



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

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



Create Better Living
創造美好生活

Annual Report
2015
年報



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr LI Lixin (*Chairman*)

Mr CHENG Jianhe (*Chief Executive Officer*)

Ms JIN Yaxue

Non-Executive Director

Mr LAU Kin Hon

Independent Non-Executive Directors

Mr HE Chengying

Mr SHIN Yick Fabian

Mr CHEUNG Kiu Cho Vincent

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton

HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Workshop 06-07, 36/F King Palace Plaza

No. 52A Sha Tsui Road, Tsuen Wan

New Territories, Hong Kong

SECURITIES CODE

Hong Kong Stock Code: 526

WEBSITE ADDRESS

<http://www.lisigroup.com.hk>

AUDITOR

KPMG

8th Floor

Prince's Building

10 Chater Road

Central, Hong Kong

PRINCIPAL BANKERS

Bank of Communications,

Shenzhen and Ningbo Branches,

the People's Republic of China (the "PRC")

Bank of Ningbo, PRC

China Construction Bank, Ningbo Branch, PRC

The Hongkong and Shanghai Banking

Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street, Hamilton HM11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Profiles of Directors and Senior Management

CHAIRMAN

Mr LI Lixin, aged 47, is the executive director (the "Director(s)") of Lisi Group (Holdings) Limited (the "Company") and chairman of the Company and its subsidiaries (the "Group"). Mr Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of a private group of companies established in the PRC. The principal businesses of this private group include import and export business, real property development and investment holding. The group also has investments in real property development, printing business and local bank in the PRC. Mr Li has 24 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

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

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

EXECUTIVE DIRECTOR

Mr CHENG Jianhe, aged 49, is the Chief Executive Officer of the Group. Mr Cheng has over 26 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. Mr Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. He holds an Executive Master of Business Administration degree from Renmin University of China. By profession, Mr Cheng is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

He was appointed as executive Director and Chief Executive Officer of the Group in September 2008.

Ms JIN Yaxue, aged 45, is the General Manager of household products business of the Group. Ms Jin has been responsible for sales and operations management of Ningbo plant since 1998. She holds an Executive Master of Business Administration degree from Fudan University. She has over 19 years experience in development and sales of household products and sundries. She joined the Group when the Ningbo plant was acquired by the Group in 2010 and was appointed as an executive Director in July 2014.

NON-EXECUTIVE DIRECTOR

Mr LAU Kin Hon, aged 47, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 23 years. Mr Lau received his bachelor of laws degree from University College, London, UK. He was appointed as non-executive Director and company secretary of the Company in May 2005.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr SHIN Yick Fabian, aged 46, is the Chief Executive Officer of Zhaobangji International Capital Limited. Mr Shin has over 24 years of experience in investment banking and financial management. Prior to joining Zhaobangji International Capital Limited, he worked in several investment banks in Hong Kong.

Mr Shin was independent non-executive director of Little Sheep Group Limited (968.HK), a company listed in Hong Kong and C&O Pharmaceutical Technology (Holdings) Limited (E92.SI), a company listed in Singapore till 2011.

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

Mr HE Chengying, aged 52, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University, a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. Mr He is currently the Chairman of Supervisory Committee and General Manager of the R&D Department of Guosen Securities. He is also an associate professor, senior economist and a special research fellow of the China Management Science Research Institute and Researcher (Professor) of Zhejiang University of Finance and Economy. Mr He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state-owned

asset management reforms. Subsequently, Mr He has engaged in stock market innovation, asset reorganisation, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, asset reorganisation and capital management planning. He was appointed as independent non-executive Director in September 2006.

Mr CHEUNG Kiu Cho Vincent, aged 39, is a Registered Professional Surveyor in the General Practice Division and member of both The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors, UK. Mr Cheung holds a Master of Business Administration degree in International Management granted by University of London in association with Royal Holloway and Bedford New College and a Bachelor of Science (Honours) degree in Real Estate granted by The Hong Kong Polytechnic University. Mr Cheung is the Executive Director and Head of Valuation and Advisory, Greater China of an international corporate valuation and advisory company. Mr Cheung has over 18 years of experience in the field of assets valuation, assets management and corporate advisory. He was appointed as independent non-executive Director in June 2006.

SENIOR MANAGEMENT

Mr PUN Kam Wai Peter, aged 53, is the Chief Financial Officer of the Group. Mr Pun possesses over 25 years of experience in financial management and corporate planning in various industries including FMCG (fast moving consumer goods), entertainment, telecom service, manufacturing and financial information service. He was the financial controller of a listed company in Hong Kong for which he led the successful initial public offering on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. By profession, Mr Pun is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Besides, he holds a Master degree in Business Administration from the Chinese University of Hong Kong and a Master degree in Professional Accounting from University of Southern Queensland, Australia. He joined the Group in July 2009.

Profiles of Directors and Senior Management

Madam ZHENG Rong, aged 44, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 21 years of experience in the retail industry and around 19 years of experience in financial management in various industries. Madam Zheng has an EMBA degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr GUI Bao, aged 58, is the general manager of Ningbo New JoySun Non-staple Food Wholesale Company Limited. Mr Gui has been responsible for the daily management and direction of operations of Ningbo New JoySun Non-staple Food Wholesale Company since 1994. Mr Gui has worked in the wholesale of wine industry for a long time and has a certain level of reputation in the wine industry in the country. His performance in the wine industry has been in the top rank in recent years. He joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr WANG Chaohong, aged 42, is the general manager of New JoySun supermarket and is responsible for the daily management and direction of operations of the New JoySun Group. Mr Wang has been the purchasing director of a company of large-scale chain stores and has accumulated many years' management experience in the retail industry. Mr Wang holds an Executive Master of Business Administration degree from the Shanghai Jiao Tong University. He joined the Group in 2013.

Mr YE Yunfei, aged 54, is the general manager of the New JoySun department store responsible for daily operations. Mr Ye has been working in New JoySun Group since 1993. Mr Ye possesses long-term experience in the retail industry. Mr Ye graduated from Zhejiang Radio and TV University and has an EMBA degree from the Shanghai Jiao Tong University. He joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr LAM Wai Wah, Alan, aged 51, 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 24 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 37, 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 20 years experience in product development and manufacturing of plastic moulds. He joined Group when the Ningbo plant was acquired by the Group in 2010.

Mr CHEN Tao Li, aged 41, is the Production Deputy General Manager of household products business of the Group. He is responsible for the daily production operations, production management, planning, quality control, logistics and plant operation. He has over 16 years experience in production management. Prior to joining the Group, he was the production manager (vice-president), quality control manager and management representative of an electronic components specialists company in Guangdong. Mr Chen holds a Master of Business Administration degree from Lanzhou University. He joined the Group in 2007.

Chairman's Statement

Dear Shareholders,

We had a well performed year in 2014/15. For the year ended 31 March 2015 (the "Year"), our turnover was RMB1,158 million which represented an increase of 47.9% versus 2013/14. Our net profit for the Year was RMB80.3 million compared to a net gain of RMB961.6 million in 2013/14. This reflected the good performance of our manufacturing business and the contribution of the full year impact of business growth from the acquisition of retail and wholesale business in Ningbo in August 2013. The decrease in net profit was solely due to the one-time revaluation gain from our investment property in Shenzhen in 2013/14. Excluding this revaluation impact, our operating business delivered satisfactory business results in 2014/15.

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

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

The Group took a major step in late 2012 to relocate our manufacturing facilities in Shenzhen to Ningbo and consolidate all our production and operations resources in household products business into one location. After struggling for a short period with the adverse impact of disruption in normal operations, loss of some sales orders and termination of our workforce in Shenzhen, we had fully recovered and regained our growth momentum. The performance of our manufacturing business in 2014/15 in both sales turnover and operating profit was very good, particularly given the slow macro-economic growth and stiff competition in all our major overseas markets.

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

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

DISPOSAL OF THE LAND OF THE PREVIOUS SHENZHEN PLANT

On 19 May 2014, we entered into agreement with Shenzhen City Xinchun Property Development Company Limited in relation to the proposed disposal of the land of our previous Shenzhen plant of the Group. The aggregate amount of the transaction would be RMB1,782 million and settled in cash. This transaction constituted a very substantial disposal of the Company and a special general meeting was held on 8 July 2014.

The transaction is still in the process of completion and the collection of the consideration is in progress according to the terms of the agreement of the deal. The Group expects to complete the collection of the proceeds in 2015/16. This transaction provides very significant and substantial funding for the Group to consider future investments or acquisitions should such opportunities arise and/or distribution of dividend.

Chairman's Statement

EXPANDING INTO NEW BUSINESSES WITH GROWTH POTENTIAL

In addition to the investments in QL Electronics Co., Ltd. and Veritas-MSI (China) Co., Ltd. in 2010 and 2012 respectively, the acquisition of retail and wholesale business in Ningbo was completed on 30 August 2013. We shall monitor the performance of our new business closely and consider various alternatives on managing such investments with the objective to maximize the return for the best interest of the shareholders of the Company.

The Group will continue to look for further investment opportunities.

APPRECIATION

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

On behalf of the Board, I would like to thank our customers, suppliers, business partners and the shareholders for their continuous support. Last but not least, I would also like to take this opportunity to express my heartiest gratitude to all the employees of the Group for their industrious devotion and achievements in the challenging but exciting 2014/15. We shall continue to target for long term business growth of the Group and strive for improving financial results and returns to the shareholders.

Li Lixin
Chairman

Hong Kong, 26 June 2015

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2015 (the "Year"), the Group recorded a turnover of approximately RMB1,158.0 million, representing an increase of 47.9% when compared with the turnover of approximately RMB783.0 million reported for the last year. Net profit for the Year was approximately RMB80.3 million compared to a net profit of RMB961.6 million for the last year. The Group's basic and diluted earnings per share were RMB 1.97 cent and RMB 0.61 cent respectively and the Group's basic and diluted earnings per share were RMB27.73 cent and RMB26.07 cent respectively for the last year.

Liquidity and Financial Resources

As at 31 March 2015, the Group's net assets increased to RMB1,713.2 million, rendering net asset value per share at RMB41.0 cent. The Group's total assets at that date were valued at RMB3,994.6 million, including cash and bank deposits of approximately RMB268.4 million and current available-for-sale investments of RMB531.3 million. Consolidated bank loans, convertible bonds and other borrowings amounted to RMB1,148.9 million. Its debt-to-equity ratio (bank loans, convertible bonds and other borrowings over total equity) has been decreased from 80.0% as at 31 March 2014 to 67.1% as at 31 March 2015.

Most of the Group business transactions were conducted in RMB and USD. As at 31 March 2015, the Group's borrowings were denominated in RMB, HKD and USD.

Capital Structure

On 30 August 2013, the Company allotted and issued 1,700,000,000 consideration shares at the issue price of HK\$0.30 per share and the consideration convertible bonds in the principal amount of HK\$382.8 million at the initial conversion price of HK\$0.30 per share to Shi Hui Holdings Limited, which is wholly owned by Big-Max Manufacturing Co., Limited, the majority shareholder of the Company. For details of this major change in the capital structure of the Company, please refer to the circular of the Company dated 22 May 2013. On 31 October 2013, 31 December 2013 and 3 March 2014 and 19 September 2014, the Company partially redeemed approximately HKD20.8 million, HKD136.8 million, HKD83.5 million and HKD20.3 million convertible bonds and the remaining balance as at 31 March 2015 was HKD121.4 million. As at 31 March 2015, the Group's major borrowings included bank loans, which had an outstanding balance of RMB890.9 million, other borrowings from a shareholder, third parties and convertible bonds totaling RMB258.0 million. All of the Group's borrowings have been denominated in RMB, HKD and USD.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,151.4 million as at 31 March 2015 were pledged to secure bank borrowing and facilities of the Group.

Management Discussion and Analysis

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources to acquisition, better utilization of the Company's assets, and improvement of capital assets to improve operations efficiency and to meet customer needs and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate from operations and alternative debt and equity financing, and disposal of available-for-sale investments/assets. In particular, the disposal of the land of the previous factory of the Group in Shenzhen will generate substantial cash in 2015/16 as the Group continues to collect the remaining balance of the net proceeds realized from the deal.

Exposure to Foreign-Exchange Fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, HKD and USD. The Group considers the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation 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. However, as most of the Group's raw materials procurement for its manufacturing business were settled in USD and HKD, and most of the Group's customers accept the passing-on of the rising cost, to various extent, due to the appreciation of RMB, the effect arising from the relevant risk can be reduced. Looking forward, as the Chinese Government is driving RMB to get more internationalized and towards free floating in the coming years, we expect more hedging tools will be available in the currency market. The Group will monitor closely the development of currency policy of the Chinese Government and the availability of the hedging tools which are appropriate for the manufacturing business operations of the Group in this respect.

With the acquisition of the domestic retail and wholesale business in Ningbo, China in August 2013, the Group added a very substantial portion of business which has both revenues and expenditures essentially in RMB. From this perspective, the currency exposure of the Group has been relatively diluted.

Segment Information

With the acquisition of New JoySun Group, retail and wholesale business has emerged to become the most important business segment of the Group in the Year and accounted for 63.1% of total turnover. Manufacturing and trading business and investment holding business had 34.7% and 2.2% of the remaining.

In terms of geographical location, China became the Group's primary market, which accounted for 65.8% of total revenue. The remaining comprised of revenue from North America 31.1%, Europe 1.1% and others 2.0%.

Contingent Liabilities

As at 31 March 2015, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB97.4 million to secure bank loans borrowed by the related companies under the control of Mr. Li Lixin, Chairman of the Company. Such arrangements were made by New JoySun group prior to the acquisition in August 2013. The Directors do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the close of business under the guarantees issued is RMB51.7 million being the balance of the principal amount of the bank loans the Group pledged for.

Management Discussion and Analysis

Investments in New Businesses

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

Another investment in new business in recent years is QL Electronics Co., Ltd. ("QLEC"). During the Year, our equity interest in QLEC was maintained at 8.54%. The core business of QLEC is in the development and manufacturing of semiconductor materials. As an investor, the Company is satisfied with the business performance and the dividend policy of QLEC.

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

The Directors consider the new businesses have good business prospects. We are optimistic on the values of these investments and contribution of financial results brought to the Group in the future.

Employee Information

As at 31 March 2015, the Group employed a workforce of 2,185 employees in its various chain stores, offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share-option scheme in force but no share option was granted during the Year.

Review of Operations

For the Year, the Group recorded a net profit of RMB80.3 million, compared to the net profit of RMB961.6 million for the corresponding last year. This decrease was primarily attributable to the net valuation gain on investment properties of the Group in last year which was essentially contributed by the revaluation of the land in Shenzhen. And such revaluation of the land in Shenzhen was a one-time gain as the land was sold already in this year.

Revenue

Total revenue increased by 47.9% to RMB1,158.0 million for the Year as compared with last year. Excluding the contribution by the newly acquired retail and wholesale business which did not have full year impact in 2013/14, the Group's total revenue for the Year would have been RMB402.8 million, representing an increase of 20.9% as compared with last year.

Management Discussion and Analysis

Manufacturing and trading business

During the Year, the manufacturing and trading business contributed approximately RMB401.1 million to the total revenue of the Group. The business of this segment grew by RMB71.1 million when compared with the corresponding last year of approximately RMB330.0 million. The improvement was mainly supported by the complete integration of the relocated facilities with existing operations in Ningbo, order growth from existing customers and the development of new products and customers. While we are pleased with the positive development from the consolidation of the manufacturing facilities of the Group into one location in Ningbo, the management team of this business segment is still working to maximize the benefits from synergies of plant consolidation in various aspects of operations.

Retail and Wholesale Business

The acquisition of retail business and wholesale business in Ningbo, PRC, contributed revenue of RMB437.7 million and RMB292.3 million respectively during the Year.

Investment holding Business

Dividend income and investment income received during the Year was RMB0.9 million and RMB25.2 million respectively.

PROSPECTS

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

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

Management Discussion and Analysis

Disposal of the Land of the Previous Shenzhen Plant

On 19 May 2014, Jinda Plastic Metal Products (Shenzhen) Co., Limited (“Jinda Plastic”), an indirect wholly-owned subsidiary of the Company, and Shenzhen City Xinshun Property Development Company Limited entered into the Relocation Compensation Agreement and the Supplementary Agreement in relation to the proposed disposal of the land owned by Jinda Plastic and situated within the Jinda Industrial Area which was the location of the previous Shenzhen plant of the Group. The aggregate amount of compensation would be RMB1,782 million and settled in cash. The Directors considered that the transaction would be in the interest of the Company and the Shareholders as a whole. For details of this transaction, please refer to the announcement of the Company dated 27 May 2014 and the circular of the Company dated 18 June 2014. A special general meeting was held on 8 July 2014 and the transaction was approved by the Shareholders. The Directors considered that the disposal of the land in Shenzhen would provide very substantial funding for the Group to improve the internal working capital position and make future investment(s) or acquisition(s) should there be such appropriate opportunities. The settlement of consideration for this transaction has been executing by phases according to the terms of the agreements. As at the date of this annual report, the Company distributed already a special dividend of HKD0.05 per share in June 2015 and has not made any decision on the use of remaining funds generated from this asset disposal.

Expanding into New Businesses with Growth Potential

In addition to the investments in QLEC and VMCL in 2010 and 2012 respectively, the acquisition of retail and wholesale business in Ningbo has been completed on 30 August 2013. The consideration of HK\$892.8 million was settled by the issuance of new shares and convertible bonds. The acquisition of the remaining 5% beneficiary interest from an independent party was completed at the consideration of RMB31.7 million and settled by internal financial resources of the Group. With substantial funding to be available upon completion with the disposal of the land in Shenzhen and settlement of consideration has been executing by phases, the management will actively look into investment and acquisition targets of appropriate and reasonable valuation and consider other uses of fund for the best benefit of the Company and the Shareholders as a whole. The investment objectives of the Group will be in driving impactful business growth, strengthening further competitive advantage of existing business segments and enhancing the return to the Shareholders.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance for enhancing shareholder's value. The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules for the Year save as herein below disclosed.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

Executive Directors

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

Non-Executive Director

Lau Kin Hon

Independent non-executive Directors

He Chengying
Shin Yick Fabian
Cheung Kiu Cho Vincent

During the Year, 3 Board meetings were held. Notice of at least 14 days was given to Directors for regular Board meetings during the Year as required by the CG Code Provision A.1.3.

During the Year, all Directors were provided with reading materials and briefings to refresh their knowledge on Listing Rules and other relevant laws and regulations. Mr Li Lixin, Mr Lau Kin Hon, Mr Shin Yick Fabian and Mr Cheung Kiu Cho Vincent have attended courses and/or seminars relevant to the roles and duties as directors of listed companies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, Mr Li Lixin was the chairman of the Company and Mr Cheng Jianhe was the chief executive officer. The division of responsibilities between the chairman and the chief executive officer were clearly established.

NON-EXECUTIVE DIRECTOR

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

REMUNERATION COMMITTEE

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

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

Corporate Governance Report

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

NOMINATION COMMITTEE

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

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

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

AUDIT COMMITTEE

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

The roles and function of the audit committee are principally making recommendation to the Board on the engagement of external auditors, reviewing the financial information of the Group and overseeing the Group's financial reporting system and internal control procedures.

During the Year, the audit committee reviewed the Group's annual results for the year ended 31 March 2014 and the interim results for the six months ended 30 September 2014. The audit committee also reviewed the Group's financial controls, internal control and risk management systems and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

Corporate Governance Report

	Number of meetings attended/held during the Year				
	BM	ACM	RCM	NCM	GM
Executive directors					
Li Lixin	0/3	NA	NA	NA	0/2
Cheng Jianhe	3/3	NA	NA	NA	0/2
Jin Yaxue	1/2	NA	NA	NA	0/1
Non-executive directors					
Lau Kin Hon	3/3	NA	NA	1/1	2/2
Xu Jin	1/1	NA	1/1	NA	0/1
Independent non-executive directors					
He Chengying	1/3	1/2	NA	NA	0/2
Shin Yick Fabian	3/3	2/2	1/1	1/1	1/2
Cheung Kiu Cho Vincent	3/3	2/2	1/1	1/1	1/2

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

ACCOUNTABILITY AND AUDIT

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

AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of statutory audit services and other services related to disposal of an investment property, provided by the auditor of the Company to the Group amounted to RMB1,800,000 and RMB500,000 respectively.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

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

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

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

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

The Board do not recommend the payment of dividend.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 34 of this annual report and in note 29 to the consolidated financial statements respectively.

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in notes 13 and 14 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2015 are set out in note 15 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 29(c) to the consolidated financial statements and on page 24 of this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of approximately RMB80,583,000 (2014: RMB80,583,000) is available for distribution, subject to certain conditions as described in note 29 to the consolidated financial statements. The Company's share premium account of RMB541,228,000 (2014: RMB541,228,000) as at 31 March 2015 may be distributed in the form of fully paid bonus shares.

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 120 of this annual report.

DIRECTORS

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

Executive Directors:

Li Lixin (*Chairman*)
Cheng Jianhe (*Chief Executive Officer*)
Jin Yaxue (*appointed on 22 July 2014*)

Non-executive Directors:

Lau Kin Hon
Xu Jin (*resigned on 22 July 2014*)

Independent non-executive Directors:

He Chengying
Shin Yick Fabian
Cheung Kiu Cho, Vincent

Directors' Report

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr Cheng Jianhe, Mr Lau Kin Hon and Mr He Chengying will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND A CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as set out in note 31 of the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2015:

a) Lease of properties

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

Pursuant to a lease agreement signed on 31 December 2012 between Ningbo Lisi Household Products Company Limited ("Ningbo Lisi"), the Company's subsidiary, and Da Mei (Ningbo) New Materials Company Limited ("Da Mei"), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, Da Mei agreed to lease east part of its property at 518 Cheng Xin Lu, Yinzhou Investment and Business Incubation of Ningbo, the People's Republic of China (the "East District") to Ningbo Lisi for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015 as its factory space and office premises with monthly rent of RMB537,930.

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

	Annual Cap	Rental expenses
	RMB	RMB
From 1 April 2014		
to 31 March 2015	6,455,160	6,455,160

Directors' Report

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

Pursuant to a lease agreement signed on 30 May 2012 between Ningbo Lisi, the Company's subsidiary, and Ningbo Lisi Electrical Appliances Manufacturing Company Limited ("NLEAM"), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, NLEAM agreed to lease west part of its property at 518 Cheng Xin Lu, Yinzhou Investment and Business Incubation of Ningbo, the People's Republic of China (the "West District") to Ningbo Lisi for a term of 3 years commencing from 1 June 2012 and ending on 31 May 2015 as its factory space and office premises with monthly rent of RMB635,100. The annual Cap of the rental expenses and rental expenses incurred for leasing of the West District is as follows:

	Annual Cap	Rental expenses
	RMB	RMB
From 1 April 2014		
to 31 March 2015	7,621,200	7,621,200

(iii) Leasing framework agreement signed with Lisi Group Co. Ltd.

Pursuant to a leasing framework agreement signed on 5 March 2013 between New JoySun Corp. (for itself and on behalf of its subsidiaries), the Company's subsidiary, and Lisi Group Co. Ltd. (for itself and on behalf of its subsidiaries), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, it was agreed that members of the group of New JoySun Corp. will lease various premises from members of the group of Lisi Group Co. Ltd., and reciprocally, members of the group of Lisi Group Co. Ltd. will lease various premises from members of the group of New JoySun Corp. The term of the leasing framework agreement is commencing from 5 March 2013 and ending on 31 December 2015. Subsidiaries from both sides will enter into individual lease agreements in respect of the certain premises in China during the term thereof and on terms which are in line with the terms of the leasing framework agreement and determined principally by arm's length negotiations. The annual caps for the leasing transactions contemplated under the leasing framework agreement are as follows:

Directors' Report

	Annual Cap From 1 January 2014 to 31 December 2014 RMB	Rental expenses From 1 April 2014 to 31 December 2014 RMB	Annual Cap From 1 January 2015 to 31 December 2015 RMB	Rental expenses From 1 January 2015 to 31 March 2015 RMB
Leasing transactions between members of the group of Lisi Group Co. Ltd. (as landlord) and members of the group of New JoySun Corp. (as tenant)	750,000	-	750,000	-
Leasing transactions between members of the group of New JoySun Corp. (as landlord) and members of the group of Lisi Group Co. Ltd. (as tenant)	1,800,000	1,350,000	1,800,000	450,000

b) Export agency services

Pursuant to an export agency agreement signed on 31 December 2012 between Ningbo Lisi and Lisi Import and Export Company Limited ("Lisi I&E"), a company owned by Mr Li Lixin, a director and beneficial owner of the Company, Lisi I&E agreed to provide Ningbo Lisi export agency services which include assisting Ningbo Lisi on handling government applications, settlement services and other liaison services between local government departments and the customers for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015.

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

	Annual Cap RMB	Export agency fee RMB
From 1 April 2014 to 31 March 2015	8,700,000	4,063,870

c) Import agency services

Pursuant to an import agency agreement signed on 31 December 2012 between Ningbo Lisi and Lisi I&E, Lisi I&E agreed to provide Ningbo Lisi import agency services for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015. 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.

Directors' Report

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

	Annual Cap	Gross transaction amount	Import agency fee incurred
	RMB	RMB	RMB
From 1 April 2014 to 31 March 2015	141,250,000	111,354,507	668,127

d) Mutual supply of products

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

	Annual Cap From 1 January 2014 to 31 December 2014	Transaction amount From 1 April 2014 to 31 December 2014	Annual Cap From 1 January 2015 to 31 December 2015	Transaction amount From 1 January 2015 to 31 March 2015
	RMB	RMB	RMB	RMB
Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd.	62,500,000	1,801,492	81,100,000	599,539
Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp.	25,000,000	353,182	35,000,000	29,689

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

Pursuant to the procurement and sales agreements dated 29 August 2014 and 24 June 2015 between New JoySun Corp. (as supplier), the Company's subsidiary, and Sanjiang Shopping Club Co., Ltd. (as purchaser), a connected person of the Company and holding 18% equity interest in New JoySun Supermarket Chain Limited which is an 82% owned subsidiary of the Company, it was agreed that New JoySun Corp. will sell commodities which essentially comprise alcoholic products to Sanjiang Shopping Club Co., Ltd. Each transaction will be effected by the relevant purchase order to be entered into between the parties with the pricing of the commodities not being higher than the price offered by New JoySun Corp. to any third party. The terms of the procurement and sales agreements are from 1 January 2014 to 31 December 2014 and from 1 January 2015 to 31 December 2015.

Directors' Report

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

	Annual Cap From 1 January 2014 to 31 December 2014	Transaction amount From 1 April 2014 to 31 December 2014	Annual Cap From 1 January 2015 to 31 December 2015	Transaction amount From 1 January 2015 to 31 March 2015
	RMB	RMB	RMB	RMB
Sales of products to Sanjiang Shopping Club Co., Ltd.	32,500,000	13,663,683	34,125,000	12,807,181

The agreements of (a)(i), (b) and (c) for the continuing connected transactions listed above were approved by the independent shareholders of the Company in the special general meeting on 26 February 2013. The agreements of (a)(iii) and (d) were approved by the independent shareholders of the Company in the special general meeting on 7 June 2013.

The agreement of (a)(ii), which is subject to reporting and announcement requirements and annual review requirement but is exempted from independent shareholders' approval requirement, was approved by the Board on 30 May 2012. The agreements of (e), which are subject to reporting and announcement requirements and annual review requirement but are exempted from the independent shareholders' approval requirement, were approved by the Board on 27 August 2014 and 24 June 2015 respectively.

Having reviewed the Continuing Connected Transactions, the independent non-executive Directors, pursuant to Rule 14A.37 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 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter had been submitted by the Company to the Stock Exchange.

Pursuant to Rule 14A.38 of the Listing Rules, the auditor of the Company confirmed that the Continuing Connected Transactions:

- (1) had received the approval of the Board;
- (2) had been in accordance with the pricing policies of the Group or the comparable transactions as identified by the Management;
- (3) had been entered into in accordance with the relevant agreements governing the continuing connection transactions; and
- (4) with respect of the disclosed continuing connected transactions (a) to (e) listed above, had not exceeded the Annual Cap disclosed in the previous announcements dated 30 May 2012, 31 December 2012, 29 August 2014, 24 June 2015 and circular dated 22 May 2013.

Directors' Report

The auditor also emphasized that the sales of products to Sanjiang Shopping Club Co., Ltd. for the period from 1 January 2015 to 31 March 2015 with an aggregate amount of RMB12,807,181 was approved by the Company's board of directors on 24 June 2015.

Save as mentioned above, there was no other discloseable 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 31 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in note 31 to the consolidated financial statements which constituted continuing connected transactions, the Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Year save as otherwise provided herein.

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

As at 31 March 2015, 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	3,435,161,014(L)	82.24%
		3,454,364,442(S)	82.70%

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

Note 2: Mr Li Lixin's interest in 3,030,493,014 shares is held as to 5,892,000 shares personally, 15,620,000 shares through his spouse Jin Yaer, 1,328,981,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,680,000,000 shares through Shi Hui Holdings Limited which is wholly-owned by Big-Max. Shi Hui Holdings Limited is interested in 404,668,000 underlying shares. The issued share capital of Big-Max is beneficially owned as to 90% by Mr Li Lixin and as to 10% by his spouse, Jin Yaer.

Furthermore, no share options had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there were no other options outstanding at the beginning or the end of the period ended 31 March 2015. Other than that, at no time during the period ended 31 March 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the period ended 31 March 2015.

Directors' Report

Save as disclosed herein, as at 31 March 2015, 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 2015 and there were no other options outstanding at the beginning or at the end of the Year.

Directors' Report

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 2015, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
China Cinda (HK) Holdings Company Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%
China Cinda Foundation Management Company Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%
Cinda General Partner Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%
Cinda International Holdings Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%
Cinda Retail and Consumer Fund L.P.	Beneficial owner/ beneficiary of a trust	2,839,789,871 (L)	67.99%
Cinda Strategic (BVI) Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Rainbow Stone Investments Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%
Sinoday Limited	Interest in controlled corporation	2,839,789,871 (L)	67.99%
中國信達資產管理股份有限公司(China Cinda Asset Management Co., Ltd.)	Interest in controlled corporation	2,839,789,871 (L)	67.99%
Central Huijin Investment Ltd.	Person having a security interest in shares/interest in controlled corporation	3,071,951,299 (L)	73.55%
China Construction Bank Corporation	Person having a security interest in shares/interest in controlled corporation	3,071,951,299 (L)	73.55%
Cinda (BVI) Limited	Interest in controlled corporation	2,700,493,014 (L)	64.65%
Cinda International Securities Limited	Trustee (other than a bare trustee)	2,700,493,014 (L)	64.65%
HNW Investment Fund Series SPC acting for and on behalf of Benefit Segregated Portfolio	Beneficial owner/ person having a security interest in shares	2,963,609,299 (L)	70.95%

Note: (L) denotes long positions

Directors' Report

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	4.4%
– five largest suppliers	18.3%

Sales

– the largest customer	13.2%
– five largest customers	28.6%

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Li Lixin
Chairman

Hong Kong, 26 June 2015

Independent Auditor's Report



Independent auditor's report to the shareholders of

Lisi Group (Holdings) Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 119, which comprise the consolidated and the Company's statements of financial position as at 31 March 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 June 2015

Consolidated Statement of Profit or Loss

For the year ended 31 March 2015

(Expressed in Renminbi ("RMB"))

	Note	2015 RMB'000	2014 RMB'000
Turnover	4	1,158,042	783,003
Cost of sales		(897,992)	(629,925)
Gross profit	4(b)	260,050	153,078
Other revenue	5	15,165	16,673
Other net income	5	5,911	1,006
Selling and distribution expenses		(81,345)	(51,528)
Administrative expenses		(113,840)	(108,741)
Profit from operations		85,941	10,488
Net valuation gain on investment properties	14	17,646	1,405,220
Net gain on disposal of an investment property	14(c)	24,500	–
Net gain on disposal of an investment in a subsidiary	30	1,393	–
Excess of the net fair value of the acquired net assets over cost		–	12,879
Share of (losses)/profits of an associate	19	(8,800)	8,267
Finance costs	6(a)	(20,168)	(142,130)
Profit before taxation	6	100,512	1,294,724
Income tax	7	(20,202)	(333,131)
Profit for the year		80,310	961,593
Attributable to:			
Equity shareholders of the Company		82,212	963,225
Non-controlling interests		(1,902)	(1,632)
Profit for the year		80,310	961,593
Earnings per share (RMB cent)			
Basic	12(a)	1.97	27.73
Diluted	12(b)	0.61	26.07

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

(Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Profit for the year		80,310	961,593
<hr/>			
Other comprehensive income for the year (after tax and reclassification adjustments):	11		
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale debt securities: net movement in fair value reserve		8,467	–
– Exchange differences on translation into presentation currency		(2,771)	(188)
– Reclassification of exchange differences on disposal of a subsidiary		(300)	–
Other comprehensive income for the year		5,396	(188)
<hr/>			
Total comprehensive income for the year		85,706	961,405
<hr/>			
Attributable to:			
Equity shareholders of the Company		87,608	963,037
Non-controlling interests		(1,902)	(1,632)
Total comprehensive income for the year		85,706	961,405
<hr/>			

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2015

(Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	880,464	896,831
Investment properties	14	434,190	2,065,480
Goodwill	17	43,313	43,313
Intangible assets	18	12,375	17,749
Interests in an associate	19	40,144	48,944
Available-for-sale investments	20	82,881	84,881
Deferred tax assets	28(b)	35,120	57,740
		1,528,487	3,214,938
Current assets			
Available-for-sale investments	20	531,289	250,000
Inventories	21	152,058	159,533
Trade and other receivables	22(a)	1,514,397	240,345
Restricted bank deposits	23	132,974	62,762
Cash and cash equivalents	24	135,395	55,020
		2,466,113	767,660
Current liabilities			
Trade and other payables	25(a)	527,658	434,252
Bank and other loans	26(a)	697,691	750,052
Income tax payable	28(a)	349,393	5,322
		1,574,742	1,189,626
Net current assets/(liabilities)		891,371	(421,966)
Total assets less current liabilities		2,419,858	2,792,972

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 March 2015

(Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Bank and other loans	26(b)	316,380	343,566
Convertible bonds	27	134,883	209,019
Deferred tax liabilities	28(b)	255,384	612,882
		706,647	1,165,467
NET ASSETS		1,713,211	1,627,505
CAPITAL AND RESERVES			
	29		
Share capital		36,138	36,138
Reserves		1,607,867	1,520,259
Total equity attributable to equity shareholders of the Company		1,644,005	1,556,397
Non-controlling interests		69,206	71,108
TOTAL EQUITY		1,713,211	1,627,505

Approved and authorised for issue by the board of directors on 26 June 2015.

Li Lixin
Chairman

Cheng Jianhe
Director

The notes on pages 38 to 119 form part of these financial statements.

Statement of Financial Position

At 31 March 2015

(Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	13(b)	354	319
Investments in subsidiaries	15	890,921	889,909
		891,275	890,228
Current assets			
Loan to a subsidiary	16	9,607	9,607
Other receivables	22(b)	455	711
Cash and cash equivalents	24	721	82
		10,783	10,400
Current liabilities			
Other payables	25(b)	227,045	200,437
Other loans	26(a)	7,141	5,732
		234,186	206,169
Net current liabilities		(223,403)	(195,769)
Total assets less current liabilities		667,872	694,459
Non-current liabilities			
Other loan	26(b)	–	3,186
Convertible bonds	27	134,883	209,019
		134,883	212,205
Net ASSETS		532,989	482,254
CAPITAL AND RESERVES			
Share capital	29	36,138	36,138
Reserves		496,851	446,116
TOTAL EQUITY		532,989	482,254

Approved and authorised for issue by the board of directors on 26 June 2015.

Li Lixin
Chairman

Cheng Jianhe
Director

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Statutory reserves	Contributed surplus	Exchange reserve	Property revaluation reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 29(c))	(Note 29(d)(i))	(Note 29(d)(i))	(Note 29(d)(ii))	(Note 29(d)(iii))	(Note 29(d)(iv))	(Note 29(d)(v))				
Balance at 1 April 2013	22,724	145,494	1,341	4,543	56,236	(16,921)	8,594	(37,799)	184,212	-	184,212
Changes in equity for the year ended 31 March 2014:											
Profit/(loss) for the year	-	-	-	-	-	-	-	963,225	963,225	(1,632)	961,593
Other comprehensive income	-	-	-	-	-	(188)	-	-	(188)	-	(188)
Total comprehensive income for the year	-	-	-	-	-	(188)	-	963,225	963,037	(1,632)	961,405
Issuance of shares on acquisition of subsidiaries	13,414	395,734	-	-	-	-	-	-	409,148	72,740	481,888
Appropriation to reserves	-	-	-	4,067	-	-	-	(4,067)	-	-	-
	13,414	395,734	-	4,067	-	-	-	(4,067)	409,148	72,740	481,888
Balance at 31 March 2014	36,138	541,228	1,341	8,610	56,236	(17,109)	8,594	921,359	1,556,397	71,108	1,627,505

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Share redemption reserve	Capital Statutory reserves	Contributed surplus	Exchange reserve	Property revaluation reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 29(c))	(Note 29(d)(i))	(Note 29(d)(i))	(Note 29(d)(iii))	(Note 29(d)(iii))	(Note 29(d)(iv))	(Note 29(d)(v))	(Note 29(d)(v))	(Note 29(d)(vii))			
Balance at 1 April 2014	36,138	541,228	1,341	8,610	56,236	(17,109)	8,594	-	921,359	1,556,397	71,108	1,627,505
Changes in equity for the year ended 31 March 2015:												
Profit/(loss) for the year	-	-	-	-	-	-	-	-	82,212	82,212	(1,902)	80,310
Other comprehensive income	-	-	-	-	-	(3,071)	-	8,467	-	5,396	-	5,396
Total comprehensive income for the year	-	-	-	-	-	(3,071)	-	8,467	82,212	87,608	(1,902)	85,706
Transfer to retained profits in connection with disposal of investment property	-	-	-	-	-	-	(8,594)	-	8,594	-	-	-
Appropriation to reserves	-	-	-	4,215	-	-	-	-	(4,215)	-	-	-
	-	-	-	4,215	-	-	(8,594)	-	4,379	-	-	-
Balance at 31 March 2015	36,138	541,228	1,341	12,825	56,236	(20,180)	-	8,467	1,007,950	1,644,005	69,206	1,713,211

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2015

(Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before taxation		100,512	1,294,724
Adjustments for:			
Depreciation and amortisation	6(c)	51,572	32,859
Net (gain)/loss on disposal of property, plant and equipment	5	(5,037)	7
Net gain on disposal of an investment property	14(c)	(24,500)	–
Net gain on disposal of an investment in a subsidiary	30	(1,393)	–
Interest income on cash at bank and advances due from related parties	5	(10,461)	(10,152)
Net valuation gain on investment properties	14	(17,646)	(1,405,220)
Finance costs	6(a)	20,168	142,130
Share of losses/(profits) of an associate		8,800	(8,267)
Impairment losses on property, plant and equipment	6(c)	–	18,980
Excess of the net fair value of the acquired net assets over cost		–	(12,879)
Investment and dividend income	4(a)	(26,152)	(9,484)
Changes in working capital:			
Decrease in inventories		7,475	10,377
Increase in trade and other receivables		(26,759)	(18,025)
Increase/(decrease) in trade and other payables		93,068	(46,697)
Cash generated from/(used in) operations		169,647	(11,647)
The People's Republic of China (the "PRC") Income Tax paid	28(a)	(13,831)	(7,782)
Net cash generated from/(used in) operating activities		155,816	(19,429)
Investing activities			
Cash acquired through the acquisition of subsidiaries, net of cash payments		–	222,682
Proceeds from disposal of investment in a subsidiary	30	1,500	–
Payments for the purchase of available-for-sale investments		(520,000)	(255,400)
Proceeds from sale of available-for-sale investments		252,000	–
Payments for purchase of property, plant and equipment and investment properties		(151,841)	(47,852)
Proceeds from disposal of property, plant and equipment		8,153	1,994
Proceeds from disposal of investment property	14(c)	534,600	–
Net increase in restricted bank deposits		(70,212)	(4,462)
Interest received		10,461	10,152
Investment and dividend income received		26,152	9,484
Net cash generated from/(used in) investing activities		90,813	(63,402)

The notes on pages 38 to 119 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended 31 March 2015

(Expressed in RMB)

	Note	2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from new bank and other loans		676,526	710,736
Repayment of bank and other loans		(756,070)	(471,599)
Payments for the redemptions of convertible bonds	27(iii)	(16,114)	(65,850)
Finance costs paid		(70,595)	(44,527)
Net cash (used in)/generated from financing activities		(166,253)	128,760
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 April	24	55,020	9,207
Effect of foreign exchange rate changes		(1)	(116)
Cash and cash equivalents at 31 March	24	135,395	55,020

The notes on pages 38 to 119 form part of these financial statements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Lisi Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 1995. The consolidated financial statements of the Company for the year ended 31 March 2015 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in an associate. The principal activities of the Group are the manufacturing and trading of household products, the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances, and investments holding.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, continue to be those of the predecessor Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2015 comprise the Group and the Group's interests in an associate.

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(c) Changes in accounting policies

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- HK (IFRIC) 21, *Levies*

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

(d) Business combination

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associate

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

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

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

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

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

(g) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill (continued)

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

(h) Other investments in debt and equity securities

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

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

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

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. Fair values of derivatives are obtained using valuation techniques, including discounted cash flow model and option pricing model. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(j) Investment properties

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

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

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

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

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

Estimated useful lives

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

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(o)(ii)).

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

	Estimated useful lives
Customer relationships	5-6 years

Both the period and method of amortisation are reviewed annually.

(m) Leased assets

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

(i) *Classification of assets leased to the Group*

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

(ii) *Assets acquired under finance leases*

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment property (see Note 2(j)).

(n) Trade and other receivables

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

(o) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

- for investment in an associate accounted for under the equity method in the consolidated financial statements (see Note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(o)(ii).
- for unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- for trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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

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

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

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

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

(ii) *Impairment of other assets*

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

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease (except properties classified as investment properties);
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(ii) *Impairment of other assets (continued)*

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

(iii) *Interim financial reporting and impairment*

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

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

(p) Inventories

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

Cost is calculated using the weighted average cost formula 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.

(q) Convertible bonds

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Convertible bonds (continued)

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

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

(r) Interest-bearing borrowings

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

(s) Trade and other payables

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

(t) 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.

(u) Employee benefits

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

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

The Group's contributions to defined contribution retirement plans are charged to profit or loss when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or cost of construction in progress not yet transferred to property, plant and equipment.

(ii) *Termination benefits*

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax

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

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

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

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

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions and contingent liabilities

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

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

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

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

(ii) *Service fee income*

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

(iii) *Rental income from operating leases*

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

(iv) *Customer loyalty programme*

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

(v) *Dividends*

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

(vi) *Interest income*

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(vii) Government grants

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

(y) Translation of foreign currencies

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

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

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

(z) Borrowing costs

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
 - (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).

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.

(bb) Segment reporting

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 14, 17 and 34 contain information about the assumptions and their risk factors relating to valuation of investment properties, goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

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

(b) Impairment of assets

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

(c) Depreciation and amortisation

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

(d) Deferred tax

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

Turnover represents the sales value of goods sold to customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases, service fee income, and investment and dividend income.

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

	2015 RMB'000	2014 RMB'000
Sales of goods:		
– manufacturing and trading of household products	401,075	330,012
– retail operation of department stores and supermarkets	330,236	201,732
– wholesale of wine and beverages and electrical appliances	289,639	174,367
	1,020,950	706,111
Net income from concession sales	22,963	16,527
Rental income from operating leases	36,571	23,205
Service fee income	51,406	27,676
Investment and dividend income	26,152	9,484
	1,158,042	783,003

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

	2015 RMB'000	2014 RMB'000
Customer A	135,159	98,659

Note (i): In respect of the Group's operation of department stores and supermarkets, the directors of the Company consider that the customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 March 2015 and 2014.

Details of concentrations of credit risk are set out in Note 34(a).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(a) Turnover (continued)

Information on gross revenue

Gross revenue represents the gross amount arising from the sales of goods to retail and wholesale customers and concession sales charged to retail customers, rental income from operating leases, service fee income charged to tenants, and investment and dividend income, net of value added tax or other sales tax and discounts.

	2015 RMB'000	2014 RMB'000
Sales of goods:		
– manufacturing and trading of household products	401,075	330,012
– retail operation of department stores and supermarkets	330,236	201,732
– wholesale of wine and beverages and electrical appliances	289,639	174,367
	1,020,950	706,111
Gross revenue from concession sales	164,551	118,814
Rental income from operating leases	36,571	23,205
Service fee income	51,406	27,676
Investment and dividend income	26,152	9,484
	1,299,630	885,290

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

- Manufacturing and trading: this segment manufactures and trades plastic and metallic household products.
- Retail: this segment manages the department stores and supermarket operations.
- Wholesale: this segment carries out the wholesale of wine and beverages and electrical appliances business.
- Investments holding: this segment manages the investments in debt and equity securities.

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

(i) Segment results

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

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 TURNOVER 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 2015 and 2014 is set out below.

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

	2014				
	Manufacturing and trading	Retail	Wholesale	Investments holding	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue and net income from external customers	330,012	265,933	176,660	9,484	782,089
Inter-segment revenue	–	–	2,691	–	2,691
Reportable segment revenue and net income	330,012	265,933	179,351	9,484	784,780
Reportable segment gross profit	69,563	68,150	6,444	9,484	153,641

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue and net income

	2015 RMB'000	2014 RMB'000
Revenue and net income		
Reportable segment revenue and net income	1,162,471	784,780
Elimination of inter-segment revenue	(5,193)	(2,691)
Unallocated revenue	764	914
<hr/>		
Consolidated turnover	1,158,042	783,003
<hr/>		
Gross profit		
Reportable segment gross profit	260,201	153,641
Gross loss of unallocated items	(151)	(563)
<hr/>		
Consolidated gross profit	260,050	153,078
<hr/>		

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue and net income from external customers and (ii) the Group's property, plant and equipment, investment properties (for 2014, excluded the then to be disposed investment property as mentioned in Note 14(c)), intangible assets, goodwill and available-for-sale investments (together as "specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and investment properties (for 2014, excluded the then to be disposed investment property as mentioned in Note 14(c)), and the location of the operations to which they are allocated, in the case of intangible assets, goodwill and available-for-sale investments.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(iii) Geographic information (continued)

	Revenue and net income from external customers		Specified non-current assets	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
The PRC (including Hong Kong) (place of domicile)	761,751	459,026	1,453,223	1,474,754
The United States	347,043	277,076	–	–
Europe	12,390	21,214	–	–
Canada	13,594	4,856	–	–
Others	23,264	20,831	–	–
	1,158,042	783,003	1,453,223	1,474,754

5 OTHER REVENUE AND NET INCOME

	2015 RMB'000	2014 RMB'000
Other revenue		
Interest income on cash at bank and advances due from related parties	10,461	10,152
Government grants	3,937	4,427
Others	767	2,094
	15,165	16,673
Other net income		
Net gain from sale of scrap materials	542	1,013
Net gain/(loss) on disposal of property, plant and equipment	5,037	(7)
Others	332	–
	5,911	1,006

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	66,168	41,447
Finance charges on convertible bonds (Note 27)	9,427	11,789
Bank charges and other finance costs	7,816	7,856
Total borrowing costs	83,411	61,092
Changes in fair value on the derivative components of convertible bonds (Note 27)	(57,024)	149,569
Net gain on redemptions of convertible bonds (Notes 27(ii) and 27(iii))	(6,219)	(68,531)
	20,168	142,130

No borrowing costs have been capitalised for the year ended 31 March 2015 (2014: RMBNil).

(b) Staff costs#

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	126,661	97,743
Contributions to defined contribution retirement plans	8,372	4,719
	135,033	102,462

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

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2015 RMB'000	2014 RMB'000
Cost of inventories# (Note 21)	869,525	615,199
Auditors' remuneration		
– statutory audit service	1,800	1,700
– audit service related to acquisition of subsidiaries	–	1,900
– other services related to disposal of investment property	500	–
Depreciation and amortisation# (Notes 13(a) and 18)	51,572	32,859
Impairment losses on property, plant and equipment (Note 13(a))	–	18,980
Impairment losses on trade and other receivables (Note 22(a)(ii))	–	166
Operating lease charges in respect of properties	40,280	27,757
Net foreign exchange (gain)/loss	(527)	1,346

Cost of inventories includes RMB65,031,000 (2014: RMB58,100,000) for the year ended 31 March 2015, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 RMB'000	2014 RMB'000
Current taxation – PRC Corporate Income Tax (Note 28(a)):		
– Provision for the year	355,216	4,711
– (Over-provision)/under-provision in respect of prior years	(179)	316
	355,037	5,027
Deferred taxation (Note 28(b)):		
– Origination and reversal of temporary differences	(334,835)	341,780
– Recognition of prior years' unused tax losses previously not recognised	–	(13,676)
	(334,835)	328,104
	20,202	333,131

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	100,512	1,294,724
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	20,354	341,684
Tax effect of non-deductible expenses	5,919	2,378
Tax effect of non-taxable income (Note (iv))	(10,946)	(2,771)
Tax effect of share of losses/(profits) of an associate	2,200	(2,067)
Tax effect of unused tax losses not recognised (Note 28(c))	2,854	7,267
Tax effect of recognition of prior years' unused tax losses previously not recognised	–	(13,676)
(Over-provision)/under-provision in respect of prior years	(179)	316
Income tax	20,202	333,131

Notes:

- (i) The Hong Kong Profits Tax rate for the year ended 31 March 2015 is 16.5% (2014: 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 2015 (2014: RMBNil).
- (ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2014: 25%).
- (iv) Non-taxable income mainly represents the gain arising from the changes in fair value on the derivative components of convertible bonds.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed, with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2015				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Lixin	-	-	-	-	-
Mr. Cheng Jianhe	-	-	-	-	-
Ms. Jin Yaxue (appointed on 22 July 2014)	-	420	512	12	944
Non-executive directors					
Mr. Xu Jin (resigned on 22 July 2014)	-	-	-	-	-
Mr. Lau Kin Hon	-	-	-	-	-
Independent non-executive directors					
Mr. He Chengying	95	-	-	-	95
Mr. Cheung Kiu Cho Vincent	95	-	-	-	95
Mr. Shin Yick Fabian	114	-	-	-	114
	304	420	512	12	1,248

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' REMUNERATION (CONTINUED)

	2014				
	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	–	–	–	–	–
Non-executive directors					
Mr. Xu Jin	–	–	–	–	–
Mr. Lau Kin Hon	–	–	–	–	–
Independent non-executive directors					
Mr. He Chengying	95	–	–	–	95
Mr. Cheung Kiu Cho Vincent	95	–	–	–	95
Mr. Shin Yick Fabian	114	–	–	–	114
	304	–	–	–	304

There were no arrangements under which a director waived or agreed to waive any emoluments during the year. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office during the year.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2014: none) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining four (2014: five) individuals is as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	2,096	2,216
Discretionary bonuses	521	1,057
Retirement scheme contributions	49	52
	2,666	3,325

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:

	2015	2014
(In Hong Kong dollar ("HK\$"))		
Nil – 1,000,000	2	3
1,000,001 – 1,500,000	2	2

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10 PROFIT/LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB50,735,000 (2014: a loss of RMB104,846,000) which has been dealt with in the financial statements of the Company (see Note 29(a)).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

11 OTHER COMPREHENSIVE INCOME

	2015			2014
	Before tax amount RMB'000	Tax expense RMB'000 (Note 28(b))	Net-of-tax amount RMB'000	Before and net-of-tax amount RMB'000
Available-for-sale debt securities: net movement in fair value reserve	11,289	(2,822)	8,467	–
Exchange differences on translation into presentation currency	(3,071)	–	(3,071)	(188)
Other comprehensive income	8,218	(2,822)	5,396	(188)

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2015 is based on the profit attributable to ordinary equity shareholders of the Company of RMB82,212,000 (2014: profit attributable to ordinary equity shareholders of the Company of RMB963,225,000) and the weighted average of 4,176,964,000 ordinary shares (2014: 3,473,676,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2015 '000	2014 '000
Issued ordinary shares at 1 April	4,176,964	2,476,964
Effect of shares issued on the acquisition of subsidiaries	–	996,712
Weighted average number of ordinary shares at 31 March	4,176,964	3,473,676

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2015 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB28,078,000 (2014: RMB1,057,206,000 (diluted)) and the weighted average of 4,613,371,000 ordinary shares (diluted) (2014: 4,055,852,000 ordinary shares (diluted)), calculated as follows:

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

	2015 RMB'000	2014 RMB'000
Profit attributable to ordinary equity shareholders	82,212	963,225
After tax effect of effective interest and exchange differences on the liability component of convertible bonds	9,109	12,943
After tax effect of changes in fair value recognised on the derivative components of convertible bonds	(57,024)	149,569
After tax effect of net gain on redemptions of convertible bonds	(6,219)	(68,531)
Profit attributable to ordinary equity shareholders (diluted)	28,078	1,057,206

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

	2015 '000	2014 '000
Weighted average number of ordinary shares at 31 March	4,176,964	3,473,676
Effect of conversion of convertible bonds	436,407	582,176
Weighted average number of ordinary shares (diluted) at 31 March	4,613,371	4,055,852

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 April 2013	-	3,718	51,510	11,161	208,486	3,320	8,258	286,453
Exchange adjustments	-	-	(51)	(20)	(248)	(6)	-	(325)
Additions through acquisition								
of subsidiaries	849,782	70,733	-	71,170	-	3,711	-	995,396
Additions	-	5,852	6,999	752	-	1,153	17,251	32,007
Transfer in/(out)	-	7,597	86	-	12,007	-	(19,690)	-
Disposals	-	(17)	(1,686)	(907)	-	(717)	-	(3,327)
At 31 March 2014	849,782	87,883	56,858	82,156	220,245	7,461	5,819	1,310,204
Accumulated depreciation and impairment losses:								
At 1 April 2013	-	(242)	(21,673)	(9,825)	(168,887)	(1,945)	-	(202,572)
Exchange adjustments	-	-	33	19	196	5	-	253
Additions through acquisition								
of subsidiaries	(77,882)	(31,101)	-	(53,775)	-	(1,990)	-	(164,748)
Charge for the year	(10,906)	(5,903)	(3,357)	(3,841)	(3,690)	(955)	-	(28,652)
Impairment losses	-	(447)	(4,257)	-	(14,222)	(54)	-	(18,980)
Written back on disposals	-	-	570	228	-	528	-	1,326
At 31 March 2014	(88,788)	(37,693)	(28,684)	(67,194)	(186,603)	(4,411)	-	(413,373)
Net book value:								
At 31 March 2014	760,994	50,190	28,174	14,962	33,642	3,050	5,819	896,831

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 April 2014	849,782	87,883	56,858	82,156	220,245	7,461	5,819	1,310,204
Exchange adjustments	-	1	-	(9)	-	(3)	-	(11)
Additions	-	5,639	9,717	2,037	-	1,114	14,441	32,948
Transfer in/(out)	-	2,017	-	-	12,696	-	(14,713)	-
Disposals	-	(1,397)	(20,220)	(12,995)	(73,528)	(2,678)	-	(110,818)
At 31 March 2015	849,782	94,143	46,355	71,189	159,413	5,894	5,547	1,232,323
Accumulated depreciation and impairment losses:								
At 1 April 2014	(88,788)	(37,693)	(28,684)	(67,194)	(186,603)	(4,411)	-	(413,373)
Exchange adjustments	-	-	-	8	-	2	-	10
Charge for the year	(22,796)	(9,724)	(3,543)	(4,540)	(4,646)	(949)	-	(46,198)
Written back on disposals	-	801	19,036	12,119	73,343	2,403	-	107,702
At 31 March 2015	(111,584)	(46,616)	(13,191)	(59,607)	(117,906)	(2,955)	-	(351,859)
Net book value:								
At 31 March 2015	738,198	47,527	33,164	11,582	41,507	2,939	5,547	880,464

- (i) At 31 March 2015, property certificates of certain properties with an aggregate net book value of RMB17,206,000 (31 March 2014: RMB17,672,000) are yet to be obtained.
- (ii) Certain of the Group's leasehold land and buildings were pledged against bank loans drawn by the Group (see Note 26(c)).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost			
At 1 April 2013	120	262	382
Additions	–	108	108
Disposals	–	(55)	(55)
At 31 March 2014	120	315	435
Accumulated depreciation:			
At 1 April 2013	(8)	(45)	(53)
Charge for the year	(31)	(87)	(118)
Written back on disposals	–	55	55
At 31 March 2014	(39)	(77)	(116)
Net book value:			
At 31 March 2014	81	238	319
Cost:			
At 1 April 2014	120	315	435
Additions	229	63	292
Disposals	(119)	(190)	(309)
31 March 2015	230	188	418
Accumulated depreciation:			
At 1 April 2014	(39)	(77)	(116)
Charge for the year	(35)	(49)	(84)
Written back on disposals	52	84	136
At 31 March 2015	(22)	(42)	(64)
Net book value:			
At 31 March 2015	208	146	354

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

14 INVESTMENT PROPERTIES

	The Group	
	2015 RMB'000	2014 RMB'000
Valuation:		
At 1 April	2,065,480	175,600
Additions	108,564	34,000
Additions through acquisition of subsidiaries	–	450,660
Fair value adjustments:		
– gains included in the consolidated statement of profit or loss	17,646	1,423,900
– losses included in the consolidated statement of profit or loss	–	(18,680)
Disposal (Note 14(c))	(1,757,500)	–
At 31 March	434,190	2,065,480

Notes:

- (a) Fair value measurement of investment properties
- (i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

14 INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

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

(i) Fair value hierarchy (continued)

The Group – Recurring fair value measurements	Fair value measurements categorised into Level 2 at 31 March	
	2015 RMB'000	2014 RMB'000
Investment properties	434,190	2,065,480

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

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

The fair value of investment properties located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available, and income capitalisation approach.

(b) Certain of the Group's investment properties were pledged against bank loans drawn by the Group (see Note 26(c)).

(c) Disposal of an investment property

On 19 May 2014, a wholly-owned subsidiary of the Group, Jinda Plastic Metal Products (Shenzhen) Co., Ltd. ("Jinda Plastic"), entered into various agreements with Shenzhen City Xingshun Property Development Co., Ltd. ("Xingshun"), where Jinda Plastic agreed to dispose of its land situated in Shenzhen (the "Jinda Land") to Xingshun for a consideration of RMB1,782,000,000. Upon disposal of the Jinda Land, the Group has recognised a gain of RMB24,500,000 which represents the difference between the consideration and fair value of the Jinda Land as at the disposal date. As at 31 March 2015, the Group has received RMB534,600,000 from Xingshun and the remaining consideration of RMB1,247,400,000 has been included in "Trade and other receivables" (see Note 22(a)) and is to be received according to the payments schedule as stipulated in the sale and purchase agreement, which the directors of the Company consider to be before 31 March 2016.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2015 RMB'000	2014 RMB'000
Unlisted shares, at cost	890,921	889,909

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

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by subsidiaries	
Da Mei (Ningbo) Electrical Appliance Limited* 達美(寧波)電器有限公司	The PRC	Registered and paid-up capital of United States dollar ("USD") 49,217,379	100%	–	100%	Manufacture and sale of household electrical appliances and plastic products
Golden Time Group Holdings Limited 金時控股有限公司	Hong Kong	10,000 shares	100%	–	100%	Trading of plastic and metallic household products
Grandmate Industrial Company Limited 金達實業有限公司	Hong Kong	251 shares	100%	–	100%	Trading of plastic and metallic household products
Jinda Plastic* 金達塑膠五金製品(深圳)有限公司	The PRC	Registered and paid-up capital of HK\$180,000,000	100%	–	100%	Property holding
Lisi Housewares (Hong Kong) Company Limited 利時日用品(香港)有限公司	Hong Kong	1,000 shares	100%	–	100%	Investment holding
Magician Industrial Company Limited 通達工業有限公司	Hong Kong	5 shares	100%	–	100%	Trading of plastic and metallic household products
Magician Lifestyle Limited 樂活公式有限公司	Hong Kong	1 share	100%	–	100%	Trading of plastic and metallic household products

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by subsidiaries	
More Concept Limited 驕銘有限公司	Hong Kong	3 shares	100%	–	100%	Trading of plastic and metallic household products
Ningbo New JoySun Corp.* ("New JoySun") 寧波新江廈股份有限公司	The PRC	Registered and paid-up capital of RMB60,000,000	100%	–	100%	Wholesale of household products and wine and beverages, operation of department stores, and provision of financing to group companies
Ningbo New JoySun Electrical Appliance Departmental Store Wholesale Limited* 寧波新江廈家電百貨批發有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	100%	–	100%	Wholesale and installation of household electrical appliances
Ningbo New JoySun Supermarket Chain Limited* 寧波新江廈連鎖超市有限公司	The PRC	Registered and paid-up capital of RMB30,000,000	82%	–	82%	Operation of supermarkets
Ningbo Lisi Supermarket Limited* 寧波利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	82%	–	82%	Operation of supermarket
Ningbo New JoySun Logistic Limited* 寧波新江廈物流有限公司	The PRC	Registered and paid-up capital of RMB5,000,000	82%	–	82%	Provision of transportation and logistic services to group companies
Quzhou Lisi Supermarket Limited* 衢州利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	82%	–	82%	Operation of supermarket
Tonglu Lisi Supermarket Limited* 桐廬利時超市有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	82%	–	82%	Operation of supermarket

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by subsidiaries	
Treasure Time Holdings Limited 豐時控股有限公司	Hong Kong	1 share	100%	–	100%	Investment holding
Wealthy Honor Holdings Limited ("Wealthy Honor") 盛新控股有限公司	BVI	Issued and paid-up capital of USD1	100%	100%	–	Investment holding
Well Harbour Development Limited 順港發展有限公司	Hong Kong	1 share	100%	–	100%	Purchasing of paper, plastic and metallic materials and household products for group companies
Xiangshan Lisi Department Store Limited* 象山利時百貨有限公司	The PRC	Registered and paid-up capital of RMB20,000,000	100%	–	100%	Operation of department store
Yinzhou Qiyuan Decoration Limited* 寧波市鄞州啓元住宅裝飾有限公司	The PRC	Registered and paid-up capital of RMB600,000	100%	–	100%	Provision of decoration services and trading of decorating materials
Ningbo Lisi Household Products Company Limited* 寧波利時日用品有限公司	The PRC	Registered and paid-up capital of HK\$50,000,000	100%	–	100%	Trading of plastic and metallic household products
Ningbo Lisi Information Technology Company Limited* 寧波利時信息科技有限公司	The PRC	Registered and paid-up capital of RMB20,000,000	100%	–	100%	Investment holding

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Turnover	456,534	278,268
Loss for the year/period from the date of acquisition to end of the reporting period	10,569	9,067
Loss attributable to NCI	1,902	1,632
Non-current assets	582,897	599,365
Current assets	524,072	522,200
Current liabilities	(615,654)	(619,951)
Non-current liabilities	(106,840)	(106,569)
Net assets	384,475	395,045
Net assets attributable to NCI	69,206	71,108

16 LOAN TO A SUBSIDIARY

The Company's loan to a subsidiary is unsecured and non-interest bearing. The loan has been renewed in July 2014 and is repayable in July 2015.

17 GOODWILL

	The Group	
	2015 RMB'000	2014 RMB'000
At the beginning and the end of reporting period, at cost	43,313	43,313

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

17 GOODWILL (CONTINUED)

The recoverable amount of the Relevant CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. These cash flow projections adopted annual growth rates ranging from 5% to 10% (2014: from 5% to 10%), which are based on the Group's historical experience with this business and adjusted for other factors that are specific to the Relevant CGU. Cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate (2014: 2%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 19% (2014: 26%). The discount rates used are pre-tax and reflect specific risks relating to the Relevant CGU.

18 INTANGIBLE ASSETS

	The Group Customer relationships
	RMB'000
Cost:	
At 1 April 2013	15,456
Additions through acquisition of subsidiaries	14,000
<hr/>	
At 31 March 2014, 1 April 2014 and 31 March 2015	29,456
<hr style="border-top: 1px dashed #00a0c0;"/>	
Accumulated amortisation:	
At 1 April 2013	(7,500)
Charge for the year	(4,207)
<hr/>	
At 31 March 2014	(11,707)
Charge for the year	(5,374)
<hr/>	
At 31 March 2015	(17,081)
<hr style="border-top: 1px dashed #00a0c0;"/>	
Net book value:	
At 31 March 2015	12,375
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At 31 March 2014	17,749
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The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

19 INTERESTS IN AN ASSOCIATE

	The Group	
	2015 RMB'000	2014 RMB'000
Share of net assets	27,431	36,231
Goodwill	12,713	12,713
	40,144	48,944

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

Name of associate	Place of establishment and operations	Particulars of registered and paid-up capital	Proportion of ownership interest			Principal activities
			The Group's effective interest	Held by the Company	Held by a subsidiary	
Veritas-Msi (China) Company Limited 寧波威瑞泰默賽多相流儀器設備有限公司	The PRC	Registered and paid-up capital of RMB32,832,887	24.76%	–	24.76%	Development and provision of separation technology on natural resources

The above associate is accounted for using the equity method in the consolidated financial statements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

19 INTERESTS IN AN ASSOCIATE (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Gross amounts of the associate:		
Non-current assets	164,863	170,568
Current assets	211,947	204,344
Current liabilities	(246,033)	(212,165)
Non-current liabilities	(19,991)	(16,418)
Net assets	110,786	146,329
Revenue	49,699	167,152
(Loss)/profit for the year	(35,540)	33,390
Reconciliation to the Group's interests in the associate		
Gross amounts of net assets of the associate	110,786	146,329
Group's effective interest	24.76%	24.76%
Group's share of net assets of the associate	27,431	36,231
Goodwill	12,713	12,713
Carrying amount in the consolidated financial statements	40,144	48,944

20 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2015 RMB'000	2014 RMB'000
Non-current assets		
Unlisted equity securities (Note (i))	82,881	84,881
Current assets		
Unlisted debt securities (Note (ii))	531,289	250,000

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

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

21 INVENTORIES

	The Group	
	2015 RMB'000	2014 RMB'000
Raw materials	39,533	28,137
Work in progress	12,901	15,442
Finished goods	5,985	9,850
Merchandises	93,639	106,104
	152,058	159,533

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

	The Group	
	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	869,525	616,229
Reversal of write-down of inventories	–	(1,030)
	869,525	615,199

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES

(a) The Group

	2015 RMB'000	2014 RMB'000
Trade receivables from (Notes 22(a)(i) and 22(a)(iii)):		
– Third parties	33,471	38,334
– Companies under the control of the controlling equity shareholder of the Company (the “Controlling Shareholder”) (Note (aa))	150,308	106,521
– A non-controlling equity holder of a subsidiary of the Group	17,423	12,055
Bills receivables	3,420	4,885
	204,622	161,795
Less: allowance for doubtful debts (Note 22(a)(ii))	–	(317)
	204,622	161,478
<hr style="border-top: 1px dashed #00a09a;"/>		
Amounts due from companies under the control of the Controlling Shareholder (Note (bb))	2,166	5,403
<hr style="border-top: 1px dashed #00a09a;"/>		
Amount due from an associate (Note (cc))	5,000	–
<hr style="border-top: 1px dashed #00a09a;"/>		
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	4,944	11,780
– Prepayments for purchase of inventories	8,798	3,344
– Advances to third parties	28,178	41,819
– Receivable from the disposal of investment property (see Note 14(c))	1,247,400	–
– Others	13,289	16,521
	1,302,609	73,464
	1,514,397	240,345

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

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

Note (cc): The amount is unsecured, bears interest at 8% per annum and is repayable in November 2015.

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

(i) Ageing analysis

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

	2015 RMB'000	2014 RMB'000
Within 1 month	67,604	58,854
More than 1 month but less than 3 months	93,456	73,071
Over 3 months	43,562	29,553
	204,622	161,478

Further details on the Group's credit policy are set out in Note 34(a).

(ii) Impairment of trade and other receivables

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

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

	2015 RMB'000	2014 RMB'000
At 1 April	317	170
Exchange adjustments	–	1
Impairment losses recognised	–	166
Uncollectible amounts written off	(317)	(20)
At 31 March	–	317

At 31 March 2015, none of the Group's trade and other receivables (31 March 2014: RMB317,000) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

(iii) Trade and bills receivables that are not impaired

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	141,564	105,429
Less than 1 month past due	48,084	31,551
More than 1 month but less than 3 months past due	12,237	21,872
More than 3 months past due	2,737	2,626
	63,058	56,049
	204,622	161,478

Receivables that were neither past due nor impaired relate to bills receivables from the issuing banks and customers for whom there was no recent history of default.

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

(b) The Company

	2015 RMB'000	2014 RMB'000
Prepayments and deposits	455	711

All of the prepayments and deposits are expected to be recovered or recognised as expenses within one year.

23 RESTRICTED BANK DEPOSITS

	The Group	
	2015 RMB'000	2014 RMB'000
Pledged deposits for issuance of bank bills	132,974	62,762

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

24 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	135,395	55,020	721	82

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

25 TRADE AND OTHER PAYABLES

(a) The Group

	2015 RMB'000	2014 RMB'000
Trade payables to:		
– Third parties	186,394	188,514
– Companies under the control of the Controlling Shareholder	53,777	53,908
	240,171	242,422
Bills payables	89,324	22,612
	329,495	265,034
Amounts due to companies under the control of the Controlling Shareholder (Note (i))	26,087	18,020
Accrued charges and other payables:		
– Accrued operating lease expenses	18,208	20,818
– Payables for staff related costs	33,478	26,818
– Accruals for costs incurred on investment property	8,572	13,300
– Deposits from suppliers	5,354	4,639
– Payables for interest expenses	9,865	6,141
– Payables for miscellaneous taxes	6,795	1,097
– Others	14,749	17,002
	97,021	89,815
Financial liabilities measured at amortised cost	452,603	372,869
Advances received from customers	75,055	61,383
	527,658	434,252

Note:

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The Group (continued)

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

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

	2015 RMB'000	2014 RMB'000
Within 1 month	104,002	132,002
Over 1 month but within 3 months	136,653	69,847
Over 3 months but within 6 months	82,711	57,579
Over 6 months	6,129	5,606
	329,495	265,034

(b) The Company

	2015 RMB'000	2014 RMB'000
Amounts due to subsidiaries (Note (i))	216,913	193,840
Accrued charges and other payables	10,132	6,597
	227,045	200,437

Note:

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

All of the payables are expected to be settled within one year or are repayable on demand.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

26 BANK AND OTHER LOANS

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

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Bank loans:				
– Pledged by bank bills	118,250	110,750	–	–
– Secured by the Group's leasehold land and buildings and investment properties (Note 26(c))	142,300	142,300	–	–
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder (Note 26(c))	222,400	263,000	–	–
– Secured by property, plant and equipment of a company under the control of the Controlling Shareholder	17,600	100,000	–	–
– Guaranteed by companies under the control of the Controlling Shareholder	50,000	30,000	–	–
	550,550	646,050	–	–
Loans from third parties:				
– Unguaranteed and unsecured	121,078	5,081	5,078	5,081
Loans from a company under the control of the Controlling Shareholder:				
– Unguaranteed and unsecured	2,063	651	2,063	651
	673,691	651,782	7,141	5,732
Add:				
– Current portion of long-term bank loans (Note (i) and Note 26(b))	24,000	41,270	–	–
– Non-current portion of a long-term bank loan repayable on demand (Note (i) and Note 26(b))	–	57,000	–	–
	697,691	750,052	7,141	5,732

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

26 BANK AND OTHER LOANS (CONTINUED)

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

Note:

- (i) At 31 March 2014, one of the Group's long-term bank loans with principal amount of RMB77,000,000, including current portion of RMB20,000,000 and non-current portion of RMB57,000,000, contains clauses which give the lender unconditional rights to demand immediate repayment of the loan at any time. This long-term bank loan had been fully repaid during the year ended 31 March 2015.

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

	The Group		The Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Bank loans:				
– Secured by the Group's leasehold land and buildings and investment properties (Note 26(c))	340,380	361,650	–	–
– Secured by the Group's leasehold land and buildings and investment properties and guaranteed by companies under the control of the Controlling Shareholder (Note 26(c))	–	77,000	–	–
	340,380	438,650	–	–
Loan from a company under the control of the Controlling Shareholder:				
– Unguaranteed and unsecured	–	3,186	–	3,186
	340,380	441,836	–	3,186
Less:				
– Current portion of long-term bank loans (Note 26(a))	(24,000)	(41,270)	–	–
– Non-current portion of a long-term bank loan repayable on demand (Note 26(a) and Note 26(a)(i))	–	(57,000)	–	–
	316,380	343,566	–	3,186

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

26 BANK AND OTHER LOANS (CONTINUED)

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

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

	The Group	
	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	24,000	41,270
After 1 year but within 2 years	26,540	84,186
After 2 years but within 5 years	167,240	113,540
After 5 years	122,600	202,840
	340,380	441,836

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

At 31 March 2015, the Group's banking facilities amounted to RMB428,257,000 (31 March 2014: RMB326,000,000) were utilised to the extent of RMB290,000,000 (31 March 2014: RMB293,000,000).

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

	The Group	
	2015 RMB'000	2014 RMB'000
Pledged for short-term bank loans:		
Leasehold land and buildings (Note 13(a))	242,285	180,348
Investment properties (Note 14)	365,190	1,997,480
	607,475	2,177,828
Pledged for long-term bank loans:		
Leasehold land and buildings (Note 13(a))	488,946	433,118
Investment properties (Note 14)	55,000	54,000
	543,946	487,118
	1,151,421	2,664,946

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

27 CONVERTIBLE BONDS

	The Group and the Company		
	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 1 April 2013	–	–	–
Convertible bonds issued (Note (i))	244,290	62,812	307,102
Accrued finance charges for the year (Note 6(a))	11,789	–	11,789
Fair value changes on the derivative components (Note 6(a))	–	149,569	149,569
Redemptions during the year (Note (ii))	(159,699)	(100,896)	(260,595)
Exchange adjustments	915	239	1,154
At 31 March 2014 and 1 April 2014	97,295	111,724	209,019
Accrued finance charges for the year (Note 6(a))	9,427	–	9,427
Fair value changes on the derivative components (Note 6(a))	–	(57,024)	(57,024)
Reclassification to interest payable	(3,378)	–	(3,378)
Redemptions during the year (Note (iii))	(14,033)	(8,810)	(22,843)
Exchange adjustments	(123)	(195)	(318)
At 31 March 2015	89,188	45,695	134,883

Notes:

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

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

- (ii) During the year ended 31 March 2014, an aggregate principal amount of the Shi Hui Bonds of HK\$241,075,000 (equivalent to approximately RMB189,891,000) had been redeemed with cash and used to set off the Group’s amounts due from companies under the control of the Controlling Shareholder. The difference between the redemption and carrying amounts of the redeemed bonds of RMB68,531,000 had been recognised as gain in the consolidated statement of profit or loss.
- (iii) On 19 September 2014, the Group has redeemed a principal amount of HK\$20,325,000 (equivalent to approximately RMB16,114,000) of the Shi Hui Bonds in cash.

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2015 RMB'000	2014 RMB'000
Balance of income tax payable/(prepaid income tax) at 1 April	5,322	(1,178)
Additions through acquisition of subsidiaries	–	9,255
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	355,216	4,711
Reclassification of deferred tax relating to revaluation surplus of a disposed investment property	2,865	–
(Over-provision)/under-provision in respect of prior years (Note 7(a))	(179)	316
Income tax paid	(13,831)	(7,782)
Balance of income tax payable at 31 March	349,393	5,322

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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					Total	Net
	Unused tax losses	Accrued operating lease expenses	Impairment losses on plant and equipment	Total amortisation	Fair value adjustments on property, plant and investment properties and intangible assets and related depreciation on property, plant and for-sale debt	Tax allowance in excess of depreciation on property, securities	Fair value adjustments on available-			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Deferred tax arising from:										
At 1 April 2013	3,466	-	-	3,466	(2,865)	(8,758)	-	(11,623)	(8,157)	
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	19,401	(110)	4,745	24,036	(350,687)	(1,453)	-	(352,140)	(328,104)	
Additions through acquisition of subsidiaries	25,727	3,468	1,043	30,238	(247,557)	(1,562)	-	(249,119)	(218,881)	
At 31 March 2014	48,594	3,358	5,788	57,740	(601,109)	(11,773)	-	(612,882)	(555,142)	
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(19,826)	(86)	(2,708)	(22,620)	358,833	(1,378)	-	357,455	334,835	
Charged to reserves (Note 11)	-	-	-	-	-	-	(2,822)	(2,822)	(2,822)	
Reversal of deferred tax relating to revaluation surplus of properties upon disposal of investment properties (Note 28(a))	-	-	-	-	2,865	-	-	2,865	2,865	
At 31 March 2015	28,768	3,272	3,080	35,120	(239,411)	(13,151)	(2,822)	(255,384)	(220,264)	

(ii) The Company

There were no significant unrecognised deferred tax assets and liabilities at 31 March 2015 and 2014.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(v), the Group has not recognised deferred tax assets in respect of unused tax losses arising from certain subsidiaries of the Group of RMB94,755,000 (31 March 2014: RMB81,669,000) 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 RMB67,552,000 which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2015 will expire on or before 31 March 2020.

(d) Deferred tax liabilities not recognised

At 31 March 2015, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB1,350,307,000 (31 March 2014: RMB1,215,708,000). Deferred tax liabilities of RMB67,515,000 (31 March 2014: RMB60,785,000) 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Capital redemption reserve RMB'000 (Note 29(d)(ii))	Contributed surplus RMB'000 (Note 29(d)(iii))	Exchange reserve RMB'000 (Note 29(d)(iv))	Accumulated losses RMB'000	Total RMB'000
At 1 April 2013	22,724	145,494	1,341	80,583	(20,648)	(51,542)	177,952
Changes in equity for the year ended 31 March 2014:							
Loss and total comprehensive income	-	-	-	-	-	(104,846)	(104,846)
Issuance of shares on acquisition of subsidiaries	13,414	395,734	-	-	-	-	409,148
	13,414	395,734	-	-	-	(104,846)	304,302
At 31 March 2014	36,138	541,228	1,341	80,583	(20,648)	(156,388)	482,254
At 1 April 2014	36,138	541,228	1,341	80,583	(20,648)	(156,388)	482,254
Changes in equity for the year ended 31 March 2015:							
Profit and total comprehensive income	-	-	-	-	-	50,735	50,735
At 31 March 2015	36,138	541,228	1,341	80,583	(20,648)	(105,653)	532,989

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Distribution

Distribution payable to equity shareholders of the Company:

	2015 RMB'000	2014 RMB'000
Special distribution of HK\$0.05 per ordinary share proposed after the end of the reporting period	183,197	–

The special distribution after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: RMB Nil).

(c) Share capital

(i) Authorised and issued share capital

	2015		2014	
	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

	2015		2014	
	No. of shares '000	RMB\$'000	No. of shares '000	RMB\$'000
Ordinary shares, issued and fully paid:				
At 1 April	4,176,964	36,138	2,476,964	22,724
Issuance of shares on acquisition of subsidiaries	–	–	1,700,000	13,414
At 31 March	4,176,964	36,138	4,176,964	36,138

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) *Share premium and capital redemption reserve*

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

(ii) *Statutory reserves*

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

(iii) *Contributed surplus*

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

(iv) *Exchange reserve*

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

(v) *Property revaluation reserve*

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

(vi) *Fair value reserve*

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Distributable reserves

At 31 March 2015, 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 RMB621,811,000 (31 March 2014: RMB621,811,000). After the end of the reporting period, the directors of the Company proposed a special distribution of HK\$0.05 per ordinary share (2014: HK\$Nil per ordinary share), amounting to RMB183,197,000 (2014: RMBNil) (see Note 29(b)). The distribution has not been recognised as a liability at the end of the reporting period.

(f) Capital management

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

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

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

During 2015, the Group's strategy was to maintain the adjusted net debt-to-capital ratio to a similar level in 2014. 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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 March 2015 and 2014 was as follows:

	The Group	
	2015 RMB'000	2014 RMB'000
Current liabilities:		
Trade and other payables	527,658	434,252
Bank and other loans	697,691	750,052
	1,225,349	1,184,304
Non-current liabilities:		
Bank and other loans	316,380	343,566
Convertible bonds	134,883	209,019
	451,263	552,585
Total debt	1,676,612	1,736,889
Add: proposed distributions	183,197	–
Less: cash and cash equivalents	(135,395)	(55,020)
Adjusted net debt	1,724,414	1,681,869
Total equity	1,713,211	1,627,505
Less: proposed distributions	(183,197)	–
Total equity and adjusted capital	1,530,014	1,627,505
Adjusted net debt-to-capital ratio	113%	103%

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 March 2015 and 2014 was as follows: (continued)

	The Company	
	2015 RMB'000	2014 RMB'000
Current liabilities:		
Other payables	227,045	200,437
Other loans	7,141	5,732
	234,186	206,169
Non-current liabilities:		
Other loan	–	3,186
Convertible bonds	134,883	209,019
	134,883	212,205
Total debt	369,069	418,374
Add: proposed distributions	183,197	–
Less: cash and cash equivalents	(721)	(82)
Adjusted net debt	551,545	418,292
Total equity	532,989	482,254
Less: proposed distributions	(183,197)	–
Total equity and adjusted capital	349,792	482,254
Adjusted net debt-to-capital ratio	158%	87%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 DISPOSAL OF A SUBSIDIARY

On 25 April 2014, the Group disposed of a subsidiary to a third party. The total consideration for the disposal amounted to RMB1,500,000 fully satisfied in cash. The carrying value of the net assets disposed of amounted to RMB107,000. Accordingly, the Group has recognised a gain of RMB1,393,000 which represents the difference between the consideration and the carrying value of the net assets disposed of as at the disposal date.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Note	2015 RMB'000	2014 RMB'000
Sales of goods		2,401	4,177
Purchases of goods		111,854	90,124
Import and export handling charges		4,732	3,868
Rental income from operating leases		3,840	2,056
Operating lease expenses		14,076	14,118
Interest income	(i)	7,283	8,634
Interest expenses	(ii)	3,193	4,307
Net increase/(decrease) in non-interest bearing advances received from related parties	(iii)	5,828	(54,513)
Net increase in non-interest bearing advances granted to related parties	(iii)	68,629	99,361
Net decrease in loans received from related parties	(iv)	1,774	8,420
Consideration on acquisition of subsidiaries		–	747,915
Guarantees received from and property, plant and equipment pledged by related companies for the Group's bank loans at the end of the reporting period		290,000	470,000

Further details on the issuance to and redemptions of convertible bonds from related parties are set out in Note 27.

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

	2015 RMB'000	2014 RMB'000
Sales of goods	26,471	12,749

(c) Transactions with an associate of the Group

	Note	2015 RMB'000	2014 RMB'000
Increase in interest bearing advances granted to related parties	(v)	5,000	–

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with subsidiaries of the Group entered into by the Company

	Note	2015 RMB'000	2014 RMB'000
Net increase in non-interest bearing advances received from a subsidiary	(iii)	23,073	11,990

(e) 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:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	5,037	3,586
Contributions to defined contribution retirement plans	110	52
	5,147	3,638

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

Notes:

- (i) Interest income represented interest charges on the advances granted to related parties.
- (ii) Interest expenses represented interest charges on loans and convertible bonds received from related parties.
- (iii) The advances are unsecured and have no fixed terms of repayment.
- (iv) The loans are unsecured, bear interest ranging from 2.38% to 2.39% (2014: 2.38% to 8.41%) per annum and are repayable between April 2015 to June 2015 (2014: between June 2014 to June 2015).
- (v) The advance is unsecured, bears interest at 8% per annum and is repayable in November 2015.

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

Certain of the related party transactions included in Notes 31(a) and 31(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Report of the Board of Directors as required by Chapter 14A of the Listing Rules.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

32 COMMITMENTS

(a) Capital commitments

At 31 March 2015, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	The Group	
	2015 RMB'000	2014 RMB'000
Commitments in respect of leasehold land and buildings, and plant and machinery		
– Contracted for	3,079	927

(b) Operating lease commitments

(i) At 31 March 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2015 RMB'000	2014 RMB'000
Within 1 year	29,539	34,737
After 1 year but within 5 years	55,648	70,692
After 5 years	30,350	46,766
	115,537	152,195

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

32 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(ii) At 31 March 2015, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2015 RMB'000	2014 RMB'000
Within 1 year	36,760	37,147
After 1 year but within 5 years	70,349	75,952
After 5 years	5,705	14,684
	112,814	127,783

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

33 CONTINGENT LIABILITIES

At 31 March 2015, the Group pledged certain leasehold land and buildings and investment properties to secure bank loans borrowed by companies under the control of the Controlling Shareholder. The carrying values of the leasehold land and buildings and investment properties are analysed as follows:

	The Group	
	2015 RMB'000	2014 RMB'000
Leasehold land and buildings	84,897	108,815
Investment properties	12,505	12,277
	97,402	121,092

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group under the pledge. The exposure of the Group at the end of the reporting period under the pledge is RMB51,700,000, being the aggregate principal amount of the bank loans drawn by the related companies of the Group (31 March 2014: RMB66,700,000).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 March 2015, 23.0% (31 March 2014: 15.3%) and 50.3% (31 March 2014: 39.6%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

Except for the pledges of certain of the Group's properties for bank loans drawn by related companies as set out in Note 33, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these pledges is disclosed in Note 33.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from available-for-sale debt investments and trade and other receivables are set out in Notes 20 and 22.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(b) Liquidity risk

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

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's and of the Company'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 and the Company can be required to pay.

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

The Group

	2015				Total	Carrying amount at 31 March
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables measured at amortised cost	452,603	–	–	–	452,603	452,603
Bank and other loans	741,841	50,295	220,669	131,429	1,144,234	1,014,071
Convertible bonds – liability component	2,910	99,921	–	–	102,831	89,188
	1,197,354	150,216	220,669	131,429	1,699,668	1,555,862

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(b) Liquidity risk (continued)

The Group (continued)

	2014				Total	Carrying amount at 31 March
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables measured at amortised cost	372,869	–	–	–	372,869	372,869
Bank and other loans	728,717	52,938	177,561	224,832	1,184,048	1,016,618
Convertible bonds						
– liability component	3,400	3,400	116,723	–	123,523	97,295
Long-term bank loan subject to repayment on demand clauses						
– scheduled repayment	23,488	57,873	–	–	81,361	77,000
	1,128,474	114,211	294,284	224,832	1,761,801	1,563,782
Adjustments to disclose cash flows on long-term loan based on lender's right to demand repayment	53,512	(57,873)	–	–	(4,361)	
	1,181,986	56,338	294,284	224,832	1,757,440	

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(b) Liquidity risk (continued)

The Company

	2015			Carrying amount at 31 March RMB'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	
	RMB'000	RMB'000	RMB'000	
Other payables measured at amortised cost	227,045	–	227,045	227,045
Other loans	7,236	–	7,236	7,141
Convertible bonds – liability component	2,910	99,921	102,831	89,188
	237,191	99,921	337,112	323,374

	2014				Carrying amount at 31 March RMB'000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	
Other payables measured at amortised cost	200,437	–	–	200,437	200,437
Other loans	5,885	3,224	–	9,109	8,918
Convertible bonds – liability component	3,400	3,400	116,723	123,523	97,295
	209,722	6,624	116,723	333,069	306,650

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(c) Interest rate risk

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

(i) Interest rate profile

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

	The Group			
	2015		2014	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	7.08%	1,014,071	6.85%	1,093,618
Convertible bonds – liability component	10.79%	89,188	10.79%	97,295
		<u>1,103,259</u>		<u>1,190,913</u>
Fixed rate borrowings as a percentage of total borrowings		<u>100%</u>		<u>100%</u>

	The Company			
	2015		2014	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowing:				
Other loans	5.67%	7,141	5.18%	8,918
Convertible bonds – liability component	10.79%	89,188	10.79%	97,295
		<u>96,329</u>		<u>106,213</u>
Fixed rate borrowings as a percentage of total borrowings		<u>100%</u>		<u>100%</u>

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(d) Currency risk

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

The Group

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Group (continued)

	2014			
	Exposure to foreign currencies			
	USD RMB'000	RMB RMB'000	HK\$ RMB'000	Euros RMB'000
Trade and other receivables	–	55,533	11,990	–
Loan to a subsidiary	–	–	9,607	–
Cash and cash equivalents	51	19	111	3
Trade and other payables	–	(67,852)	(3,949)	–
Bank and other loans	(5,081)	–	(13,444)	–
Convertible bonds	–	–	(209,019)	–
Gross exposure arising from recognised assets and liabilities	(5,030)	(12,300)	(204,704)	3

The Company

	Exposure to foreign currencies			
	2015		2014	
	USD RMB'000	HK\$ RMB'000	USD RMB'000	HK\$ RMB'000
Loan to a subsidiary	–	9,607	–	9,607
Cash and cash equivalents	–	721	–	82
Other payables	–	(6,168)	–	(3,949)
Other loans	(5,078)	(2,063)	(5,081)	(3,837)
Convertible bonds	–	(134,883)	–	(209,019)
Gross exposure arising from recognised assets and liabilities	(5,078)	(132,786)	(5,081)	(207,116)

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(d) Currency risk (continued)

(iii) Sensitivity analysis

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

	The Group			
	2015		2014	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000
USD	5% (5%)	(197) 197	5% (5%)	(252) 252
RMB	– –	– –	5% (5%)	(461) 461
HK\$	5% (5%)	(5,902) 5,902	5% (5%)	(10,385) 10,385
Euros	5% (5%)	1 (1)	5% (5%)	– –

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	The Group					
	Fair value measurements as at 31 March 2015 categorised into			Fair value measurements as at 31 March 2014 categorised into		
	Fair value at 31 March 2015	Level 2	Level 3	Fair value at 31 March 2014	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements						
Assets:						
Unlisted debt securities (Note 20)	531,289	–	531,289	250,000	–	250,000
Liabilities:						
Derivative components of the convertible bonds (Note 27)	45,695	45,695	–	111,724	111,724	–

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

Recurring fair value measurements	The Company Fair value measurements categorised into Level 2	
	2015 RMB'000	2014 RMB'000
Liabilities		
Derivative components of the convertible bonds (Note 27)	45,695	111,724

Valuation techniques and inputs used in Level 2 fair value measurements

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

Dates of valuation	Derivative components of the Shi Hui Bonds		
	31/03/2014	19/09/2014 (Note (aa))	31/03/2015
Share price (HK\$)	0.550	0.430	0.415
Exercise price (HK\$)	0.300	0.300	0.300
Expected volatility (Note (bb))	69.967%	52.421%	48.685%
Dividend yield (Note (bb))	–	–	–
Maturity period	2.42 years	1.95 years	1.42 years
Conversion period	2.42 years	1.95 years	1.42 years
Discount rate (Note (bb))	9.663%	9.622%	9.340%

Notes:

(aa) These inputs represented the assumptions used in the estimate of the fair value of the derivative components of the Shi Hui Bonds on 19 September 2014, which was the date a portion of the Shi Hui Notes was redeemed.

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted debt securities	Discounted cash flow model	Discount Rate	6.51% to 8.07%

The fair value of unlisted debt securities is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate. The fair value measurement is negatively correlated to the discount rate. As at 31 March 2015, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decreased/increased the Group's other comprehensive income by RMB610,000.

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

	Group	
	2015 RMB'000	2014 RMB'000
Unlisted debt securities:		
At 1 April	250,000	–
Payment for purchases	520,000	250,000
Total gains recognised in other comprehensive income during the year	36,525	7,194
Proceeds from sales	(275,236)	(7,194)
At 31 March	531,289	250,000
Total gains for the year reclassified from other comprehensive income	25,236	7,194

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

The carrying amounts of the Group's and of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2015 and 2014 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	The Group			
	2015		2014	
	Carrying amount at 31 March	Fair value measurements categorised into Level 3	Carrying amount at 31 March	Fair value measurements categorised into Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale equity investments	82,881	*	84,881	*
Liabilities				
Long-term bank and other loans (Note (a))	316,380	327,712	343,566	351,549
Convertible bonds – liability component (Note (a))	89,188	90,853	97,295	99,672
	The Company			
	2015		2014	
	Carrying amount at 31 March	Fair value measurements categorised into Level 3	Carrying amount at 31 March	Fair value measurements categorised into Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Long-term other loan (Note (a))	–	–	3,186	3,003
Convertible bonds – liability component (Note (a))	89,188	90,853	97,295	99,672

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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

(e) Fair value measurement (continued)

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

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

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

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

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount long-term bank and other loans. The Group used the risk free interest rate with reference to the Hong Kong Exchange Fund Notes as of 31 March 2015 plus credit spread of comparable notes with similar credit rating, coupons and maturities to discount the liability component of the convertible bonds as of 31 March 2015. The interest rates used are as follows:

	2015	2014
Long-term bank and other loans	6.90%	7.20%
Convertible bonds – liability component	9.340%	9.663%

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

(a) Declaration of special distribution

On 22 May 2015, the directors of the Company have proposed a special distribution. Further details are disclosed in Note 29(b). The special distribution has been approved by the board of directors on 22 May 2015.

(b) Conversion of convertible bonds into ordinary shares

On 5 June 2015, the convertible bonds issued by the Company (see Note 27) with an aggregate principal amount of HK\$121,400,000 were converted into 404,668,000 ordinary shares at the conversion price of HK\$0.3 per share by Shi Hui. The new ordinary shares were issued to Shi Hui and its two nominees, Chance Talent Management Limited and HNW Investment Fund Series SPC. Upon completion of the conversion on 5 June 2015, the number of ordinary shares of the Company in issue increased from 4,176,964,000 to 4,581,632,000.

36 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 March 2015 to be Shi Hui, a company incorporated in the British Virgin Islands and Big-Max Manufacturing Co., Ltd., a company incorporated in Hong Kong, respectively. Neither of these companies produces financial statements available for public use.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
<i>Annual improvements to HKFRSs 2010-2012 Cycle</i>	1 July 2014
<i>Annual improvements to HKFRSs 2011-2013 Cycle</i>	1 July 2014
<i>Annual improvements to HKFRSs 2012-2014 cycle</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
Amendments to HKAS 27, <i>Equity method in separate financial statements</i>	1 January 2016
Amendments to HKAS 1, <i>disclosure initiative</i>	1 January 2016
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these new standards and amendments to standards is expected to be in the period of initial application. So far it has concluded that except for HKFRS 15, *Revenue from contracts with customers*, and HKFRS 9, *Financial instruments*, for which the Group is still under the process in assessing the impact of their application, the adoption of the remaining new standards and amendments to standards is unlikely to have a significant impact on the consolidated financial statements.

5-year Financial Summary

(Expressed in RMB unless otherwise indicated)

GENERAL INFORMATION

The consolidated results and the assets and liabilities of the Group of the last five financial years, as extracted from the Group's published audited accounts and reclassified as appropriate, are set below:

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000
Turnover	1,158,042	783,003	301,205	393,890	384,461
Profit/(loss) before taxation	100,512	1,294,724	(29,411)	13,717	19,303
Income tax	(20,202)	(333,131)	(2,620)	(7,769)	(8,836)
Net profit/(loss) for the year	80,310	961,593	(32,031)	5,948	10,467
Assets and liabilities					
Total assets	3,994,600	3,982,598	531,705	540,939	512,901
Total liabilities	(2,281,389)	(2,355,093)	(347,493)	(333,260)	(309,114)
Net assets	1,713,211	1,627,505	184,212	207,679	203,787

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