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

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 September	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	3	**2,084,711**	474,112
Cost of sales		**(1,851,037)**	(366,915)
Gross profit	3(b)	**233,674**	107,197
Other income	4	**9,487**	8,872
Selling and distribution expenses		**(36,700)**	(32,721)
Administrative expenses		**(77,997)**	(67,184)
Profit from operations		**128,464**	16,164
Share of losses of an associate		**(3,410)**	(1,282)
Finance costs	5(a)	**(742,162)**	(28,832)

	Note	Six months ended 30 September **2017** **RMB'000** **(Unaudited)**	2016 RMB'000 (Unaudited)
Loss before taxation	5	**(617,108)**	(13,950)
Income tax	6	**(25,871)**	(2,034)
Loss for the period attributable to equity shareholders of the Company		**(642,979)**	(15,984)
Loss per share (RMB cent)			
Basic and diluted	7	**(11.32)**	(0.35)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017 – unaudited
(Expressed in RMB)

	Six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(642,979)**	(15,984)
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	**(1,066)**	(1,936)
– Exchange differences on translation into presentation currency	**(694)**	1,592
Other comprehensive loss for the period	**(1,760)**	(344)
Total comprehensive loss for the period attributable to equity shareholders of the Company	**(644,739)**	(16,328)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017 – unaudited
(Expressed in RMB)

	Note	30 September 2017 RMB'000 (Unaudited)	31 March 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**844,068**	847,209
Investment properties		**426,390**	426,390
Goodwill		**679,766**	679,766
Intangible assets		**5,545**	8,063
Interests in an associate		**1,447**	4,857
Available-for-sale investments		**70,194**	70,194
Deferred tax assets		**33,109**	33,109
		2,060,519	2,069,588
Current assets			
Available-for-sale investments		**799,839**	673,406
Inventories		**339,410**	209,178
Trade and other receivables	8	**571,363**	517,204
Restricted bank deposits		**445,268**	439,958
Cash and cash equivalents		**124,936**	128,424
		2,280,816	1,968,170
Current liabilities			
Trade and other payables	9	**2,178,470**	632,272
Bank and other loans		**1,007,470**	964,712
Income tax payable		**22,386**	5,318
		3,208,326	1,602,302
Net current (liabilities)/assets		**(927,510)**	365,868
Total assets less current liabilities		**1,133,009**	2,435,456

	Note	30 September 2017 RMB'000 (Unaudited)	31 March 2017 RMB'000 (Audited)
Non-current liabilities			
Bank and other loans		**235,300**	248,550
Contingent consideration	10	**–**	784,812
Deferred tax liabilities		**246,708**	248,008
		482,008	1,281,370
NET ASSETS	13	**651,001**	1,154,086
CAPITAL AND RESERVES			
Share capital		**49,074**	46,789
Reserves		**601,927**	1,107,297
TOTAL EQUITY		**651,001**	1,154,086

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 2017.

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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. 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 in this interim financial report.

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, the trading and sales of imported cars 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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods:		
– manufacturing and trading of household products	**158,105**	155,470
– retail operation of department stores and supermarkets	**166,426**	140,768
– wholesale of wine and beverages and electrical appliances	**135,949**	111,088
– trading and sales of imported cars	**1,544,740**	–
	2,005,220	407,326
Net income from concession sales#	**3,411**	4,758
Rental income from operating leases	**16,181**	15,708
Service fee and commission income	**31,839**	21,834
Investment and dividend income	**28,060**	24,486
	2,084,711	474,112

The gross revenue arising from concession sales charged to retailed customer for the period ended 30 September 2017 is RMB29,559,000 (2016: RMB37,622,000).

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

	Six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**–**	46,453

In respect of the Group's retail operation of department stores and supermarkets, wholesale of wine and beverages and electrical appliances and trading and sales of imported cars, 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 2017 and 2016.

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

(b) Segment reporting

The Group manages its business by lines of business. In view of the acquisition of a new line of business through the acquisition of subsidiaries, namely the car-sale business for the trading and sales of imported cars, and 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 decided to add car-sale business as a separate reportable segment and present the following five reportable segments for the period ended 30 September 2017:

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

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

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

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

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

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

(i) Segment results

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period ended 30 September 2017 and 2016 is set out below:

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

	Six months ended 30 September 2016 (Unaudited)				
	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	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

(ii) *Reconciliations of reportable segment revenue and net income*

	Six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue and net income		
Reportable segment revenue and net income	**2,085,657**	475,145
Elimination of inter-segment revenue	**(946)**	(1,208)
Unallocated revenue	**–**	175
Consolidated revenue	**2,084,711**	474,112
Gross profit		
Reportable segment gross profit	**233,674**	107,022
Gross gain of unallocated items	**–**	175
Consolidated gross profit	**233,674**	107,197

(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.

	Revenue and net income from external customers		**Specified non-current assets**	
	Six months ended 30 September		**At 30 September**	At 31 March
	2017	2016	**2017**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The PRC (including Hong Kong) (place of domicile)	**1,940,875**	320,436	**2,025,962**	2,031,622
The United States	**120,821**	120,978	**–**	–
Europe	**5,000**	5,033	**–**	–
Canada	**6,100**	10,782	**–**	–
Others	**11,915**	16,883	**–**	–
	2,084,711	474,112	**2,025,962**	2,031,622

4. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on cash at bank and advances due from related parties	**7,131**	5,800
Government grants	**1,378**	2,831
Net gain from sale of scrap materials	**86**	68
Net (loss)/gain on disposal of property, plant and equipment	**(193)**	49
Others	**1,085**	124
	9,487	8,872

5. LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**20,531**	20,626
Bank charges and other finance costs	**10,161**	8,206
Total borrowing costs	**30,692**	28,832
Changes in fair value of contingent consideration (Note 10)	**719,918**	–
Exchange gain on forward foreign exchange contract	**(8,448)**	–
	742,162	28,832

No borrowing costs have been capitalised for the period ended 30 September 2017 (2016: RMBNil).

(b) Other items

	Six months ended 30 September	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Staff costs (excluding directors' emoluments)	**58,858**	56,270
Cost of inventories	**1,836,887**	354,332
Auditors' remuneration	**2,080**	1,197
Depreciation and amortisation	**35,718**	28,856
Operating lease charges in respect of properties	**15,841**	15,694
Net foreign exchange loss	**21,582**	6,938

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 (2016: RMBNil). 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 2017 is based on the loss attributable to ordinary equity shareholders of the Company of RMB642,979,000 (six months ended 30 September 2016: RMB15,984,000) and the weighted average of 5,678,038,571 ordinary shares (2016: 4,581,631,935 ordinary shares) in issue during the interim period.

Weighted average number of ordinary shares:

	Six months ended 30 September	
	2017	2016
	'000	*'000*
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 April	**5,420,109**	4,581,632
Effect of issuance of ordinary shares on 18 April 2017	**257,929**	–
Weighted average number of ordinary shares at 30 September	**5,678,038**	4,581,632

(b) Diluted loss per share

There are no dilutive potential ordinary shares during the period ended 30 September 2017 and 2016.

8. TRADE AND OTHER RECEIVABLES

	30 September 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from:		
– Third parties	**41,022**	27,589
– Companies under the control of the controlling equity shareholder of the Company (the "Controlling Shareholder") (Note (a))	**156,014**	167,061
Bills receivable	**6,883**	3,899
	203,919	198,549
Less: allowance for doubtful debts	**–**	–
	203,919	198,549
Amounts due from related companies:		
– Amounts due from companies under the control of the Controlling Shareholder (Note (b))	**82**	334
– Amount due from an associate (Note (c))	**7,156**	5,956
– Amount due from a company under the control of a non-controlling shareholder of the Company (Note (b))	**183**	200
	7,421	6,490
Prepayments, deposits and other receivables:		
– Prepayments and deposits for operating leases expenses	**3,930**	4,233
– Prepayments for purchase of inventories (Note (d))	**250,739**	102,259
– Advances to third parties	**39,685**	31,410
– Receivable from the disposal of investment property	**–**	104,000
– Deposits for parallel importation of cars to a company under the control of a non-controlling shareholder of the Company	**50,000**	50,000
– Derivative financial instruments	**–**	2,187
– Others	**15,669**	18,076
	360,023	312,165
Less: allowance for doubtful debts	**–**	–
	360,023	312,165
	571,363	517,204

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

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

Note (c): The amount is unsecured, bears interest at 8% per annum (31 March 2017: 8% per annum) and is repayable in November 2017.

Note (d): Included in the balance are prepayments of RMB63,233,000 at 30 September 2017 (31 March 2017: RMB15,907,000) made to a company under the control of a non-controlling shareholder of the Company.

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 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**67,064**	38,192
More than 1 month but less than 3 months	**104,719**	110,611
Over 3 months	**32,136**	49,746
	203,919	198,549

(ii) 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 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**166,912**	139,706
Less than 1 month past due	**29,361**	44,004
More than 1 month but less than 3 months past due	**3,951**	10,894
More than 3 months past due	**3,695**	3,945
	37,007	58,843
	203,919	198,549

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 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables to:		
– Third parties	**164,520**	164,727
– Companies under the control of the Controlling Shareholder	**55,492**	47,068
	220,012	211,795
Bills payable	**9,577**	40,423
	229,589	252,218
Amounts due to related companies:		
– Companies under the control of the Controlling Shareholder (Note (i))	**31,245**	29,202
– Companies under the control of a non-controlling shareholder of the Company (Note (i))	**630**	580
	31,875	29,782
Accrued charges and other payables:		
– Accrued expenses	**23,905**	20,321
– Payables for staff related costs	**42,953**	39,290
– Deposits from customers and suppliers	**156,330**	40,555
– Payables for interest expenses	**5,187**	4,822
– Payables for miscellaneous taxes	**10,625**	6,771
– Others	**18,095**	17,545
	257,095	129,304
Financial liabilities measured at amortised cost	**518,559**	411,304
Current portion of contingent consideration (Note 10)	**1,509,212**	146,256
Advances received from customers	**150,699**	74,712
	2,178,470	632,272

Note:

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

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

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

	30 September 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**123,292**	104,618
Over 1 month but within 3 months	**50,071**	92,495
Over 3 months but within 6 months	**50,721**	43,261
Over 6 months	**5,505**	11,844
	229,589	252,218

10. CONTINGENT CONSIDERATION

	30 September 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 April	**931,068**	–
Acquisition of subsidiaries	**–**	987,406
Fair value changes (Note 5(a))	**719,918**	(56,338)
Transfer to ordinary shares	**(141,654)**	–
Exchange gain	**(120)**	–
	1,509,212	931,068
Less: current portion (Note 9)	**(1,509,212)**	(146,256)
At 30 September/31 March	**–**	784,812

11. DIVIDEND

The directors of the Company did not recommend the payment of interim dividend for the period ended 30 September 2017 (2016: RMBNil).

12. COMMITMENTS

(a) Capital commitments

At 30 September 2017, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	30 September 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitments in respect of leasehold land and buildings, and plant and machinery		
– Contracted for	**32**	108

(b) Operating lease commitments

(i) At 30 September 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**27,173**	33,563
After 1 year but within 5 years	**29,204**	40,318
After 5 years	**19,616**	21,401
	75,993	95,282

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 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 September 2017	31 March 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**33,808**	29,583
After 1 year but within 5 years	**46,026**	34,976
After 5 years	**1,411**	63
	81,245	64,622

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.

13. NET ASSETS

As mentioned in Notes 9 and 10 above, there is a contingent consideration of RMB1,509 million due to Tranche C consideration shares to be issued in March 2018 to the vendor of Tianjin car-sale business project which was acquired by the Company in February 2017. Assuming the number of Tranche C consideration shares is the same as forecast, the exchange rate of RMB:HKD remains at the same level of 30 September 2017, the market share price of the Company is the same as that on 30 September 2017 and the goodwill assessed remains unchanged, the contingent consideration of RMB1,509 million will be reclassified from liabilities to share capital and share premium in the books of the Company. And thus, upon the issuance of Tranche C consideration shares in March 2018, the net assets of the Group will be increased very substantially under the accounting treatment required by current accounting standards.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 17 September 2017, the Company, Sincere Dawn Limited ("Sincere Dawn") and Sincere Dawn's Guarantors entered into the sale and purchase agreement, pursuant to which, the Company has conditionally agreed to acquire, and Sincere Dawn has conditionally agreed to sell, 51% of the issued share capital of Dawn Brilliant Limited at the consideration of HK$1.4 billion. The consideration shall be satisfied by the issue of up to 1,135,607,714 new shares of the Company and the promissory note in the principal amount of HK$264,392,286 by the Company to Sincere Dawn. For details of the acquisition, please refer to the announcement dated 17 September 2017. At the date of this interim results announcement, this proposed acquisition is not yet completed.

On 21 September 2017, Dawn Brilliant Limited entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") with Taobao (China) Software Co., Ltd ("Taobao") in relation to the proposed cooperation in establishing and promoting a large-scale integrated platform for sale and purchase of motor vehicles and other motor vehicle related services. For details of the Strategic Cooperation Agreement, please refer to the announcement dated 21 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2017, the Group recorded a revenue of approximately RMB2,084.7 million, representing an increase of 339.7% when compared with the revenue of approximately RMB474.1 million reported for the corresponding period last year. Net loss for the six months ended 30 September 2017 was approximately RMB643.0 million compared to a net loss of RMB16.0 million for the corresponding period last year. The Group's basic and diluted loss per share for the six months ended 30 September 2017 were RMB11.32 cent while the Group's basic and diluted loss per share were RMB0.35 cent for the corresponding period last year.

Liquidity and Financial Resources

As at 30 September 2017, the Group's net assets were decreased to RMB651.0 million, rendering net asset value per share at RMB11.47 cent. The sharp decrease in net assets is the result of the accounting treatment under current accounting standards on the recognition of fair value change on the Tranche C consideration shares to be issued to the vendor of Tianjin car-sale business project in March 2018. As mentioned in Note 13 above, if the conditions related to the issuance of Tranche C consideration shares remain the same as those on 30 September 2017, the net assets of the Group will be increased very substantially upon the issuance of Tranche C consideration shares when the contingent liability of RMB1,509 million is reclassified into share capital and share premium.

The Group's total assets at that date were valued at RMB4,341.3 million, including cash and bank deposits of approximately RMB570.2 million and current available-for-sale investments of RMB799.8 million. Consolidated bank loans and other borrowings amounted to RMB1,242.7 million. Its debt-to-equity ratio (bank loans and other borrowings over total equity) has been increased from 105.1% as at 31 March 2017 to 190.9% as at 30 September 2017.

Most of the Group's business transactions were conducted in RMB and US$. As at 30 September 2017, the Group's major borrowings included bank loans, which had an outstanding balance of RMB1,226.5 million, other borrowings from shareholders and a third party totalling RMB16.2 million. All of the Group's borrowings have been denominated in RMB, EUR, HK$, US$ and CAD.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,048.2 million as at 30 September 2017 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.

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

The two EUR short term loans of EUR26.27 million and EUR16 million the Company obtained from banks in Hong Kong will be due in June 2018 and September 2018 respectively and have been secured by RMB fixed deposits of a subsidiary of the Group. It is widely expected in the forex market that EUR will still be on the weak side in the near future when the negotiation between Britain and European Union ("EU") for its exit and the election results of some EU member countries may give rise to political instability. The currency risk exposure from our EUR loans is still limited. The management feels comfortable with such limited exposure but will still manage this currency risk with utmost care and consider hedging when appropriate.

Segment Information

With the acquisition of Mega Convention Group Limited ("Mega Convention"), car-sale business has emerged to become the most important business segment of the Group in the six months ended 30 September 2017 and accounted for 74.1% of total revenue. Retail and wholesale business, manufacturing and trading business and investments holding business had 17.0%, 7.6% and 1.3% of the remaining respectively.

In terms of geographical location, China is the primary market of the Group, which accounted for 93.1% of total revenue of the Group for the six months ended 30 September 2017. The remaining comprised of revenue from North America 6.1%, Europe 0.2% and others 0.6%.

Contingent Liabilities

As at 30 September 2017, the Group pledged certain leasehold land and buildings and investment properties with an aggregate carrying amount of approximately RMB17.3 million to secure bank loans borrowed by the related companies under the control of Mr Li Lixin, Chairman of the Company. Such arrangements were made by New JoySun group prior to the acquisition in August 2013. The directors of the company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the close of business under the guarantees issued is RMB18.0 million being the balance of the principal amount of the bank loans the Group pledged for.

Investments in New Businesses

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

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

Employee Information

As at 30 September 2017, the Group employed a workforce of 1,939 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 2017.

Review of Operations

For the six months ended 30 September 2017, the Group recorded a net loss of RMB643.0 million, compared to the net loss of RMB16.0 million for the corresponding period last year. This loss was attributable to the recognition of the change in fair value of approximately RMB720 million from the contingent consideration shares still outstanding and to be issued in early 2018 for the car business project in Tianjin which was completed on 7 February 2017. The loss is solely the result of the accounting treatment (in compliance with the current accounting standard) on the change in fair value resulted from the change in the market share price of the Company and has nothing related to the operating performance of the car business.

Revenue

During the six months ended 30 September 2017, the Group recorded total revenue of approximately RMB2,084.7 million, representing an increase of 339.7% when compared with the total revenue of approximately RMB474.1 million reported for the corresponding period last year. Excluding the six months' contribution by the newly acquired car business, the Group's total revenue for the six months ended 30 September 2017 would have been RMB540.0 million, representing an increase of 13.9% when compared with the same corresponding period last year.

Car-sale Business

After the completion of the acquisition of the trading and sales of imported cars business in Tianjin, PRC in February 2017, this new business line managed to contribute revenue of RMB1,544.7 million for the six months ended 30 September 2017, which was 74.1% of total revenue of the Group.

Retail and Wholesale Business

Retail business increased by 19.0% to RMB217.1 million while wholesale business increased by 22.6% to RMB136.7 million for the six months ended 30 September 2017 as compared with the corresponding period last year. Despite the market competition from e-commerce, large supermarket chains and new shopping malls nearby, the business of retail and wholesale business in wine and beverages has stabilized and recorded a satisfactory increase in revenue contributed by the hard work of the sale team of retail and wholesale business for the six months ended 30 September 2017.

Manufacturing and Trading Business

During the six months ended 30 September 2017, the manufacturing and trading business contributed approximately RMB158.1 million to the total revenue of the Group. The business of this segment increased by RMB2.6 million when compared with the corresponding period last year of approximately RMB155.5 million. The competition in overseas market has been very severe and our management team in this business line is working very hard to strengthen our established customer base and looking for further opportunities in the market.

Investments Holding Business

Dividend income increased by 60.0% to RMB3.3 million and investment income increased by 10.4% to RMB24.8 million for the six months ended 30 September 2017 as compared with the corresponding period last year.

PROSPECTS

Stepping into a Promising Car-Sale Business Market

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

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

On 17 September 2017, the Company, Sincere Dawn and Sincere Dawn's Guarantors entered into the sale and purchase agreement, pursuant to which, the Company has conditionally agreed to acquire, and Sincere Dawn has conditionally agreed to sell, 51% of the issued share capital of Dawn Brilliant Limited at the consideration of HK$1.4 billion. The consideration shall be satisfied by the issue up to 1,135,607,714 new shares and the promissory note in the principal amount of HK$264,392,286 by the Company to Sincere Dawn. In addition, on 21 September 2017, Dawn Brilliant Limited entered into the Strategic Cooperation Agreement with Taobao (China) Software Co., Ltd. in relation to the proposed cooperation in establishing and promoting a large-scale integrated platform for sale and purchase of motor vehicles and other motor vehicle related services. For details of the acquisition and the Strategic Cooperation Agreement, please refer to the announcements dated 17 September 2017 and 21 September 2017. At the date of this interim results announcement, the proposed acquisition is not yet completed.

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

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

Looking for New Business Opportunities with Growth Potential

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

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

As at 30 September 2017, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	**Capacity**	**Number of shares/ underlying shares** *(Note 1)*	**Approximate percentage of the issued share capital of the Company**
Mr Li Lixin	*Note 2*	2,832,373,680(L)	49.88%
		2,814,550,681(S)	49.57%

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

Note 2: Mr Li Lixin's interest in 2,832,373,680 shares is held as to 17,822,000 shares personally, 1,332,139,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,482,412,666 shares through Shi Hui Holdings Limited ("Shi Hui"). The issued share capital of Big-Max is beneficially owned as to 90% by Mr Li Lixin. The issued share capital of Shi Hui is wholly owned by Mr Li Lixin.

Furthermore, no share option had been granted under the Company's share option scheme since its adoption on 31 August 2012 and there was no other option outstanding at the beginning or the end of the six months ended 30 September 2017. Other than that, at no time during the six months ended 30 September 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 September 2017.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	**Capacity**	**Number of shares/ underlying shares** *(Note)*	**Approximate percentage of the issued share capital of the Company**
Big-Max Manufacturing Co., Limited	Beneficial owner	1,332,139,014(L) 1,332,139,014(S)	23.46% 23.46%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666(L) 1,482,411,667(S)	26.11% 26.11%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	1,960,009,680(L)	34.52%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	1,960,009,680(L)	34.52%
浙江省財務開發公司	Person having a security interest in shares	999,999,001(L)	17.61%
財通證券股份有限公司	Person having a security interest in shares	999,999,001(L)	17.61%
Pacific Sun Advisors Limited	Person having a security interest in shares	447,238,000(L)	7.88%
Mighty Mark Investments Limited	Beneficial owner	2,878,957,762(L)	50.70%
Cheng Wei Hong	Beneficial owner/interest in controlled corporation	3,066,106,733(L)	54.00%
Sincere Dawn Limited	Beneficial owner	1,135,607,714(L)	20.00%
董愛英	Beneficial owner/ interest in controlled corporation	1,135,607,714(L)	20.00%

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 six months ended 30 September 2017.

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

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the six months ended 30 September 2017 saved for the following:

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

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the period ended 30 September 2017.

PUBLICATION OF THE FURTHER INFORMATION

The 2017/2018 interim report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange and the Company in due course.

By Order of the Board
Li Lixin
Chairman

Hong Kong, 30 November 2017

As at the date of this announcement, the Board comprises Mr. Li Lixin (Chairman), Mr. Cheng Jianhe and Ms. Jin Yaxue and Mr. Tong Xin being executive Directors, Mr. Lau Kin Hon being non- executive Director, Mr. He Chengying, Mr. Cheung Kiu Cho Vincent and Mr. Shin Yick Fabian being independent non-executive Directors.