automotive business. On 6 May 2022, the Company entered into an agreement with Kenpay International Company Limited ("Purchaser"), a third party, to sell the Disposal Group to the Purchaser at a consideration of HK$3,000,000 (approximately RMB2,565,000). The Disposal was completed on 21 June 2022. Upon the completion of the Disposal, the Group ceased to engage in the automotive business. The Group is still in the process of assessing the financial position of the Disposal Group at the completion date. The actual gain on disposal will be recognised in the year ending 31 March 2023 based on the financial position of the Disposal Group at the completion date.

## 33 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider that the Company has no controlling shareholder at 31 March 2022.

(Expressed in RMB unless otherwise indicated)

## 34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to HKFRS 3, *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* | 1 January 2022 |
| Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to HKFRSs 2018-2020 | 1 January 2022 |
| Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| HKFRS 17, Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies* | 1 January 2023 |
| Amendments to HKAS 8, *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# SCHEDULE OF INVESTMENT PROPERTIES

Details of the principal investment properties of the Group as at 31 March 2022 are as follows:

| Location | Term of lease | Use |
|---|---|---|
| Tianjin Binhai International Automobile City, No. 86 Tianbao Avenue, Binhai New District, Tianjin, The PRC | Long-term | A vehicle convention and logistics for rental |
| Cali Building, No. 188 Tianbao Avenue, Binhai New District, Tianjin, The PRC | Long-term | A office cum retail for rental |
| JoySun Department Store Jiangdong, Level 1 to level 3, Nos. 301-305 East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |
| Lisi Department Store Xiangshan, No. 165 Jianshe Road, Dandong Street, Xiangshan County, Ningbo, Zhejiang Province The PRC | Long-term | A partial portion of the shopping arcade for rental |
| A portion of New JoySun Supermarket Hengxi, Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |

# SCHEDULE OF INVESTMENT PROPERTIES

| Location | Term of lease | Use |
|---|---|---|
| New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Village, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |
| A portion of New JoySun Supermarket Gaoqiao, Gaofeng Village, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |
| A portion of New JoySun Supermarket Dongwu, Dong Village, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |
| New JoySun Supermarket Dasong, Xicheng Village, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |
| A portion of New JoySun Supermarket Yunlong, No. 1100 Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC | Long-term | A partial portion of the shopping arcade for rental |

# SCHEDULE OF FINANCIAL PRODUCTS

The Company utilized certain idle funds to subscribe for certain financial products from National Trust Company Limited. Given the Board is of the views that such financial products are highly secured with appropriate returns, the Board considers the subscriptions are conducive to enhancing the utilization of capital and increasing income from idle funds. The consideration in relation to the subscriptions of such financial products was determined after taking into account various factors including cash management, the level of risk and return of the financial products and their respective maturity dates. Accordingly, the Directors are of the view that the subscriptions of such financial products are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Details of the financial products of the Group as at 31 March 2022 are as follows:

| Name of the financial products | Name of the trust company | Subscription Date | Maturity Date | Subscription Amount RMB'000 | Fair value RMB'000 | Return for the year RMB'000 |
|---|---|---|---|---|---|---|
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 29 April 2020 | 28 April 2023 | 49,970 | 50,531 | 2,467 |
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 18 May 2020 | 17 May 2023 | 89,970 | 91,023 | 4,440 |
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 28 June 2020 | 27 June 2023 | 59,970 | 60,721 | 2,960 |
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 10 August 2020 | 9 August 2023 | 79,970 | 81,038 | 3,947 |
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 17 August 2020 | 16 August 2023 | 69,970 | 70,914 | 3,454 |
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 21 August 2020 | 20 August 2023 | 69,970 | 70,922 | 3,454 |
| 國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 24 August 2020 | 23 August 2023 | 59,970 | 60,788 | 2,960 |
| 國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 31 August 2020 | 30 August 2023 | 59,970 | 60,465 | 2,728 |

# SCHEDULE OF FINANCIAL PRODUCTS

| Name of the financial products | Name of the trust company | Subscription Date | Maturity Date | Subscription Amount RMB'000 | Fair value RMB'000 | Return for the year RMB'000 |
|---|---|---|---|---|---|---|
| 國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 3 September 2020 | 2 September 2023 | 59,970 | 60,467 | 2,728 |
| 國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 7 September 2020 | 6 September 2023 | 59,970 | 60,469 | 2,728 |
| 國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 10 September 2020 | 9 September 2023 | 49,970 | 50,387 | 2,273 |
| 國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 14 September 2020 | 13 September 2023 | 49,970 | 50,389 | 2,273 |
| 國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) | 國民信托有限公司 (National Trust Company Limited*) | 16 September 2020 | 16 September 2023 | 39,970 | 40,306 | 1,819 |

* for identification purpose only

# 5-YEAR FINANCIAL SUMMARY

(Expressed in RMB unless otherwise indicated)

## GENERAL INFORMATION

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | | | (Restated) | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 2,149,573 | 1,850,030 | 2,665,845 | 3,960,034 | 3,885,647 |
| (Loss)/profit before taxation | (364,699) | (2,508,284) | (144,672) | 278,781 | (899,067) |
| Income tax | (20,491) | (42,709) | (9,786) | (68,081) | (39,925) |
| (Loss)/profit for the year attributable to equity shareholders of the Company | (385,190) | (2,550,993) | (154,458) | 210,700 | (938,992) |
| Assets and liabilities | | | | | |
| Total assets | 5,010,565 | 5,125,561 | 7,947,376 | 4,305,949 | 4,680,833 |
| Total liabilities | (5,265,360) | (5,006,287) | (5,300,204) | (1,993,622) | (4,326,655) |
| Net assets | (254,795) | 119,274 | 2,647,172 | 2,312,327 | 354,178 |

CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED
中 國 汽 車 新 零 售 ( 控 股 ) 有 限 公 司

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