

中期報告
INTERIM REPORT
2016/2017



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
創造優質生活

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>

PRINCIPAL BANKERS

Bank of Communications, Hong Kong
and Ningbo Branches, the People's
Republic of China (the "PRC")

Bank of Ningbo, PRC

China Construction Bank, Ningbo
Branch, PRC

Industrial Bank Company Limited,
Hong Kong and Ningbo Branches, PRC
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

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The board of directors (the “Board”) of Lisi Group (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 September 2016 – unaudited
(Expressed in Renminbi (“RMB”))*

	Note	Six months ended 30 September	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	474,112	524,941
Cost of sales		(366,915)	(402,999)
Gross profit	3(b)	107,197	121,942
Other income	4	8,872	5,592
Selling and distribution expenses		(32,721)	(35,133)
Administrative expenses		(67,184)	(58,125)
Profit from operations		16,164	34,276
Share of losses of an associate		(1,282)	(6,230)
Finance costs	5(a)	(28,832)	(133,383)
Loss before taxation	5	(13,950)	(105,337)
Income tax	6	(2,034)	(8,620)
Loss for the period		(15,984)	(113,957)
Attributable to:			
Equity shareholders of the Company		(15,984)	(112,077)
Non-controlling interests		-	(1,880)
Loss for the period		(15,984)	(113,957)
Loss per share (RMB cent)			
Basic	7(a)	(0.35)	(2.5)
Diluted	7(b)	(0.35)	(0.4)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**

For the six months ended 30 September 2016 – unaudited
 (Expressed in RMB)

	Six months ended 30 September	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Loss for the period	(15,984)	(113,957)
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Available-for-sale debt securities net movement in fair value reserve	(1,936)	(4,720)
– Exchange differences on translation into presentation currency	1,592	(962)
Other comprehensive loss for the period	(344)	(5,682)
Total comprehensive loss for the period	(16,328)	(119,639)
Attributable to:		
Equity shareholders of the Company	(16,328)	(117,759)
Non-controlling interests	–	(1,880)
Total comprehensive loss for the period	(16,328)	(119,639)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016 – unaudited
(Expressed in RMB)

	Note	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		856,661	865,488
Investment properties		425,390	425,390
Goodwill		43,313	43,313
Intangible assets		4,314	7,001
Interest in an associate		24,902	26,184
Available-for-sale investments		70,193	72,194
Deferred tax assets		33,038	32,892
		1,457,811	1,472,462
Current assets			
Available-for-sale investments		708,983	644,924
Inventories		124,411	148,087
Trade and other receivables	8	749,118	718,671
Restricted bank deposits		559,022	319,416
Cash and cash equivalents		31,813	258,198
		2,173,347	2,089,296
Current liabilities			
Trade and other payables	9	474,592	506,345
Bank and other loans		1,354,222	790,227
Income tax payable		3,534	4,314
		1,832,348	1,300,886
Net current assets		340,999	788,410
Total assets less current liabilities		1,798,810	2,260,872

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	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Non-current liabilities		
Bank and other loans	261,015	271,615
Deferred tax liabilities	248,316	249,472
	509,331	521,087
NET ASSETS	1,289,479	1,739,785
CAPITAL AND RESERVES		
Share capital	39,374	39,374
Reserves	1,250,105	1,631,191
Total equity attributable to equity shareholders of the Company	1,289,479	1,670,565
Non-controlling interests	–	69,220
TOTAL EQUITY	1,289,479	1,739,785

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2016 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Statutory reserves	Contributed surplus	Exchange reserve	Fair value reserve	Other reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 April 2015	36,138	541,228	1,341	12,825	56,236	(20,180)	8,467	-	1,007,950	1,644,005	69,206	1,713,211
Changes in equity for the period ended 30 September 2015:												
Loss for the period	-	-	-	-	-	-	-	-	(112,077)	(112,077)	(1,880)	(113,957)
Other comprehensive loss	-	-	-	-	-	(962)	(4,720)	-	-	(5,682)	-	(5,682)
Total comprehensive loss for the period	-	-	-	-	-	(962)	(4,720)	-	(112,077)	(117,759)	(1,880)	(119,639)
Exercising convertible bonds into ordinary shares	3,236	222,158	-	-	-	-	-	-	-	225,394	-	225,394
Special distribution approved and paid during the period	-	(183,197)	-	-	-	-	-	-	-	(183,197)	-	(183,197)
Appropriation to reserves	-	-	-	(26)	-	-	-	-	26	-	-	-
	3,236	38,961	-	(26)	-	-	-	-	26	42,197	-	42,197
Balance at 30 September 2015 (Unaudited)	39,374	580,189	1,341	12,799	56,236	(21,142)	3,747	-	895,899	1,568,443	67,326	1,635,769
Balance at 1 April 2016	39,374	-	1,341	16,277	636,425	(17,161)	3,693	(38,880)	1,029,496	1,670,565	69,220	1,739,785
Changes in equity for the period ended 30 September 2016:												
Loss for the period	-	-	-	-	-	-	-	-	(15,984)	(15,984)	-	(15,984)
Other comprehensive loss	-	-	-	-	-	1,592	(1,936)	-	-	(344)	-	(344)
Total comprehensive loss for the period	-	-	-	-	-	1,592	(1,936)	-	(15,984)	(16,328)	-	(16,328)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	69,220	-	69,220	(69,220)	-
Special distribution approved and paid during the period	-	-	-	-	(433,978)	-	-	-	-	(433,978)	-	(433,978)
Appropriation to reserves	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(433,978)	-	-	69,220	-	(364,758)	(69,220)	(433,978)
Balance at 30 September 2016 (Unaudited)	39,374	-	1,341	16,277	202,447	(15,569)	1,757	30,340	1,013,512	1,289,479	-	1,289,479

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the period ended 30 September 2016 – unaudited
 (Expressed in RMB)*

	Six months ended 30 September	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash used in operating activities	(12,963)	(23,015)
Net cash (used in) generated from investing activities	(294,219)	236,387
Net cash generated from (used in) financing activities	80,992	(63,391)
Net (decrease) increase in cash and cash equivalents	(226,190)	149,981
Cash and cash equivalents as at 1 April	258,198	135,395
Effect of foreign exchange rate changes, net	(195)	(837)
Cash and cash equivalent as at 30 September	31,813	284,539

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

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

2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 September	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Sales of goods:		
– manufacturing and trading of household products	155,470	201,171
– retail operation of department stores and supermarkets	140,768	144,048
– wholesale of wine and beverages and electrical appliances	111,088	105,744
	407,326	450,963
Net income from concession sales [‡]	4,758	13,016
Rental income from operating leases	15,708	17,327
Service fee income	21,834	23,280
Investment and dividend income	24,486	20,355
	474,112	524,941

[‡] The gross revenue arising from concession sales charged to retail customer for the period ended 30 September 2016 is RMB37,622,000 (2015: RMB63,822,000).

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

	Six months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	46,453	73,806

In respect of the Group's retail operation of department stores and supermarkets and wholesale of wine and beverages and electrical appliances, the directors of the Company consider that the customer bases are diversified and have no customer with whom transactions have exceeded 10% of the Group's revenue for the period ended 30 September 2016 and 2015.

Further details regarding the Group's principle activities are disclosed below:

(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.

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 period ended 30 September 2016 and 2015 is set out below.

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	Six months ended 30 September 2016 (Unaudited)				
	Manufacturing			Investments	
	and trading	Retail	Wholesale	holding	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue and net income from external customers	155,470	182,474	111,508	24,485	473,937
Inter-segment revenue	-	-	1,208	-	1,208
Reportable segment revenue and net income	155,470	182,474	112,716	24,485	475,145
Reportable segment gross profit	38,568	36,719	7,250	24,485	107,022

	Six months ended 30 September 2015 (Unaudited)				
	Manufacturing			Investments	
	and trading	Retail	Wholesale	holding	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue and net income from external customers	201,171	196,778	106,287	20,355	524,591
Inter-segment revenue	-	-	2,386	-	2,386
Reportable segment revenue and net income	201,171	196,778	108,673	20,355	526,977
Reportable segment gross profit	55,031	41,842	4,364	20,355	121,592

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(ii) Reconciliations of reportable segment revenue and net income

	Six months ended	
	30 September	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue and net income		
Reportable segment revenue and net income	475,145	526,977
Elimination of inter-segment revenue	(1,208)	(2,386)
Unallocated revenue	175	350
Consolidated revenue	474,112	524,941
Gross profit		
Reportable segment gross profit	107,022	121,592
Gross gain of unallocated items	175	350
Consolidated gross profit	107,197	121,942

(iii) Geographic information

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

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	Revenue and net income from external customers		Specified non-current assets	
	Six months ended		At	At
	30 September	30 September	30 September	31 March
	2016	2015	2016	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The PRC (including Hong Kong) (place of domicile)	320,436	327,255	1,399,870	1,413,386
The United States	120,978	168,123	-	-
Europe	5,033	9,013	-	-
Canada	10,782	3,986	-	-
Others	16,883	16,564	-	-
	474,112	524,941	1,399,870	1,413,386

4. OTHER INCOME

	Six months ended	
	30 September	30 September
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on cash at bank and advances due from related parties	5,800	5,198
Government grants	2,831	723
Net gain from sale of scrap materials	68	272
Net gain/(loss) on disposal of property, plant and equipment	49	(82)
Others	124	(519)
	8,872	5,592

5. **LOSS BEFORE TAXATION**

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

(a) **Finance costs**

	Six months ended 30 September	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on bank and other borrowings	20,626	32,608
Finance charges on convertible bonds	–	1,649
Bank charges and other finance costs	8,206	8,578
Total borrowing costs	28,832	42,835
Changes in fair value and redemption gain from convertible bonds	–	90,548
	28,832	133,383

No borrowing costs have been capitalised for the period ended 30 September 2016 (2015: RMB Nil).

(b) **Other items**

	Six months ended 30 September	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Staff costs (excluding directors' emoluments)	56,270	57,004
Cost of inventories	354,332	389,738
Auditors' remuneration	1,197	1,419
Depreciation and amortisation	28,856	27,292
Operating lease charges in respect of properties	15,694	19,593
Net foreign exchange loss	6,938	3,167

6. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes in respect of operations in Hong Kong for the period (2015: Nil). The PRC Enterprise Income Tax in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profit for the period based on existing legislation, interpretation and practices in respect thereof.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 September 2016 is based on the loss attributable to ordinary equity shareholders of the Company of RMB15,984,000 (six months ended 30 September 2015: RMB112,077,000) and the weighted average of 4,581,631,935 ordinary shares (2015: 4,437,897,349 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

There are no dilutive potential ordinary shares during the period ended 30 September 2016.

The calculation of diluted loss per share for the six months ended 30 September 2015 was based on the loss attributable to ordinary equity shareholders (diluted) of the Company of RMB19,760,000 and the weighted average of 4,581,631,935 diluted shares in issue during the interim period.

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8. TRADE AND OTHER RECEIVABLES

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Trade receivables from:		
– Third parties	29,287	28,609
– Companies under the control of the controlling equity shareholder of the Company (the “Controlling Shareholder”) (Note (a))	166,609	154,981
– A non-controlling equity holder of a subsidiary of the Group	–	11,245
Bills receivable	6,786	4,076
	202,682	198,911
Less: allowance for doubtful debts	–	–
	202,682	198,911
Amounts due from companies under the control of the Controlling Shareholder (Note (b))	15	1,005
Amount due from an associate (Note (c))	5,756	5,556
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	4,640	4,690
– Prepayments for purchase of inventories	48,645	20,362
– Advances to third parties	5,375	3,104
– Receivable from the disposal of investment property	469,040	469,040
– Others	12,965	16,003
	540,665	513,199
Less: allowance for doubtful debts	–	–
	540,665	513,199
	749,118	718,671

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

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

Note (c): The amount is unsecured, bears interest at 8% per annum and is repayable in November 2016.

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

(i) Ageing analysis

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

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Within 1 month	49,006	43,793
More than 1 month but less than 3 months	97,282	88,685
Over 3 months	56,394	66,433
	202,682	198,911

(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.

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

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
At 1 April	–	–
Exchange adjustments	–	–
Impairment losses recognised	–	50,000
Uncollectible amounts written off	–	(50,000)
At 30 September/31 March	–	–

At 30 September 2016, none of the Group's trade and other receivables (31 March 2016: RMB519,040,000) were individually determined to be impaired. None of the specific allowance for doubtful debts was recognized and was written off during the period ended 30 September 2016 (31 March 2016: RMB50,000,000).

(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:

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Neither past due nor impaired	131,818	123,708
Less than 1 month past due	53,522	59,767
More than 1 month but less than 3 months past due	15,491	9,108
More than 3 months past due	1,851	6,328
	70,864	75,203
	202,682	198,911

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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 the management on an individual customer basis. Normally, the Group does not obtain collateral from customers and debtors.

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

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

9. TRADE AND OTHER PAYABLES

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Trade payables to:		
– Third parties	179,646	166,955
– Companies under the control of the Controlling Shareholder	43,574	52,370
Bills payable	62,100	101,522
	285,320	320,847
Amounts due to companies under the control of the Controlling Shareholder (Note (i))	28,635	27,212
Accrued charges and other payables:		
– Accrued operating lease expenses	30,157	23,977
– Payables for staff related costs	38,618	34,965
– Deposits from suppliers	6,101	6,226
– Payables for interest expenses	4,825	4,390
– Payables for miscellaneous taxes	5,256	4,912
– Others	12,879	15,099
	97,836	89,569
Financial liabilities measured at amortised cost	411,791	437,628
Advances received from customers	62,801	68,717
	474,592	506,345

Note:

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

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

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

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Within 1 month	140,836	116,916
Over 1 month but within 3 months	43,178	76,222
Over 3 months but within 6 months	61,571	106,896
Over 6 months	39,735	20,813
	285,320	320,847

10. DIVIDEND

The directors of the Company did not recommend the payment of interim dividend for the period ended 30 September 2016 (2015: RMBNil).

11. COMMITMENTS

(a) Capital commitments

At 30 September 2016, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Commitments in respect of leasehold land and buildings, and plant and machinery – Contracted for	1,055	1,462

(b) Operating lease commitments

(i) At 30 September 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Within 1 year	34,100	35,091
After 1 year but within 5 years	53,751	65,770
After 5 years	20,660	24,523
	108,511	125,384

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

- (ii) At 30 September 2016, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 September 2016 RMB'000 (Unaudited)	31 March 2016 RMB'000 (Audited)
Within 1 year	29,593	30,766
After 1 year but within 5 years	44,194	39,125
After 5 years	390	1,052
	74,177	70,943

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 tenants' revenue.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 August 2016, the Company and Mighty Mark Investments Limited (the "Vendor") entered into an acquisition agreement, pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agree to sell the entire shareholding interest in Mega Convention Group Limited (the "Target Company", and together with its subsidiaries, the "Target Group") (the "Proposed Acquisition"). For details of the Proposed Acquisition, please refer to the announcements dated 9 August 2016, 29 September 2016 and 27 October 2016 and the circular dated 30 September 2016.

The acquisition of 100% beneficiary interest in Target Company has been approved by the shareholders of the Company in the special general meeting on 18 October 2016. Subject to the satisfaction of the target audited net profit, the consideration of this Proposed Acquisition shall be up to RMB916,000,000 and will be settled by the Company by the allotment and issue of consideration shares to the Vendor and/or its designated party credited as fully paid in three tranches at the issue price of HK\$0.3712 per consideration share. For details of the acquisition agreement and supplementary agreements, please refer to the announcement dated 9 August 2016, 29 September 2016 and 27 October 2016 and the circular dated 30 September 2016. After completion of the acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The principal business of the Target Group upon completion of its group restructuring will be import and trading of cars and related services in China.

At the date of this interim report, the Proposed Acquisition as mentioned above is not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2016, the Group recorded a revenue of approximately RMB474.1 million, representing a decrease of 9.7% when compared with the revenue of approximately RMB524.9 million reported for the corresponding period last year. Net loss for the six months ended 30 September 2016 was approximately RMB16.0 million compared to a net loss of RMB114.0 million for the corresponding period last year. The Group's basic and diluted loss per share were RMB0.35 cent and RMB0.35 cent respectively and the Group's basic and diluted loss per share were RMB2.5 cent and RMB0.4 cent respectively for the corresponding period last year.

Liquidity and Financial Resources

As at 30 September 2016, the Group's net assets were approximately RMB1,289.5 million, rendering net asset value per share at RMB28.1 cent. The Group's total assets at that date were valued at RMB3,631.2 million, including cash and bank deposits of approximately RMB590.8 million and current available-for-sale investments of RMB709.0 million. Consolidated bank loans and other borrowings amounted to RMB1,615.2 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been increased from 61.0% as at 31 March 2016 to 125.3% as at 30 September 2016.

Most of the Group's business transactions were conducted in RMB and US\$. As at 30 September 2016, the Group's major borrowings included bank loans, which had an outstanding balance of RMB1,274.4 million, other borrowings from shareholders and a third party totaling RMB340.8 million. All of the Group's borrowings have been denominated in RMB, EUR, HK\$ and US\$.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,050.2 million as at 30 September 2016 were pledged to secure bank borrowing and facilities of the Group.

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources for 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 has generated substantial cash since 2015/16 as the Group continues to collect the remaining balance of the net proceeds realized from the deal.

Exposure to Foreign-Exchange Fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, EUR, HK\$ and US\$. The Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of RMB. Given that RMB is not yet an international hard currency, there is no effective method to hedge the relevant risk for the size and cash flow pattern of the Group. As the Chinese Government is driving RMB to get more internationalized and towards free floating in the future, we expect more hedging tools will be available in the currency market. The Group will monitor closely the development of currency policy of the Chinese Government and the availability of the hedging tools which are appropriate for the manufacturing business operations of the Group in this respect. For the EUR short term loans the Company obtained from banks in HK which will be due in June 2017 and September 2017 and secured by RMB fixed deposits of a subsidiary of the Group, it is widely expected in the forex market that EUR will further weaken in the near future especially after Britain decided to leave the European Union and the currency risk exposure from such EUR loans is quite limited. The management feels comfortable with such limited exposure but will still manage this currency risk with utmost care.

Segment Information

With the acquisition of New JoySun Group, retail and wholesale business has emerged to become the most important business segment of the Group in the six months ended 30 September 2016 and accounted for 62.0% of total revenue. Manufacturing and trading business and investment holding business had 32.8% and 5.2% of the remaining.

In terms of geographical location, China became the Group's primary market, which accounted for 67.6% of total revenue. The remaining comprised of revenue from North America 27.8%, Europe 1.1% and others 3.5%.

Contingent Liabilities

As at 30 September 2016, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB21.6 million to secure bank loans borrowed by the related companies under the control of Mr. Li Lixin, Chairman of the Company. Such arrangements were made by New JoySun group prior to the acquisition in August 2013. The directors of the company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the close of business under the guarantees issued is RMB36.7 million being the balance of the principal amount of the bank loans the Group pledged for.

Investments in New Businesses

During the six months ended 30 September 2016, 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 satisfactory return from this investment.

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

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

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

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

Employee Information

As at 30 September 2016, the Group employed a workforce of 1,900 employees in its various chain stores, offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share option scheme in force but no share option was granted during the six months ended 30 September 2016.

Review of Operations

For the six months ended 30 September 2016, the Group recorded a net loss of RMB16.0 million, compared to the net loss of RMB114.0 million for the corresponding period last year. This improvement was primarily attributable to the recognition of approximately RMB90.5 million negative fair value change on the then outstanding convertible bonds for the six months ended 30 September 2015 but such matter no longer existed for the same period in 2016.

Revenue

During the six months ended 30 September 2016, the Group recorded total revenue of approximately RMB474.1 million, representing a decrease of 9.7% when compared with the total revenue of approximately RMB524.9 million reported for the corresponding period last year.

Manufacturing and Trading Business

During the six months ended 30 September 2016, the manufacturing and trading business contributed approximately RMB155.5 million to the total revenue of the Group. The business of this segment decreased by RMB45.7 million when compared with the corresponding period last year of approximately RMB201.2 million. The decrease was mainly due to the reduction of orders from customers and pricing pressure which are a reflection of the current weak market situation and the cyclical order pattern of some of our key customers. The Group will continue its cost control measures and business strategy of focusing on higher margin products and the development of new products and customers.

Retail and Wholesale Business

Retail business decreased by 7.3% to RMB182.5 million while wholesale business increased by 4.9% to RMB111.5 million for the six months ended 30 September 2016 as compared with the corresponding period last year. The impact of the e-commerce, competition from large supermarket chains and new shopping malls nearby were the key challenges resulting in the drop of revenue in our retail business. On the other hand, despite the Chinese central government continues to control strictly on business entertainment and expenditures, the business of wholesale in wine and beverages has stabilized and recorded a modest increase in revenue contributed by the hard work of the sale team of wholesale business for the six months ended 30 September 2016.

Investment Holding Business

Dividend income increased by 292.4% to RMB2.1 million and investment income increased by 13.1% to RMB22.4 million for the six months ended 30 September 2016 as compared with the corresponding period last year.

PROSPECTS

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

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

Disposal of the Land of the Previous Shenzhen Plant

On 19 May 2014, Jinda Plastic Metal Products (Shenzhen) Co., Limited (“Jinda Plastic”), an indirect wholly-owned subsidiary of the Company, and Shenzhen City 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. Jinda Plastic and Xinshun Property entered into a supplemental agreement on 18 November 2015 pursuant to which the parties agreed that the amount of land premium for the purpose of calculating the Compensation shall be RMB950 million and accordingly the amount of Compensation payable to Jinda Plastic shall be adjusted downward from RMB1,782 million to RMB1,732 million. For details of this substantial disposal, please refer to the announcement dated 18 November 2015. On 22 May 2015, the board of directors approved to distribute a special dividend of HK\$0.05 per share and the Company paid the special dividend total amount of HK\$229,082,000 on 10 June 2015. On 26 August 2016, the shareholders of the Company approved to distribute a special dividend of HK\$0.11 per share and the Company paid the special dividend of HK\$503,980,000 in total on 15 September 2016 and 29 September 2016. The Company has not made any decision on the use of remaining funds generated from the land disposal.

Expanding into New Businesses with Growth Potential

Further 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.

On 9 August 2016, the Company and Mighty Mark Investments Limited (the “Vendor”) entered into an acquisition agreement, pursuant to which the Company conditionally agreed to purchase, and the vendor conditionally agreed to sell the entire shareholding interest in Mega Convention Group Limited (the “Target Company”, and together with its subsidiaries, the “Target Group”) (the “Proposed Acquisition”). For details of the Proposed Acquisition, please refer to the announcements dated 9 August 2016, 29 September 2016 and 27 October 2016 and the circular dated 30 September 2016.

The acquisition of 100% beneficiary interest in Target Company has been approved by the shareholders of the Company in a special general meeting on 18 October 2016. Subject to the satisfaction of the target audited net profit, the consideration of this Proposed Acquisition shall be up to RMB916,000,000 and will be settled by the Company by the allotment and issue of consideration shares to the Vendor and/or its designated party credited as fully paid in three tranches at the issue price of HK\$0.3712 per consideration share. For details of the acquisition agreement and supplementary agreements, please refer to the announcements dated 9 August 2016, 29 September 2016 and 27 October 2016 and the circular dated 30 September 2016. After completion of the acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The principal business of the Target Group upon completion of its group restructuring will be import and trading of cars and related services in China. The management expects that the new business segment will bring positive impact on the financial results and the cash flow generation of the Group.

As at the date of this interim report, the Proposed Acquisition is not yet completed pending the satisfaction of certain conditions precedent as agreed in the acquisition agreement and supplementary agreements.

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

As at 30 September 2016, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Capacity	Number of shares/ underlying shares (Note 1)	Approximate percentage of the issued share capital of the Company
Mr Li Lixin	Note 2	2,843,631,680(L) 2,814,550,681(S)	62.07% 61.43%

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

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

Furthermore, no share options had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there were no other options outstanding at the beginning or the end of the period ended 30 September 2016. Other than that, at no time during the period ended 30 September 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the period ended 30 September 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Jin Yaer	Beneficial owner/ interests in controlled corporation	2,843,631,680(L)	62.07%
		2,814,550,681(S)	61.43%
Big-Max Manufacturing Co., Limited	Beneficial owner	2,814,551,680(L)	61.43%
		2,814,550,681(S)	61.43%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666(L)	32.36%
		1,482,411,667(S)	32.36%
Xu Jin	Beneficial owner	253,837,198(L)	6.08%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	1,979,370,480(L)	43.20%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	1,979,370,480(L)	43.20%

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
浙江省財務開發公司	Person having a security interest in shares	999,999,001(L)	21.83%
財通證券股份有限公司	Person having a security interest in shares	999,999,001(L)	21.83%
Mighty Mark Investments Ltd	Beneficial owner	3,115,393,976(L)	68.00%
Cheng Wei Hong	Beneficial owner/ interest in controlled corporation	3,115,393,976(L)	68.00%

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

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group and discussed internal controls, auditing and financial reporting matters including a review of the audited consolidated financial statements for the period ended 30 September 2016.

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

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the period ended 30 September 2016 saved for the following:

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

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the “Model Code”) as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the period ended 30 September 2016.

PUBLICATION OF THE FURTHER INFORMATION

The 2016/2017 interim report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange and the Company in due course.

By Order of the Board
Li Lixin
Chairman

Hong Kong, 25 November 2016



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