



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

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

Interim Report 2020/2021 中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS**Executive Directors**

Mr LI Lixin

Mr CHENG Jianhe

Ms JIN Yaxue

Non-Executive Director

Ms CHENG Weihong

Independent Non-Executive Directors

Mr SHIN Yick Fabian

Mr CHEUNG Kiu Cho Vincent

Mr HE Chengying

Mr KWONG Kwan Tong

COMPANY SECRETARY

Mr PUN Kam Wai Peter

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton

HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Workshop 06-07, 36/F King Palace Plaza

No. 52A Sha Tsui Road, Tsuen Wan

New Territories, Hong Kong

SECURITIES CODE

Hong Kong Stock Code: 526

WEBSITE ADDRESS

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

AUDITOR

KPMG

Public Interest Entity Auditor

registered in accordance with the

Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Shengjing Bank, Tianjin Branch,
the People's Republic of China (the "PRC")

Bank of Langfang, Tianjin Branch, PRC
Tianjin Rural Commercial Bank Co., Ltd.

Bank of Communications,

Hong Kong and Ningbo Branches, PRC

Bank of Ningbo, PRC

China Construction Bank, Ningbo Branch, PRC

The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th Floor North

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 September	
	Note	2020 RMB'000 (Unaudited)	2019 RMB'000 (Restated) (Unaudited) (Note)
Continuing operations			
Revenue	4	62,940	1,048,305
Cost of sales		(50,525)	(986,180)
Gross profit	4(b)	12,415	62,125
Other income	5	5,039	1,753
Selling and distribution expenses		(2,474)	(1,876)
Administrative expenses		(39,697)	(52,048)
(Loss)/profit from operations		(24,717)	9,954
Finance costs	6(a)	(58,882)	(16,777)
Net valuation loss on investment properties		(58,000)	–
Net gain on acquisition of subsidiaries	17	–	258,235
Impairment loss on goodwill	10	(165,153)	(177,998)
(Loss)/profit before taxation from continuing operations	6	(306,752)	73,414
Income tax	7	13,103	(10,454)
(Loss)/profit for the period from continuing operations		(293,649)	62,960
Discontinued operations			
Profit for the period from discontinued operations	18	84,603	39,425
(Loss)/profit for the period attributable to equity shareholders of the Company		(209,046)	102,385
(Loss)/earnings per share (RMB cent)			
Basic	8(a)	(2.60)	1.33
Diluted	8(b)	(2.60)	1.33

Note: The comparative information has been re-presented to show the results of discontinued operations separately. See Notes 18.

The notes on pages 11 to 44 form part of this interim financial report.

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

For the six months ended 30 September 2020 – unaudited
(Expressed in RMB)

	Six months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(209,046)	102,385
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– Equity investment at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	–	142,703
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	24,806	(4,203)
Other comprehensive income for the period	24,805	138,500
Total comprehensive income attributable to equity shareholders of the Company for the period	(184,240)	240,885

The notes on pages 11 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020 – unaudited

(Expressed in RMB)

	Note	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	86,485	86,863
Investment properties		1,483,547	1,541,547
Goodwill	10	231,311	396,464
Deferred tax assets		3,022	3,054
		1,804,365	2,027,928
Current assets			
Inventories		261,841	280,178
Trade and other receivables	11	1,627,851	1,454,486
Prepayments	11	211,580	617,637
Restricted bank deposits	12	98,759	242,627
Cash and cash equivalents	13	9,293	17,305
		2,209,324	2,612,233
Assets of disposal groups classified as held for sales		3,377,019	3,307,215
		5,586,343	5,919,448
Current liabilities			
Trade and other payables	14	840,049	1,461,735
Bank and other loans	15	1,350,130	1,060,675
Income tax payable		22,125	27,177
		2,212,304	2,549,587
Liabilities of disposal groups classified as held for sales		2,085,754	2,111,982
		4,298,058	4,661,569
Net current assets		1,288,285	1,257,879
Total assets less current liabilities		3,092,650	3,285,807

The notes on pages 11 to 44 form part of this interim financial report.

	Note	30 September 2020 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Audited)
Non-current liabilities			
Promissory note		319,034	323,385
Deferred tax liabilities		301,899	315,250
Debenture		8,785	–
		629,718	638,635
NET ASSETS			
		2,462,932	2,647,172
CAPITAL AND RESERVES			
Share capital	16(b)	69,888	69,888
Reserves		2,393,044	2,577,284
TOTAL EQUITY			
		2,462,932	2,647,172

The notes on pages 11 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020 – unaudited
(Expressed in RMB)

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory reserves RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 31 March 2019	65,494	2,343,823	1,341	50,242	202,449	(24,002)	29,421	30,340	(386,781)	2,312,327
Changes in equity for the six months ended 30 September 2019:										
Profit for the period	-	-	-	-	-	-	-	-	102,385	102,385
Other comprehensive income	-	-	-	-	-	(4,203)	142,703	-	-	138,500
Total comprehensive income for the period	-	-	-	-	-	(4,203)	142,703	-	102,385	240,885
Issuance of ordinary shares on acquisition of subsidiaries (Note 16(b))	4,394	347,167	-	-	-	-	-	-	-	351,561
Effect on equity arising from disposal of equity investment	-	-	-	-	-	-	(172,124)	-	172,124	-
Balance at 30 September 2019	69,888	2,690,990	1,341	50,242	202,449	(28,205)	-	30,340	(112,272)	2,904,773

The notes on pages 11 to 44 form part of this interim financial report.

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	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory reserves RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 October 2019	69,888	2,690,990	1,341	50,242	202,449	(28,205)	-	30,340	(112,272)	2,904,773
Changes in equity for the six months ended 31 March 2020:										
Loss for the period	-	-	-	-	-	-	-	-	(256,843)	(256,843)
Other comprehensive income	-	-	-	-	-	(758)	-	-	-	(758)
Total comprehensive income for the period	-	-	-	-	-	(758)	-	-	(256,843)	(257,601)
Appropriation to reserves	-	-	-	9,538	-	-	-	-	(9,538)	-
Balance at 31 March 2020	69,888	2,690,990	1,341	59,780	202,449	(28,963)	-	30,340	(378,653)	2,647,172
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory reserves RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 31 March 2020	69,888	2,690,990	1,341	59,780	202,449	(28,963)	-	30,340	(378,653)	2,647,172
Changes in equity for the six months ended 30 September 2020:										
Loss for the period	-	-	-	-	-	-	-	-	(209,046)	(209,046)
Other comprehensive income	-	-	-	-	-	24,806	-	-	-	24,806
Total comprehensive income for the period	-	-	-	-	-	24,806	-	-	(209,046)	(184,240)
Balance at 30 September 2020	69,888	2,690,990	1,341	59,780	202,449	(4,157)	-	30,340	(587,699)	2,482,932

The notes on pages 11 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2020 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating activities			
Cash (used in)/generated from operations		(303,121)	205,605
Tax paid		(10,093)	(23,129)
Net cash (used in)/generated from operating activities		(313,214)	182,476
Investing activities			
Cash acquired through the acquisition of subsidiaries, net of payment		–	15,409
Payments for purchase of non-equity investments		(812,900)	(884,740)
Proceeds from sales of non-equity investments		866,000	582,800
Payments for purchase of property, plant and equipment		(34,157)	(31,725)
Proceeds from disposal of property, plant and equipment		2,021	441
Proceeds from disposal of a subsidiary, net of cash disposed of		–	119,868
Net decrease/(increase) in restricted bank deposits		112,790	(9,075)
Interest received		9,774	4,512
Investment and dividend income received		34,798	21,484
Net (increased)/decrease in advances to third parties		(333,193)	30,483
Net cash used in investing activities		(154,867)	(150,543)

The notes on pages 11 to 44 form part of this interim financial report.

		Six months ended 30 September	
	Note	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Financing activities			
Proceeds from new bank and other loans		1,101,621	535,708
Repayment of bank and other loans		(791,675)	(540,800)
Proceeds from issuance of debenture		8,785	–
Finance costs paid		(94,597)	(42,247)
Interest element of lease rentals paid		(1,400)	(1,748)
Capital element of lease rentals paid		(12,515)	(9,764)
Net cash generated from/(used in) financing activities		210,219	(58,851)
Net decrease in cash and cash equivalents		(257,862)	(26,918)
Cash and cash equivalents at 1 April		586,112	164,381
Effect of foreign exchange rate changes		490	249
Less: cash and cash equivalents of disposal group classified as held for sales at the end of period	18	(319,447)	(120,407)
Cash and cash equivalents at 30 September	13	9,293	17,305

The notes on pages 11 to 44 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1. CORPORATE INFORMATION

China Automobile New Retail (Holdings) Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 October 1995. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are provision of car trading platform related services, trading of imported cars, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances and investments holding.

2. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules” respectively), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 30 November 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

Going concern

The measurement basis used in the preparation of the financial statements is the historical cost basis except for equity and non-equity investments, investment properties which are stated at their fair values. Disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

As at 30 September 2020 and up to the date of approval of these consolidated financial statements, bank and other loans which were overdue but not yet repaid or renewed amounted to RMB429,255,000. Besides, the Group has failed to fulfill certain requirements relating to a long-term loan of RMB139,424,000 and hence the lender has the right to require the Group to repay the loan immediately at any time prior to its original repayment dates.

Notwithstanding these circumstances, the directors of the Company do not consider that material uncertainties related to events or conditions exits which may cast significant doubt on the Group's ability to continue as a going concern, taking into accounts the following:

- 1) The Group has entered into an agreement to dispose the entire share capital of Magician Investments (BVI) Limited, Magician Strategic Limited and Wealthy Honor Holdings Limited (collectively, the "Target Companies") at cash consideration of RMB1.25 billion, subject to independent shareholders' approval;
- 2) The vendor of Robust Cooperation Limited ("Robust") has agreed not to demand for the payment of the HK\$300,000,000 cash consideration due to the vendor for a period of at least 18 months from 31 March 2020 if such a payment would cause the Group unable to settle its liabilities to other parties when they fall due;
- 3) The Group is actively negotiating with banks and other financial institutions for extension of its liabilities; and
- 4) Tong Shiping (shareholder of the Company), Cheng Weihong and Li Lixin (directors and shareholders of the Company) have agreed to provide continuing financial support to the Group as is necessary to ensure its continuing operations for a period of at least 12 months from 31 March 2020.

Taking into account the Group's cash flow forecast for the twelve months ending 30 September 2021 prepared by management, and assuming the success of the above measures, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

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

Changes in accounting policies

The Group has applied the following amendments to the HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business

Except amendments to HKFRS 3, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.



4. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

The principal activities of the Group are provision of car trading platform related services, trading of imported cars, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances and investment holding.

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

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Restated) (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– sales of goods	37,522	1,025,491
– rendering of services	13,348	15,677
	50,870	1,041,168
Revenue from other sources		
– rental income from operating leases	12,070	7,137
	12,070	7,137
	62,940	1,048,305

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

	Six months ended 30 September	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Restated) (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– Point in time	55,022	1,044,147
– Over time	7,918	4,158
	62,940	1,048,305

(b) Segment reporting

The Group manages its business by lines of business. In view of the intended disposal of non-automobile business as disclosed in Note 18, the Group's reportable segment for the six months ended 30 September 2020 are presented as follows:

Continuing operations

- Car trading platform: this segment provides imported cars platform services and property rental services.
- Car-sale: this segment carries out the trading of imported cars.

Discontinued operations

- Manufacturing and trading: this segment manufactures and trades plastic and metallic household products.
- Retail: this segment manages the supermarket operations and property rental services.
- Wholesale: this segment carries out the wholesale of wine and electrical appliances business.
- 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 or equity securities, interest expenses and reconciliation of reportable segment profit to consolidated profit before tax is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2020 and 2019 is set out below.

	Six months ended 30 September 2020 (Unaudited)								
	Continuing operations				Discontinued operations				
	Car trading platform	Car-sale	Sub-total	Manufacturing and trading	Retail	Wholesale	Investments holding	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	23,073	39,867	62,940	387,163	224,732	155,092	30,318	797,305	860,245
Inter-segment revenue	272	-	272	-	-	27,738	-	27,738	28,010
Reportable segment revenue	23,345	39,867	63,212	387,163	224,732	182,830	30,318	825,043	888,255
Reportable segment gross profit	9,696	2,719	12,415	106,393	65,336	31,677	30,318	233,724	246,139

	Six months ended 30 September 2019 (Unaudited)								
	Continuing operations				Discontinued operations				
	Car trading platform	Car-sale	Sub-total	Manufacturing and trading	Retail	Wholesale	Investments holding	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	22,776	1,025,529	1,048,305	338,380	222,398	135,850	21,072	717,700	1,766,005
Inter-segment revenue	32	-	32	-	-	17,108	-	17,108	17,140
Reportable segment revenue	22,808	1,025,529	1,048,337	338,380	222,398	152,958	21,072	734,808	1,783,145
Reportable segment gross profit	16,854	45,271	62,125	89,957	62,227	33,791	21,072	207,047	269,172

(ii) Reconciliations of reportable segment revenue

	Six months ended 30 September	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Restated) (Unaudited)
Reportable segment revenue	63,212	1,048,337
Elimination of inter-segment revenue	(272)	(32)
Consolidated revenue	62,940	1,048,305

5. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Restated) (Unaudited)
Government grant	3,520	–
Interest income on cash at bank	1,245	1,693
Gain on disposal of property, plant and equipment	274	–
Others	–	60
	5,039	1,753

6. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 September	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Restated) (Unaudited)
Interest on bank and other borrowings	50,226	14,061
Interest on lease liabilities	14	–
Other finance costs	8,642	2,716
Total borrowing costs	58,882	16,777

(b) Staff costs

	Six months ended 30 September	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Restated) (Unaudited)
Salaries, wages and other benefits	4,378	2,374
Contributions to defined contribution retirement plans	142	520
	4,520	2,894

(c) Other items

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Restated) (Unaudited)
Cost of inventories	37,148	980,228
Depreciation and amortization		
– owned property, plant and equipment	1,110	1,094
– right-of-use assets	183	274
Impairment losses on trade and other receivables	9,205	–
Reversal on expected credit loss for financial guarantees issued	(1,441)	–
Net foreign exchange (gain)/loss, net	(10,834)	32,862

7. INCOME TAX

	Six months ended 30 September	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Restated) (Unaudited)
Current taxation:		
– Provision for the six months period	5,226	9,525
– Over-provision in respect of prior years	–	305
	5,226	9,830
Deferred taxation:		
– Origination and reversal of temporary differences	(18,329)	624
	(13,103)	10,454

Notes:

- (i) Hong Kong Profits Tax rate for the six months ended 30 September 2020 is 16.5% (six months ended 30 September 2019: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 September 2020 (six months ended 30 September 2019: RMBNil).
- (ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 September 2020 (six months ended 30 September 2019: 25%). One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% applicable for enterprise with advanced and new technologies.
- (iii) Subsidiaries incorporated in other jurisdictions are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

8. (LOSS)/EARNINGS PER SHARE**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share for the six months ended 30 September 2020 is based on the loss attributable to ordinary equity shareholders of the Company of RMB209,046,000 (six months ended 30 September 2019: profit of RMB102,385,000) and the weighted average of 8,044,020,000 ordinary shares (six months ended 30 September 2019: 7,713,419,000 ordinary shares) in issue during the six months period, calculated as follows:

Weighted average number of ordinary shares:

	Six months ended 30 September	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Issued ordinary shares at 1 April	8,044,020	7,544,020
Effect of issuance of ordinary shares	-	169,399
Weighted average number of ordinary shares at 30 September	8,044,020	7,713,419

(b) Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares during the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals of owned assets

During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment with a cost of RMB10,000 (six months ended 30 September 2019: RMBNil). Items of property, plant and equipment with a net book value of RMB105,000 and RMBNil were disposed of and transferred from investment property, respectively, during the six months ended 30 September 2020 (six months ended 30 September 2019: RMBnil and RMB16,340,000).

In addition, during the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with a cost of RMB72,237,000 through acquisition of subsidiaries (see Note 17).



10. GOODWILL

RMB'000

Cost:

At 1 April 2019	1,373,157
Classified as assets of disposal groups held for sales	(43,313)

At 31 March 2020 and 30 September 2020	1,329,844
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Accumulated impairment losses:

At 1 April 2019	(693,391)
Impairment loss	(283,302)
Classified as assets of disposal groups held for sales	43,313

At 31 March 2020	(933,380)
Impairment loss	(165,153)

At 30 September 2020	(1,098,533)
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Carrying amount:

At 30 September 2020	231,311
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At 31 March 2020	396,464
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Impairment tests for cash-generating units containing goodwill

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

	At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
Manufacturing and trading	–	–
Car-sale	231,311	396,464
	231,311	396,464

The recoverable amounts of these CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by management of the Company covering a five-year period. The assumptions used in the value-in-use calculations are as follows:

	Manufacturing and trading		Car-sale	
	At 30 September 2020	At 31 March 2020	At 30 September 2020	At 31 March 2020
Long-term growth rate	3.0%	3.0%	3.0%	3.0%
Discount rate (pre-tax)	18.9%	18.9%	18.0%	14.5%

Impairment loss of RMB165,153,000 has been recognised in “impairment loss on goodwill” of the continuing operations during the six months ended 30 September 2020 (year ended 31 March 2020: RMB239,989,000) to reduce the carrying value of the car-sale CGU to its recoverable amount, due to the impact of the implementation of Limits and Measurement Methods for Emissions from Light-duty Vehicles (CHINA VI), COVID-19 outbreak and recent trade friction between the governments of the PRC and the United States on car-sale CGU. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The carrying amount of the Manufacturing and trading CGU was determined to be higher than its recoverable amount due to the negative effect caused by the COVID-19 outbreak and the ongoing trade friction between the government of the PRC and the United States and an impairment loss of RMB43,313,000 was recognised in “loss for the year from discontinued operations” during the year ended 31 March 2020.



11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2020 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
Trade receivables from:		
– Third parties	22,697	173,822
Less: loss allowance	(21,267)	(21,489)
	1,430	152,333
Other receivables:		
– Advances to third parties	1,652,560	1,319,368
– Others	1,604	4,510
	1,654,164	1,323,878
Less: loss allowance	(31,354)	(25,681)
	1,622,810	1,298,197
Financial assets measured at amortised cost	1,624,240	1,450,530
Deposits:		
– Deposits for operating leases expenses paid to third parties	109	203
– Others	3,502	3,753
	3,611	3,956
Trade and other receivables	1,627,851	1,454,486
Prepayments:		
– Prepayments to suppliers	205,326	613,222
– Others	6,256	4,415
	211,580	617,637
	1,839,431	2,072,123

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

Ageing analysis

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

	At 30 September 2020 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
Within 1 month	7	35,383
More than 1 month but less than 3 months	14	53,234
Over 3 months	1,409	63,716
	1,430	152,333

12. RESTRICTED BANK DEPOSITS

	At	At
	30 September	31 March
	2020	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Pledged deposits for issuance of bank bills	67,172	207,172
Pledged deposits for issuance of letter of credit	30,260	35,455
Other pledged bank deposits	1,327	–
	98,759	242,627

13. CASH AND CASH EQUIVALENTS

	At	At
	30 September	31 March
	2020	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash at bank and on hand	9,293	17,305

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

14. TRADE AND OTHER PAYABLES

	At 30 September 2020 <i>RMB'000</i> (Unaudited)	At 31 March 2020 <i>RMB'000</i> (Audited)
Trade payables to third parties	26	971
Bills payable	256,500	791,999
	256,526	792,970
Amounts due to related parties:		
– Companies under the control of shareholders of the Company (Note (i))	20,867	764
Accrued charges and other payables:		
– Accrued expenses	41,824	11,666
– Payables for staff related costs	274	559
– Deposits from customers and suppliers:		
– Third parties	18,403	519
– A company under the control of a shareholder of the Company	–	24,782
– Payables for interest expenses	40,580	9,404
– Payables for miscellaneous taxes	3,942	3,593
– Expected credit loss for financial guarantee granted	39,119	40,560
– Payables for acquisition of subsidiaries	263,550	274,260
– Others	24,402	10,002
	432,094	375,345
Financial liabilities measured at amortised cost	709,487	1,169,079
Contract liabilities (Note (ii))	130,562	292,656
	840,049	1,461,735

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) All of the contract liabilities are expected to be recognised as revenue within one year.

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

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

	At	At
	30 September	31 March
	2020	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 month	26	971
Over 1 month but within 3 months	-	-
Over 3 months but within 6 months	60,000	266,500
Over 6 months	196,500	525,499
	256,526	792,970

15. BANK AND OTHER LOANS

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

	At 30 September 2020 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
Bank loans:		
– Unsecured and guaranteed (Note (ii) and (iv))	50,900	57,000
– Secured and guaranteed (Note (iv))	735,406	448,566
	786,306	505,566
Loan from other financial institutions:		
– Secured and guaranteed (Note (ii), (iii) and (iv))	547,779	547,343
Loans from companies under the control of shareholders of the Company:		
– Unsecured and unguaranteed (Note (i))	16,045	7,766
	1,350,130	1,060,675

Note:

- (i) At 30 September 2020, the loans from companies under the control of shareholders of the Company are interest with 0% to 3.95% per annum (31 March 2020: interest-free) and are repayable before July 2022 (31 March 2020: February 2021).
- (ii) As at 30 September 2020 and up to the date of approval of these consolidated financial statements, bank and other loans which have fallen due according to the repayment schedule as stated in the loan agreements but have not been renewed or repaid amounted to RMB429,255,000. The renewal of the above loans are under negotiation, subject to approval of the bank and other financial institution.

- (iii) At 30 September 2020, the Group failed to fulfill certain covenants of a long-term loan of RMB139,424,000 and the lender has the right to require the Group to repay the loan immediately at any time prior to its original repayment dates. The outstanding loan balance was classified as current liabilities at the end of the reporting period.
- (iv) The Group's bank loans are repayable as within one year (31 March 2020: within one year).
- (v) All of the long-term bank and other loans are carried at amortised cost.
- (vi) Certain of the Group's bank loans are secured by the Group's leasehold land and buildings, investment properties, trade receivables, bills receivable and restricted bank deposits. The aggregate carrying values of the secured leasehold land and buildings, investment properties, trade receivables, bill receivables and restricted bank deposits are analysed as follows:

	At 30 September 2020 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
Pledged for bank loans:		
Leasehold land and buildings	66,991	67,675
Investment properties	1,557,548	1,541,547
	1,624,539	1,609,222

- (vii) At 30 September 2020, the Group's banking facilities amounted to RMB970,000,000 (31 March 2020: RMB1,199,000,000) were utilised to the extent of RMB946,278,000 (31 March 2020: RMB1,064,671,000).

16. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: RMBNil).

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

No dividend in respect of the previous financial period has been approved during the six months ended 30 September 2020 (six months ended 30 September 2019: RMBNil).

(b) Share capital

Authorised:

Ordinary shares at HK\$0.01 each

Six months ended 30 September 2020		Year ended 31 March 2020	
No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
10,000,000	100,000	10,000,000	100,000

Ordinary shares, issued and fully paid:

At 1 April

Issuance of ordinary shares

on acquisition of subsidiaries

At 30 September/31 March

Six months ended 30 September 2020		Year ended 31 March 2020	
No. of shares '000	RMB'000	No. of shares '000	RMB'000
8,044,020	69,888	7,544,020	65,494
-	-	500,000	4,394
8,044,020	69,888	8,044,020	69,888

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

On 8 August 2019, the Company issued 500,000,000 new ordinary shares to Valuable Peace Limited ("the Vendor") for acquisition of 100% equity interests in Robust Cooperation Limited ("Robust") from the Vendor. The fair value of the ordinary shares issued is determined based on the closing price on the acquisition date (31 July 2019) of HK\$0.8 per share.

(c) Reserves

Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9. The Group disposed the equity investment during the six months ended 30 September 2019 and the amount accumulated in the fair value reserve (non-recycling) were transferred to accumulated losses in the consolidated statement of changes in equity.

17. BUSINESS COMBINATION

On 2 March 2019, the Company entered into an acquisition agreement with the Vendor, which is held by a close family member of two directors of the Company. Pursuant to the agreement, the Company agreed to acquire 100% interests in Robust from the Vendor through 1) the issuance of 500,000,000 ordinary shares in the Company; 2) the issuance of interest-free promissory note of HK\$400,000,000 due for payment in three years; and (3) the payment of cash of HK\$300,000,000. The directors of the Company consider that the automotive industry, especially the parallel importation industry is a fast growing market and by completing the acquisition, the Company will be able to further diversify the Group's existing business to strive for greater growth potential.

Upon completion of the above acquisition on 31 July 2019, the Group recorded a negative goodwill of RMB258,235,000, calculated as below:

	<i>RMB'000</i>
Fair value of identifiable net assets acquired:	
Property, plant and equipment	72,237
Investment properties	1,599,120
Trade and other receivables and prepayments	2,923,020
Cash and cash equivalents	15,409
Restricted bank deposits	499,144
Trade and other payables	(2,461,129)
Bank and other loans	(1,101,840)
Income tax payable	(33,437)
Deferred tax liabilities	(338,926)
	<u>(1,173,598)</u>
Satisfied by:	
Fair value of consideration shares issued upon completion	351,561
Present value of consideration promissory note to be issued upon completion	300,132
Consideration cash (Note (i))	263,670
	<u>915,363</u>
Total consideration	<u>915,363</u>
Negative goodwill (Note (vii))	<u>(258,235)</u>

Notes:

- (i) Up to the date of issue of these financial statements, the Company has not paid HK\$300,000,000 to the Vendor.
- (ii) The fair values of the property acquired at the acquisition date was determined using the market approach.
- (iii) From the date of the above acquisition to 30 September 2019, the acquisition contributed revenue of RMB22,808,000 and net profit of RMB1,175,000 to the Group for the six-month period ended 30 September 2019. Had the above acquisition been completed on 1 April 2019, the directors of the Company estimated the consolidated revenue and consolidated net profit for the six months ended 30 September 2019 would have been RMB1,820,502,000 and RMB77,806,000, respectively.
- (iv) The Group incurred acquisition-related costs of RMB15,443,000 relating to external legal fees, due diligence costs, valuation and audit costs. These costs have been included in "Administrative expenses" in the consolidated statements of profit or loss during the six months ended 30 September 2019.
- (v) The trade and other receivables comprise gross contractual amounts due of RMB2,947,709,000 of which provision for credit loss of RMB24,689,000 has been made at the acquisition date.
- (vi) On the acquisition date, the directors of the Company do not consider it probable that a claim will be made against the Group under the guarantees. The exposure of Robust at the end of 31 July 2019 under the guarantees is approximately RMB2,291 million, being the aggregate banking facilities granted to third party customers of the Company by banks.
- (vii) Negative goodwill was recognised as a result of bargain purchase.
- (viii) Net cash inflow arising on acquisition

RMB'000

Cash and cash equivalents acquired

 15,409

18. DISCONTINUED OPERATION

During the year ended 31 March 2020, management committed to a plan to expand its automobile business and sell the non-automobile business to provide the Group with an immediate cash inflow for settling its indebtedness and strengthening the Group's liquidity and financial position, as well as to address or mitigate the effect caused by the challenging global economic climate and uncertain business environment amid the COVID-19 outbreak and the intensified tension caused by the ongoing trade issues between the United States and the PRC.

On 28 May 2020, the Group entered into an agreement with Mr. Li Lixin, an executive director and a shareholder of the Company (the "Purchaser"), pursuant to which the Group agreed to sell and the Purchaser agreed to purchase the entire share capital of the Target Companies at a consideration of RMB1.25 billion (the "Disposal"). The Completion of the Disposal is subject to fulfillment of conditions set out in the agreement, including independent shareholders' approval.

The Target Companies and their subsidiaries (collectively, the "Disposal Group") represented (i) the manufacturing and trading segment, (ii) retail segment, (iii) wholesale segment and (iv) investments holding segment of the Group (collectively, the discontinued operations). Accordingly, the consolidated results of the discontinued operations for the period from 1 April 2020 to 30 September 2020 have been presented as discontinued operation in the consolidated financial statements in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the comparative figures of the consolidated statement of profit or loss and corresponding notes have been restated to show the discontinued operation separately from continuing operations, and the assets and liabilities of the Disposal Group are considered as held for sales at 30 September 2020.

It is impracticable to disclose the gain or loss on the proposed disposal as it is subject to the financial positions of the Disposal Group at the date of disposal.



(a) Results of discontinued operations

	Six month ended 30 September	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	797,305	717,700
Cost of sales	(563,581)	(510,653)
Gross profit	233,724	207,047
Other income	7,608	8,045
Selling and distribution expenses	(41,447)	(42,580)
Administrative expenses	(46,107)	(52,446)
Finance costs	(36,151)	(31,617)
Net valuation loss on investment properties	-	(10,000)
Profit before taxation	117,627	78,449
Income tax	(33,024)	(39,024)
Profit for the period from discontinued operations	84,603	39,425
Basic and diluted earnings per share (RMB cent)	1.05	0.51

(b) The net cash flows incurred by the discontinued operations are as follows:

	Six month ended 30 September	
	2020 RMB'000	2019 RMB'000
Net cash (used in)/generated from operating activities	(257,065)	198,695
Net cash generated from/(used in) investing activities	32,834	(169,705)
Net cash used in financing activities	(29,205)	(51,621)
Net cash outflow	(253,436)	(22,631)

(c) Assets and liabilities of disposal groups held for sale

At 30 September 2020, the non-current assets and disposal groups held for sale were stated at the lower of carrying amount and fair value less costs to sell, comprising the following assets and liabilities:

	30 September 2020 RMB'000	31 March 2020 RMB'000
Property, plant and equipment	399,001	409,636
Investment properties	660,000	660,000
Deferred tax assets	13,818	13,818
Inventories	149,189	146,453
Trade and other receivables	662,517	310,654
Prepayments	24,819	21,624
Non-equity investments	1,032,290	1,091,363
Restricted bank deposits	115,938	84,860
Cash and bank equivalents	319,447	568,807
Assets held for sales	3,377,019	3,307,215
Trade and other payables	(469,730)	(535,936)
Bank and other loans	(1,358,867)	(1,345,594)
Income tax payables	(59,104)	(30,637)
Deferred tax liabilities	(198,053)	(199,815)
Liabilities held for sales	(2,085,754)	(2,111,982)
Net assets held for sales	1,291,265	1,195,233

19. MATERIAL RELATED PARTY TRANSACTIONS

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

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

		Six months ended	
		30 September	
	Note	2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Sales of goods		3,301	1,320
Rental income from operating leases		38	12
Services income from operating leases		36	11
Purchases of goods		–	175,601
Import and export handling charges		3,438	3,724
Lease expenses		9,722	6,877
Interest expenses	(i)	1,200	742
Net increase in non-interest bearing advances received from related parties	(ii)	392	7,858
Net decrease/(increase) in loans received from related parties	(iii)	8,279	(12,747)

Notes:

- (i) Interest expenses represented interest charges on loans received from related parties.
- (ii) The amounts are unsecured and have no fixed terms of repayment.
- (iii) The loans are unsecured, bear interest ranging from 0% to 3.95% (six month ended 30 September 2019: 0% to 7%) per annum and are repayable before May 2022 (six month ended 30 September 2019: May 2020).

The Group's bank loans of RMB1,334 million as at 30 September 2020 (31 March 2020: RMB1,053 million) were guaranteed by shareholders of the Company, directors of the Company, close family members of a shareholder of the Company and companies under the control of shareholders of the Company.

20. COMMITMENTS

(a) Capital commitments

At 30 September 2020, the outstanding capital commitments of the Group not provided for in the condensed consolidated financial statements were as follows:

	At 30 September 2020 RMB'000 (Unaudited)	At 31 March 2020 RMB'000 (Audited)
Commitments in respect of plant and machinery		
– Contracted for	683	85

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**(a) Financial assets and liabilities measured at fair value***(i) Fair value hierarchy*

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

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

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

	Fair value at 30 September 2020 categorised into Level 3 RMB'000 (Unaudited)	Fair value at 31 March 2020 categorised into Level 3 RMB'000 (Audited)
Discontinued operation		
Recurring fair value measurements		
<i>Assets:</i>		
Non-equity investments	1,032,290	1,091,363

(ii) *Information about Level 3 fair value measurements*

	Valuation techniques	Significant unobservable inputs	Range
Non-equity investments	Discounted cash flow model	Discount rate	4.8% to 6.4%

The fair value of non-equity investments is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate, ranged from 4.8% to 6.4% for the six months ended 30 September 2020 (year ended 31 March 2020: 5.7% to 6.4%). The fair value measurement is negatively correlated to the discount rate. As at 30 September 2020, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decreased/increased the Group's other comprehensive income by RMB347,000 (year ended 31 March 2020: RMB1,240,000).

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

	Six months ended 30 September 2020 RMB'000 (Unaudited)	Year ended 31 March 2020 RMB'000 (Audited)
Discontinued operation		
Unlisted non-equity investments:		
At 1 April	1,091,363	786,758
Payment for purchases	812,900	884,740
Changes in fair value recognised in profit during the period	5,973	2,665
Proceeds from sales	(866,000)	(582,800)
	1,032,290	1,091,363

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 September 2020 and 31 March 2020.

22. CONTINGENT LIABILITIES

(a) Financial guarantees issued

During the period ended 30 September 2020, the Group has guaranteed the banking facilities of some major customers.

At 30 September 2020, the director of the Group do not consider it probable that a claim will be made against the Group under the guarantees. The exposure of the Group at 30 September 2020 under the guarantees is approximately RMB2,187 million, being the aggregate banking facilities granted to third party customers of the Group by banks.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2020, the Group recorded a revenue for the continuing operation of approximately RMB62.9 million, representing a decrease of 94.0% when compared with the revenue of approximately RMB1,048.3 million reported for the corresponding period last year. Net loss for the six months ended 30 September 2020 was approximately RMB209.0 million compared to a net profit of RMB102.4 million for the corresponding period last year. The Group's basic and diluted loss per share for the six months ended 30 September 2020 were RMB2.60 cent while the Group's basic and diluted earnings per share were RMB1.33 cent for the corresponding period last year.

Net Assets, Liquidity and Financial Resources

As at 30 September 2020, the Group's net assets decreased to RMB2,462.9 million, rendering net asset value per share at RMB30.6 cent. The decrease in net assets is mainly due to impairment of goodwill amounting to RMB165.2 million during the period.

As at 30 September 2020, the Group's total assets were valued at RMB7,390.7 million, including cash and bank deposits of approximately RMB543.4 million and current non-equity investments of RMB1,032.3 million. Consolidated bank loans and other borrowings amounted to RMB2,717.8 million. Its debt-to-equity ratio (bank loans and other borrowings and debenture over total equity) has been increased significantly from 40% as at 31 March 2020 to 110.3% as at 30 September 2020. The significant change in the debt-to-equity ratio was essentially due to the bank loans of the continuing operation increased during the period.

Most of the Group's business transactions were conducted in RMB and US\$. As at 30 September 2020, the Group's major borrowings included bank loans, which had an outstanding balance of RMB2,693.0 million, other borrowings from shareholders totaling RMB16.0 million and debenture of RMB8.8 million. All of the Group's borrowings have been denominated in RMB, HK\$ and US\$.

Pledge of Assets

The Group's leasehold land and buildings and investment properties with a carrying amount of RMB1,550.5 million for the continuing operation as at 30 September 2020 were pledged to secure bank borrowing and facilities of the Group.

Prepayment to Suppliers

As at 30 September 2020, the balance of prepayment to suppliers is RMB205.3 million. As at the 30 November 2020, the utilization of the prepayment to suppliers was approximately RMB81,000 or 0.04% of the balance.

Capital Expenditure and Commitments

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

Exposure to Foreign-Exchange Fluctuations

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

Segment Information

With the acquisition of car-sale business in 2017 and car trading platform business in 2019, the overall car business has emerged to become the most important business segment of the Group in the six months ended 30 September 2020. Retail and wholesale business, manufacturing and trading business and investments holding business were classified as discontinued operations for the six months ended 30 September 2020.

In terms of geographical location, all of the Group's revenue for the continuing operation is generated from Mainland China.

Contingent Liabilities

As at 30 September 2020, the Group provides guarantees to secure bank loans borrowed by some major customers. Such arrangements were made by 天津濱海國際汽車城有限公司 (Tianjin Binhai International Automobile City Company Ltd, the “Automobile City”) prior to the acquisition in July 2019. 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 RMB2,187.0 million being the balance of the principal amount and outstanding interest of the bank loans the Group guaranteed for.

Goodwill

The goodwill reduced from approximately RMB369.5 million as of 31 March 2020 to approximately RMB231.3 million as of 30 September 2020 which was attributable to the recognition of the impairment loss on goodwill for the car-sales cashing generating unit (“CGU”) amounting approximately RMB165.2 million. The impairment to reduce their carrying value to recoverable amount. The impairment was mainly due to the impact to the CGU for the implementation of Limits and Measurement Methods for Emissions from Light-duty Vehicles (CHINA VI), COVID-19 outbreak and recent trade friction between the governments of the PRC and the United States.

The impairment was based on a valuation by an independent professional valuer. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The assumptions in the value-in-use calculations are as follows:

	Car-sales	
	At 30 September 2020	At 31 March 2020
Long-term growth rate	3.0%	3.0%
Discount rate (pre-tax)	18.0%	14.5%

The Group expected the market will soon be back to normal in year 2021 as the demand of the customers was expected to be rebounded after relief of the COVID-19 pandemic. The management is confident that the sales performance will catch up in the foreseeable future.

Employee Information

As at 30 September 2020, the Group employed a workforce of 1,757 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 2020.

Review of Operations

For the six months ended 30 September 2020, the Group recorded a net loss of RMB209.0 million, compared to a net profit of RMB102.4 million for the corresponding period last year.

Revenue for the Continuing Operations

The Revenue for the continuing operations comprised Car-sale Business and Car-Trading Platform Business. For the six period ended 30 September 2020, the Group recorded revenue from continuing operations of approximately RMB62.9 million, representing a sharp decrease of 94.0% when compared with the revenue of approximately RMB1,048.3 million reported for the last year, mainly due to the negative impact of COVID-19.

Car-sale Business

The Group had originally anticipated that there would be considerable growths of revenue of the car-sale business as at the date of acquisition. However, the trading and sales of imported cars business decreased substantially by 96.1% to RMB39.9 million for the six months ended 30 September 2020 as compared with RMB1,025.5 million for the corresponding period last year. The outbreak of COVID-19 in early 2020 in China caught all the participants in automobile market by surprise. The negative impact of pandemic has been widespread not just in China but all over the world. The challenge to the automobile business has been unpredictable and unprecedented. The mood of consumers in China especially in the market of durable goods like car was heavily blown out and majority of customers adopt a wait-and-see attitude on their purchase plans which seriously affected the transactions of imported cars and resulted in a substantial drop of turnover for our car-sale business in the six months ended 30 September 2020 as compared with the corresponding period last year. Such decrease in revenue also affected the sales forecast for coming years assumed in the valuation model and resulted in goodwill impairment of RMB165.2 million.

Car Trading Platform Business

The imported cars platform services and property rental business started operation after completion of the acquisition in July 2019. The revenue was RMB23.0 million for the six months ended 30 September 2020, while it contributed two months revenue of RMB22.8 million for the corresponding period last year. The business performance of car trading platform business was also disappointing as COVID-19 is an industry-wide issue and no car business company can escape from the disaster.



Revenue for the Discontinued Operations

Revenue for the discontinued operations included Retail and Wholesale Business, Manufacturing and Trading Business and Investment Holding Business. For the six months ended 30 September 2020, the Group recorded revenue for the discontinued operations of approximately RMB797.3 million, representing an increase of 11.1% when compared with the total revenue of approximately RMB717.7 million reported for the corresponding period last year.

Retail and Wholesale Business

Retail business increased by 1.1% to RMB224.7 million and wholesale business increased by 14.1% to RMB155.1 million for the six months ended 30 September 2020 as compared with the corresponding period last year. Although keen market competition from e-commerce, large supermarket chains and new shopping malls nearby, the retail business and the wholesale business in wine and beverages has stabilized and recorded a satisfactory increase in revenue contributed by the hard work of the sale team for the six months ended 30 September 2020.

Manufacturing and Trading Business

During the six months ended 30 September 2020, the manufacturing and trading business contributed approximately RMB387.2 million to the total revenue of the Group. The business of this segment increased significantly by RMB48.8 million or 14.4% when compared with the corresponding period last year of approximately RMB338.4 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. The contribution successfully strengthen our established customer base and the base can cope with short term fluctuation in the market. The business of this segment performed very well in the six months ended 30 September 2020.

Investments Holding Business

Dividend income and investment income was increased by 43.6% to RMB30.3 million for the six months ended 30 September 2020 as compared with the corresponding period last year.

PROSPECTS

Expanding into a Promising Car-Sale Business Market

Since the completion of the acquisition of a car-sales business in early 2017, the Group continued to expand into car-sale business market.

On 2 March 2019, the Company and Valuable Peace Limited (the “Vendor”) entered into a sale and purchase agreement (the “SPA”). Pursuant to the SPA, the Company intends to acquire and the Vendor intends to sell entire issued share capital of Robust Cooperation Limited which holds indirectly the entire equity interest in the Automobile City (the “Acquisition”). The Acquisition was completed on 31 July 2019. For details of the Acquisition, please refer to the announcements dated 3 March 2019, 30 April 2019 and 31 July 2019 and the circular dated 28 May 2019.

COVID-19 pandemic becomes a global medical and hygienic crisis. The problem is not yet over but still depends on the development and effectiveness of vaccines and medicines. The living and business practices of people has been modified by the pandemic. The recovery of car business in China and the long lasting impact of COVID-19 in the car market are still uncertain. The Group will monitor the pandemic situation and the change in the automobile market and assess the business development strategy and change business and operation plans where necessary. We will work closely with our business partners to improve our products and services.

Strengthening Our Liquidity and Financial Position

On 28 May 2020, the Company and Li Lixin, executive director and controlling shareholder of the Company, entered into a disposal agreement, pursuant to which the Company conditionally agreed to see, and Li Lixin conditionally agreed to by the entire shareholding interest in Magician Investments (BVI) Limited, Magician Strategic Limited and Wealthy Honor Holdings Limited (the “Disposal”). The Disposal operated retail and wholesale business, manufacturing and trading business and investments holding business. The Board considered that the Disposal provides the Group with an immediate cash inflow for settling its indebtedness and strengthening the Group’s liquidity and financial position. For details of the Disposal, please refer to the announcements dated 17 March 2020 and 28 May 2020.

Looking for New Business Opportunities with Growth Potential

The management will look into investment and divestment opportunities with appropriate and reasonable valuation which suit the long term development strategy of the Group.

OTHER INFORMATION**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 September 2020, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Capacity	Number of shares/ underlying shares (Note 1)	Approximate percentage of the issued share capital of the Company
Mr Li Lixin	(Note 2)	2,755,137,680 (L)	34.25%
		2,737,284,681 (S)	34.03%
Ms Cheng Weihong	(Note 3)	1,849,407,702 (L)	22.99%
		398,000,000 (S)	4.95%

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

Note 2: Mr Li Lixin's interest in 2,755,137,680 shares is held as to 17,822,000 shares personally, 1,382,141,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,355,174,666 shares through Shi Hui Holdings Limited ("Shi Hui"). The issued share capital of Big-Max and Shi Hui are wholly owned by Mr Li Lixin.

Note 3: Ms Cheng Weihong's interest in 956,407,702 shares through Mighty Mark Investments Limited ("Mighty Mark") and 893,000,000 shares through Hopeful Glad Limited ("Hopeful Glad"). The issued share capital of Mighty Mark and Hopeful Glad are wholly owned by Ms Cheng Weihong.

Furthermore, no share 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 2020. Other than that, at no time during the six months ended 30 September 2020 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 2020.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, the interests or short positions of every person, other than a director of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,382,141,014 (L)	17.18%
		1,382,111,014 (S)	17.18%
Shi Hui Holdings Limited	Beneficial owner	1,355,174,666 (L)	16.85%
		1,355,173,667 (S)	16.85%
Tong Shipping	Interest of spouse	1,849,407,702 (L)	22.99%
		398,000,000 (S)	4.95%
Mighty Mark Investments Limited	Beneficial owner	956,407,702 (L)	11.89%
Hopeful Glad Limited	Beneficial owner	893,000,000 (L)	11.10%
		398,000,000 (S)	4.95%
Central Huijin Investment Limited	Person having a security interest in shares/interest in controlled corporation	2,814,939,680 (L)	34.99%

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
China Construction Bank Corporation	Person having a security interest in shares/interest in controlled corporation	2,814,939,680 (L)	34.99%
Greater Bay Area Homeland Investments Limited	Person having a security interest in shares/interest in controlled corporation	1,551,144,000 (L)	19.28%
Poly Platinum Enterprises Limited	Beneficial owner/Person having a security interest in shares	1,051,144,000 (L)	13.07%
Greater Bay Area Homeland Development Fund (GP) Limited	Person having a security interest in shares/interest in controlled corporation	1,051,144,000 (L)	13.07%
Ministry of Finance of Zhejiang Province, the People's Republic of China (中華人民共和國浙江省財政廳)	Person having a security interest in shares	1,049,971,001 (L)	13.05%
浙江省財務開發公司	Person having a security interest in shares	1,049,971,001 (L)	13.05%
Caitong Securities Co., Limited	Person having a security interest in shares	700,971,001 (L)	8.71%
China Fund Limited	Beneficial owner	462,663,898 (L)	5.75%
Li Yuelan	Interest in controlled corporation	462,663,898 (L)	5.75%
Liu Xuezhong	Interest in controlled corporation	462,663,898 (L)	5.75%

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

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements for the six months ended 30 September 2020.

The Audit Committee has raised its concerns ("Concerns") over:

1. the recoverability of the trade and other receivables of approximately RMB1.63 billion of the Group;
2. the bank and other loans of approximately RMB1.35 billion of the Group (including loans overdue of approximately RMB429 millions); and
3. the valuation loss on the investment properties of approximately RMB58 millions of the Group.

The announcement of interim results for the six months ended 30 September 2020 ("Interim Results Announcement") had not been approved by the Audit Committee and was approved by a resolution passed by majority of the board of directors of the Company. At the board meeting, the board of directors of the Company has also resolved that the management of the Group be instructed to provide, as soon as possible, further information relating to the above issues to members of the board of directors, and to follow up and address to their satisfaction the concerns over the above issues.

After the publication of the Interim Results Announcement, the staff of the Group in Hong Kong continued to work together with the staff of the Group in the PRC and collected the information to address the Concerns. With the ease of the pandemic situation in the relevant areas where the Group's office located, the collection process resumed and relevant information was delivered and provided for the Audit Committee to review in early December.

The Audit Committee is then satisfied that the Concerns have been addressed. The Company will continue to take steps to handle the subject matters under the Concerns and will update the Directors including the members of the Audit Committee periodically. Please refer to the supplemental announcement of the Company dated 18 December 2020 for the details.

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 provisions of Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the six months ended 30 September 2020 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 of the Company was unable to attend the annual general meeting held during the period due to other commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 six months ended 30 September 2020.

By Order of the Board

Li Lixin

Director

Hong Kong, 30 November 2020



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