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

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

Annual Report 2023 年報

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr LI Lixin *(Appointed as a Chairman on 12 October 2022)*
Mr CHENG Jianhe
Ms JIN Yaxue

Non-Executive Director

Ms CHENG Weihong *(Resigned on 31 August 2022)*

Independent Non-Executive Directors

Mr SHIN Yick Fabian
Mr HE Chengying
Mr KWONG Kwan Tong

AUDIT COMMITTEE

Mr SHIN Yick Fabian *(Chairman)*
Mr HE Chengying
Mr KWONG Kwan Tong

REMUNERATION COMMITTEE

Mr KWONG Kwan Tong *(Chairman)*
Ms JIN Yaxue
Mr SHIN Yick Fabian

NOMINATION COMMITTEE

Mr HE Chengying *(Chairman)*
Mr SHIN Yick Fabian
Mr KWONG Kwan Tong *(Appointed on 31 August 2022)*
Ms CHENG Weihong *(Resigned on 31 August 2022)*

COMPANY SECRETARY

Ms PANG Yuen Shan Christina

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Office 6, 2/F.
International Enterprise Centre 3
No. 18 Tai Chung Road, Tsuen Wan
New Territories, Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Agricultural Bank of China, Yinzhou Branch, the People's Republic of China (the "PRC")
Bank of Communications, Hong Kong and Ningbo Branches, PRC
Bank of Hangzhou, Ningbo Branch, PRC
Bank of Ningbo, 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
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

Hong Kong Stock Code: 526

COMPANY'S WEBSITE

http://www.lisigroup.com.hk

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr LI Lixin, aged 55, is the executive Director and chairman of the Company. Mr Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of a private group of companies established in the PRC. The principal businesses of his private group include import and export business, chain supermarkets, commercial real estate development and operation management, real property development and investment holding, Mr Li's private group also has investments in real property development, printing business and local bank in the PRC. Mr Li has 32 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

Mr Li was a committee member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, an executive committee member of National Industrial and Commercial Union.

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

Mr Li joined the Group in 2008, he was appointed as non-executive Director and chairman of the Group in September 2008 and redesignated as executive Director in April 2011; Mr Li resigned as chairman in November 2019 and was re-appointed as chairman in October 2022.

Mr CHENG Jianhe, aged 57, is the executive Director of the Company. Mr Cheng has over 34 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. Mr Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. He holds an Executive Master of Business Administration degree from Renmin University of China. Mr Cheng is also a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

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

Ms JIN Yaxue, aged 53, is the executive Director of the Company, member of remuneration committee of the Company and General Manager of household products business of the Group. Ms Jin is responsible for sales and operations management of Ningbo plant since 1998. She holds an Executive Master degree of Business Administration from Fudan University. She has over 27 years experience in development and sales of household products and sundries. She joined the Group when the Ningbo plant was acquired by the Group in 2010 and was appointed as an executive Director in July 2014.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr SHIN Yick Fabian, aged 54, is the independent non-executive Director, chairman of the audit committee, member of the remuneration committee and nomination committee of the Company. Mr Shin is currently an independent director of Olympic Circuit Technology Co., Ltd (SH. 603920), an independent non-executive director of Newton Resources Limited (1231.HK) and an independent non-executive director of Zhengye International Holdings Company Limited (3363.HK).

Mr Shin was an independent non-executive director of BIO-Key International, Inc (NASDAQ: BKYI) (resigned in September 2020), an independent non-executive director of China Tianrui Automotive Interiors Co., Ltd (6162.HK) (resigned in September 2020) and was the non-executive director of Pak Tak International Limited (2668.HK) (resigned in February 2023).

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

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

Mr HE Chengying, aged 60, is the independent non-executive Director, chairman of the nomination committee and member of the audit committee of the Company. Mr He is a professor and tutor of doctoral students at the Zhejiang University of Finance and Economics. Mr He graduated from the Department of Accountancy of the South Western University of Finance and Economics, he holds a Master's degree in Economics from Zhejiang University and a Doctoral Degree of Economics from Xiamen University and is a visiting scholar at the Wharton School of Business, the University of Pennsylvania and the School of Mathematics, Oxford University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities, and United Securities. He is an associate professor, senior economist and the chief research fellow of the Institute of Industrial Innovation and Finance, Tsinghua University. Mr He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state- owned asset management reforms. Subsequently, Mr He has engaged in stock market innovation, asset reorganisation, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, asset reorganisation and capital management planning. He joined the Group in September 2006.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr KWONG Kwan Tong, aged 57, is the independent non-executive Director, chairman of the remuneration committee and member of the audit committee and nomination committee of the Company. Mr Kwong is currently the director and General Manager of SWL Company Service Limited. Mr Kwong obtained a diploma in accountancy from the Morrison Hill Technical Institute in Hong Kong in 1987. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. He has over 30 years' experience in accounting, internal audit and financial management fields. He joined the Group in September 2018.

COMPANY SECRETARY

Ms PANG Yuen Shan Christina, age 50, is the company secretary of the Company. Ms Pang is a solicitor qualified in Hong Kong. She obtained a bachelor degree in Laws from City University of Hong Kong in 1995 and a master degree of Laws in International & Commercial Law from University of Sheffield in 1996. Ms Pang was admitted as a solicitor in 1999 and is currently a solicitor and working in private practice. Ms Pang has over 16 years of experience in legal and corporate secretarial practice. She is now an independent non-executive director of Speedy Global Holdings Limited (stock code 540). She joined the Group in March 2021.

SENIOR MANAGEMENT

Ms CHAN Po Tai, aged 56, is the deputy finance director of the Group. She has over 29 years of experience in accounting and financial management fields. Ms Chan holds a Master degree in Accounting from Curtin University of Technology (Australia). Ms Chan is a member of CPA Australia and a fellow member of Hong Kong Institute of Certified Public Accountants. She worked for the Group from December 2012 to December 2018 and rejoined the Group in November 2021.

Madam ZHENG Rong, aged 52, is the chief financial officer of New JoySun responsible for accounting and financial matters of New JoySun Group since 2007. Madam Zheng has nearly 28 years of experience in the retail industry and around 26 years of experience in financial management in various industries. Madam Zheng has an Executive Master of Business Administration degree from Fudan University in Shanghai. She joined the Group when Ningbo New JoySun was acquired by the Group in 2013.

Mr LAM Wai Wah, Alan, aged 60, is the Senior Sales and Marketing Manager of household products business of the Group. Mr Lam has been responsible for the international marketing and sales of products manufactured in Ningbo plant since September 2005. He has over 32 years experience in marketing and sales of household products and sundries. He joined the Group when the Ningbo plant was acquired by the Group in 2010.

Mr NG Chun Ki, aged 45, is the Technical Deputy General Manager for household products business of the Group. Mr Ng has been responsible for the product development and production management of Ningbo plant since June 2003 and has over 28 years experience in product development and manufacturing of plastic moulds. He joined Group when the Ningbo plant was acquired by the Group in 2010.

Mr YANG Kehan, aged 35, is the general manager of New JoySun non-staple food wholesale and is responsible for the daily management and direction of operations of New JoySun Group. Mr Yang holds a bachelor's degree from the Nanjing University of Science and Technology. He joined the Group in 2018.

Mr YU Xiang, aged 36, is the executive general manager of Ningbo New JoySun Supermarket Chain Limited. Mr Yu joined Ningbo New JoySun Supermarket Chain Limited in 2011 and is responsible for the daily management and direction of operations of Ningbo New JoySun Supermarket Chain Limited. He has nearly 12 years of experience in the retail industry.

Mr WANG Yong, aged 52, is the general manager of Ningbo New JoySun HVAC Equipment Limited. Mr Wang joined the company in 2001 and is responsible for the daily management and direction of operations of Ningbo New JoySun HVAC Equipment Limited. He has over 20 years of experience in the HVAC industry.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Lisi Group (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the audited consolidated results of the Group to all shareholders of the Company (the "Shareholders") for the year ended 31 March 2023 (the "Year").

BUSINESS REVIEW

Despite challenges from economic volatility and international political tensions, the Group rigorously achieved sales growth in 2022/2023. The Group's continuing operations consist of four segments: (i) manufacturing and trading business; (ii) retail business; (iii) wholesale business; and (iv) investments holding business ("Continuing Operations"). For the Year, our revenue for the Continuing Operations was approximately RMB2,422.4 million representing an increase of 13.5% as compared to 2021/2022. Our net profit for the Year from Continuing Operations was approximately RMB269.8 million compared to the net profit of approximately RMB237.2 million in 2021/2022.

On 6 May 2022, the Group entered into an agreement to sell the trading of imported cars business and the provision of imported cars platform services business (collectively, the "Automotive Business") at a consideration of HK$3.0 million (approximately RMB2.6 million) (the "Disposal"). The Disposal was completed on 21 June 2022. The gain on Disposal of approximately RMB2,124.3 million was recognized in the Year. Excluded the gain on Disposal of approximately RMB2,124.3million, the net loss of the Discontinued Operations for the period from 1 April 2022 to 21 June 2022 was approximately RMB56.6 million.

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

PROSPECTS

The management team under the trading segment of manufacturing and trading (the "Manufacturing Business") kept on adopting effective sales and cost management measures throughout the Year and the Manufacturing Business became the cornerstone of the Group's operation. In order to cope with the fierce competition and uncertain market outlook, the Group continues to drive vigorously on product development and align our client base with higher margin products and customers. Being one of the leading household products suppliers with multiproduct categories in Asia, we shall capitalize on this competitive edge to develop and offer sophisticated range of household products with room for margin improvement.

In 2023, the impact of the COVID-19 pandemic is gradually dissipating and the domestic economy has entered a stage of recovery. After the removal of COVID-related restrictions in the PRC, the business under the trading segments of retail and wholesales business has been resumed to normal. The Group believes that the retail market will regain its stability and the Board holds the positive view that it will be recovered and grow steadily in the long run. Amongst the products in the wholesale business of the Group, heating, ventilation and air-conditioning (HVAC) has been growing with the good sales records under the efforts of the business team. The Group will adopt the approach of working with large property companies in the long term to expand our business to various regions in the PRC.

Following the completion of the Disposal, the Group has ceased to engage in the business segments of Automotive Business. The Board considered that, given that the business performance of the Automotive Business was unsatisfactory and was continuously operating at a loss, the Disposal would allow the Group to reduce its debt burden and to concentrate its available resources to develop and maintain the other business segments of the Group.

Looking ahead to 2023/2024, the Group will continue to keep track on the development and changes in the markets to respond and take appropriate actions towards such changes. We will closely monitor the market to determine appropriate business strategy for the Group's business. I am confident and optimistic with the prospect of the business development of the Group.

APPRECIATION

On behalf of the Board, I would like to thank our customers, suppliers, business partners and the Shareholders for their continuous support to the Group. I would also like to take this opportunity to express my sincere gratitude to all fellow Directors, management and our staff for their dedication, commitment and contribution to the Group during the Year. We shall continue to target for the long term business development of the Group and strive for improving the financial results in the coming year.

LI Lixin
Chairman and Executive Director

Hong Kong 29 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

Continuing Operations

The Group's Continuing Operations consist of four segments: (i) manufacturing and trading business; (ii) retail business; (iii) wholesale business; and (iv) investments holding business. These segments collectively recorded revenue of approximately RMB2,422.4 million for the Year, representing an increase of 13.5% when compared to the revenue of approximately RMB2,133.6 million reported in the last year. The net profit of the Continuing Operations for the Year amounted to approximately RMB269.8 million when compared to the net profit of approximately RMB237.2 million reported in the last year.

The Group's basic and diluted earnings per share of the Continuing Operations for the Year were both RMB3.35 cents, while the Group's basic and diluted earnings per share of the Continuing Operations for the last year were both RMB2.95 cents.

Discontinued Operations

On 6 May 2022, the Group entered into an agreement to sell its Automotive Business, which encompassed the car-sale business and car trading platform business, for a total consideration of HK$3.0 million (approximately RMB2.6 million). The Disposal was fully completed on 21 June 2022, resulting in a gain on disposal of approximately RMB2,124.4 million that was recognized during the Year.

Excluding the gain on disposal of the Automotive Business, the net loss of the Discontinued Operations for the period between 1 April 2022 to 21 June 2022 amounted to approximately RMB56.6 million.

Net Assets, Liquidity and Financial Resources

As at 31 March 2023, the Group's net assets increased to approximately RMB2,075 million, resulting in a net asset value per share of RMB25.8 cents. The increase in net assets was primarily attributed to the gain on disposal of the Automotive Business, which amounted to approximately RMB2,124.4 million and was recognized during the Year.

As at 31 March 2023, the Group's total assets amounted to approximately RMB3,870.8 million, including cash and bank deposits of approximately RMB453.5 million. Bank and other loans amounted to approximately RMB848.1 million. The Group's debt-to-equity ratio (bank loans and other borrowings over total equity) decreased from (976.1%) as at 31 March 2022 to 40.9% as at 31 March 2023, mainly due to the substantial increase in equity resulting from the gain on disposal of the Automotive Business.

Most of the Group's business transactions were conducted in RMB and US$. As at 31 March 2023, the Group's major borrowings included bank loans, which had an outstanding balance of approximately RMB814.6 million. The loans from shareholders was approximately RMB33.5 million. All of the Group's borrowings are denominated in RMB, HK$, and US$.

Pledge of Assets

As at 31 March 2023, the Group's leasehold land and buildings and investment properties, with a carrying amount of approximately RMB536 million, were pledged as collateral to secure the Group's bank loans and facilities. Bank deposits amounting to approximately RMB247.2 million were pledged as collateral for the Group's bank loans and bills, letter of credit and security performance.

Prepayment to Suppliers

As at 31 March 2023, the balance of prepayment to suppliers was approximately RMB76.9 million. Subsequent to 31 March 2023, the utilization of the prepayment to suppliers was approximately RMB55.6 million.

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources towards enhancing operational efficiency and meeting the needs of its customers and the demands of the market. To achieve these goals, the Group plans to optimize the utilization of its assets and improve its capital assets. Funding for these initiatives primarily come from trading revenue generated from operations and bank borrowings. The Group will also explore alternative debt and equity financing options to support its growth and expansion plans.

As at 31 March 2023, the Group had total capital commitments in respect of acquisition of plant and machinery of RMB0.7 million.

Significant Investments

As at 31 March 2023, the Group held investments primarily in (i) investment properties of approximately RMB562.2 million, which represented eight properties situated in Ningbo and rented out under operating leases. The investment properties in aggregate constituted approximately 14.5% of the Group's total assets as at 31 March 2023, and (ii) financial assets at fair value through profit or loss of approximately RMB803.8 million, which represented the financial products offered by the National Trust Company Limited ("National Trust"). As at 31 March 2023, the fair value of the financial products in aggregate constituted approximately 20.8% of the Group's total assets. The Group did not hold any other significant investment with a value of 5% or more of the Group's total assets.

Investment properties

The Group's investment properties in Ningbo, Mainland China, comprising shopping arcade, retail shops, and warehouse, are rented out under operating leases to generate long-term rental yields. These investment properties are measured at fair value on a recurring basis. During the year, the Group recorded a valuation loss of approximately RMB19.0 million on its investment properties. As at 31 March 2023, the investment properties were valued at approximately RMB562.2 million, constituting 14.5% of the Group's total assets. As at the date of this report, the Group plans to continue holding these investment properties for long-term rental yields.

Financial assets

Purchase of the financial products has been one of the means by the Group's management to increase the Group's income. The Group utilized certain idle funds to subscribe for certain financial products from National Trust. The Group's investment policies for the investments in financial products are formulated with reference to rating of the financial products. Given (i) the underlying assets of the National Trust Financial Products are investment in state-owned enterprise with ultimate beneficial owners being governmental authorities of the PRC; (ii) the National Trust Financial Products are regular return products where at least 80% of its underlying assets and interests are deposits, bonds and other debt investments; and (iii) the historic income of the National Trust Financial Products having been stable, the Group considers the risk of the investment in the National Trust Financial Products are relatively low.

The trust investment products reach maturity consecutively between April 2023 and September 2023. On 14 March 2023, the Group entered into supplemental agreements to extend the respective terms of the National Trust Financial Products from 36 months to 54 months. For details of the extension of the financial products, please refer to the announcements of the Company dated 14 March 2023 and 11 April 2023 and the circular of the Company dated 12 April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Foreign-Exchange Fluctuations

The Company utilizes the RMB as its functional currency, and the Group's monetary assets and liabilities are primarily denominated in RMB, HKD, and USD. The Group acknowledges that its exposure to foreign currency fluctuations is closely linked to the performance of the RMB exchange rate. However, as the RMB has not yet achieved international hard currency status, there are currently no effective methods available to hedge this risk for the Group's size and cash flow pattern.

Notwithstanding, the Chinese Government is promoting the internationalization of the RMB and moving towards a free-floating currency in the future. Thus, the Group anticipates that more hedging tools will become available in the currency market. The Group will closely monitor the development of the Chinese Government's currency policies and the availability of appropriate hedging tools that are consistent with our business.

Segment Information

After the disposal of the Automotive Business, the Group will concentrate its resources and efforts on its remaining business segments, comprising the manufacturing and trading business, retail business, wholesale business, and investment holding business.

In terms of geographical segmentation, the Group's primary markets are China and the United States, which contributed 49.8% and 36.4% respectively to the Group's total revenue for the Year. The remaining portion of the Group's revenue was generated from Europe and other markets, which contributed 10.6% and 3.2% respectively.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2023.

Employee Information

As of 31 March 2023, the Group employed a workforce of 1,411 individuals across its chain stores, offices, and factories situated in Hong Kong and the PRC. The Group provided its employees with competitive remuneration packages that were aligned with their individual responsibilities, qualifications, experience, and performance. In addition to offering competitive compensation, the Group provided its employees with opportunities for professional development, including management skills workshops, practical seminars for knowledge updates, on-the-job training, and safety training programs. The share option scheme of the Company (the "Scheme") has been expired on 30 August 2022, no share option had been granted under the Scheme since its adoption on 31 August 2012 and there were no other options outstanding during the Year.

Review of Operations

During the Year, the Group recorded a net profit of approximately RMB2,337.5 million, compared to a net loss of approximately RMB385.2 million in the last year. This significant improvement was attributed primarily to the disposal of the Automotive Business, which resulted in a gain on disposal of approximately RMB2,124.4 million.

Revenue from the Continuing Operations

During the Year, the Group recorded revenue from the Continuing Operations of approximately RMB2,422.4 million, representing an increase of 13.5% when compared with the revenue of approximately RMB2,133.6 million reported for the last year.

Manufacturing and Trading Business

During the Year, the manufacturing and trading business segment generated revenue of approximately RMB1,284.4 million, representing an increase of 10.7% compared to the last year's revenue of approximately RMB1,159.9 million. Despite severe competition in the overseas market, the Group's management team worked diligently to identify and capitalize on further opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in revenue for this segment reflects the success of the Group's efforts to strengthen its customer base, which helped mitigate the short-term market fluctuations during the COVID-19 pandemic. Overall, the manufacturing and trading business segment performed well during the Year.

Retail Business

The Group's retail business revenue for the Year decreased by 6.4% to approximately RMB395.9 million, compared to approximately RMB422.9 million in the last year. The decline in revenue was primarily due to intense market competition from e-commerce and large supermarket chains.

Wholesale Business

The Group's wholesale business revenue increased by 41.5% to approximately RMB708.5 million, compared to approximately RMB500.7 million. The wholesale business in wines and beverages remained stable, while the electrical appliances segment, particularly heating, ventilation, and air conditioning (HVAC), recorded a significant increase in revenue. This achievement can be attributed to the Group's collaboration with large property companies, which helped to drive growth in this segment.

Investments Holding Business

The Group's investment income decreased by 32.8% to approximately RMB33.6 million during the Year, compared to approximately RMB50.0 million in the last year.

Revenue from the Discontinued Operation

Car-sale business and car trading platform business

The trading and sales of imported car business, car trading platform and property rental business contributed approximately RMB0.7 million for the period from 1 April 2022 to 21 June 2022.

PROSPECTS

Strengthening our competence and competitiveness in the Manufacturing and Trading Business

The Group's manufacturing business has experienced steady and rapid growth in recent years and thanks to the dedication of its team and the implementation of appropriate strategies. The Group will continue to prioritize cost control measures and focus on higher-margin products and customers to further enhance its business and financial performance. The Group will continue to implement cost control measures, including integrating and realigning management and sales resources, as well as making structural changes in procurement and manufacturing planning.

Furthermore, the Group will maintain its focus on developing and introducing new products to meet the evolving needs of its diverse customer base. The Group will also expand its customer base in both existing and emerging markets, with the aim of achieving continuous growth and enhancing its overall performance.

Recovery of retail business and expansion of the wholesale business with growth potential

After the substantial uplifting of pandemic containment measures against COVID-19 at the beginning of 2023, the Board holds a positive view and is optimistic that the business environment and economy in the PRC will be resumed and recovered in the coming year and has a positive view that the business of retail business and wholesale business of wine and beverage will reach the pre-COVID levels in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's wholesale business segment, specifically the heating, ventilation, and air-conditioning (HVAC) wholesale business, is still growing with the effective sales strategy and efforts of the business team. To further expand this business into various regions across the country, the Group will adopt a long-term approach of collaborating with large and well-established real estate developer. The Group is optimistic that this approach will enable it to develop this business segment continuously and to have a well performance.

Following the disposal of the Automotive Business, the Group will concentrate its resources and efforts on its remaining business segments, which comprise (i) manufacturing and trading of household products, (ii) operation of supermarkets and property rental services, (iii) wholesale of alcohol, wine, beverages, and electrical appliances, and (iv) investment holding business.

The Group will closely monitor the volatility of global financial markets and industry risks, maintain effective communication with our clients, and make timely adjustments to its sales and purchase strategies as needed to achieve its goal of continuous business growth and performance improvement.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of corporate governance practice and is committed to maintaining a high standard of corporate governance standard for the Company to ensure the accountability, responsibility and transparency towards the Shareholders, stakeholders, investors and the employees of the Group.

The Company has adopted various policies in order to ensure compliance with the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing of the listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 March 2023 (the "Year"), the Company has complied with all the code provisions of the CG Code save and except for the following deviations:

Code Provisions C.1.6 and F.2.2 require independent non-executive director, the chairman and the chairman of the independent board committee should attend the general meetings. The Chairman and some of the committee chairman were unable to attend the annual general meeting of the Company held on 29 September 2022 ("AGM") due to other important engagements or restrictions under the quarantine measures. Mr Kwong Kwan Tong, the independent non-executive Director who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre and competence for answering questions at the AGM.

Code Provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Before the appointment of Mr Li Lixin (who is also the executive Director) as chairman on 12 October 2022, the Group has not had the position of chairman or chief executive during the Year. After evaluating the current board composition, the Board is of the opinion that the present composition and arrangement of the Board is appropriate and in the best interests of the Company in view of carrying out the policies and operation of the Company.

In order to protect and enhance the benefits of the Shareholders, the Board and the senior management will continue to monitor and review the governance policies so as to ensure that the Company will fully comply with the requirements as set out in the CG Codes.

DIRECTORS' SECURITIES TRANSACTIONS

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

RESPONSIBILITIES OF THE BOARD AND SENIOR MANAGEMENT

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

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Group are delegated to the executive Directors and senior management of the Group.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The Board has reviewed and approved the annual and interim results of the Group during the Year. The financial statements set out on pages 37 to 121 were prepared on the basis set out in Note 2 to the financial statements. The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 32 to 36 of this annual report.

THE BOARD OF DIRECTORS

Composition

The Board currently comprises six Directors, including three executive Directors and three independent non-executive Directors. The number of independent non-executive Directors in the Company represents more than one-third of the Board, which satisfied the requirement under Rule 3.10(A) of the Listing Rules.

The biographical details of each Director are set out on pages 3 to 5 of this annual report. Save as disclosed in the section headed "Directors and Senior Management Profile" to this annual report, there is no other financial, business, family or other material relationships among the members of the Board.

Chairman and Chief Executive Officer

Mr Li Lixin was appointed as the Chairman of the Group on 12 October 2022 and currently the Group does not have the position of chief executive officer. The Chairman of the Group takes the lead in formulating overall strategies and policies of the Group and ensures the effective performance by the Board of its functions including compliance with good corporate governance practices. The Board considered that the current composition of the Board is appropriate as with the support of senior management, the Chairman ensures that all Directors receive adequate, complete and reliable information and are properly briefed on issues arising at Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner.

Executive Directors

The executive Directors are responsible for managing the Group and implementing the strategies and policies approved and delegated by the Board. They lead the Group's management team and have the responsibilities over the Company's day-to-day management and operation.

Independent Non-executive Directors

The independent non-executive Directors provide checks and balances function to safeguard the interests of the Group and its Shareholders. Each independent non-executive Director is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws. All of the independent non-executive Directors possess appropriate professional qualifications or accountings or related financial management expertise which complied with Rule 3.10 of the Listing Rules. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent that their independent views and input are made available to the Board.

CORPORATE GOVERNANCE REPORT

Any re-appointment of an independent non-executive Director who has served the Board for more than nine years will be subject to a separate resolution to be approved by Shareholders. Reasons will be given in the circular to Shareholders to explain why the Board considers they are still independent and should be re-elected.

BOARD MEETINGS

The Board meets regularly, and at least four times a year, to review and discuss the business development and any matters arising from, *inter alia*, the business, corporate governance, risk management, accounting and financing of the Company. Additional meetings will be held upon request of the members when they think necessary. Agendas are given to all Directors in a timely manner before the appointed date of the Board meetings. All Directors are given an opportunity to include matters in the agenda for regular Board meetings. Each Director is entitled to have full access to information on the Group and may, upon reasonable request, take independent professional advice at the Company's expenses. Directors can access to the services of the Company Secretary to ensure the Board procedures and all other rules and regulations have been followed. After the Board meetings, the relevant minutes are sent to all Directors for their signature and records. The minutes are kept by the Company Secretary and are open for inspection by prior notice of any Director.

During the Year, fifteen Board meetings were held and the annual general meeting of the Company was held on 29 September 2022. The attendance record of each Director at Board meetings and annual general meetings during the Year is set out below:

Directors	Directors attended/ number of board meetings held	Directors attended/ number of annual general meetings held
Executive Directors		
Mr Li Lixin	10/15	0/1
Mr Cheng Jianhe	15/15	1/1
Ms Jin Yaxue	11/15	0/1
Non-executive Director		
Ms Cheng Weihong *(Resigned on 31 August 2022)*	0/7	0/0
Independent non-executive Directors		
Mr Shin Yick Fabian	12/15	1/1
Mr He Chengying	12/15	0/1
Mr Kwong Kwan Tong	12/15	1/1

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

During the Year, all Directors have attended training courses conducted by the professional parties. The attended Directors have provided the Company with their respective training records pursuant to the CG Code. All Directors were provided with reading materials on relevant rules and regulatory updates in the training courses. Continuing briefings and professional development to Directors will be arranged to Directors whenever necessary.

APPOINTMENT, RE-ELECTION AND REMOVAL

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

REMUNERATION COMMITTEE

The Remuneration Committee consists of three independent non-executive Directors. The responsibilities and functions of the Remuneration Committee are set out in its terms of reference and are available on the websites of the Company and the Stock Exchange.

The role and function of the Remuneration Committee are principally advising the Board on the policy and structure of remuneration for the Directors and senior management, recommending to the Board a framework for the remuneration of Directors and senior management, determining the remuneration packages of all executive Directors and senior management of the Group and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

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

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

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

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

In the band of	**Number of individual** *2023*
Nil - HK$1,000,000	7

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

Members	**Director's attendance/ Number of meeting of Remuneration Committee held**
Mr Kwong Kwan Tong	1/1
Mr Shin Yick Fabian	1/1
Ms Jin Yaxue	1/1

NOMINATION COMMITTEE

The Nomination Committee consists of three independent non-executive Directors, namely Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong. The responsibilities and functions of the Nomination Committee are set out in its terms of reference and are available on the websites of the Company and the Stock Exchange.

The role and function of the Nomination Committee are principally to evaluate the structure of the Board regularly and make recommendations to the Board on any proposed change. The Nomination Committee shall review the structure, size, composition, diversity (including the skills, knowledge and experience) gender, age, cultural, educational background and professional experience of the Board at least annually and make recommendations on any proposed changes to the Board; review the nomination policy and identifying potential candidates for directorship; assess the independence of independent non-executive Directors and review the time commitment of each Director in performing his/her responsibilities; and make recommendations to the Board on the appointment, re-appointment, re-election or re-designation of Directors.

On the nomination process, the Nomination Committee reviews the suggested candidates for directorship having regard to the candidates' reputation and the specific skills or expertise that these candidates can contribute to the Group, the Board Diversity Policy, the time commitments of the proposed candidates he/she can contribute to the Group, the Company's needs and other relevant statutory requirements and regulations required for the positions.

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

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

Members	**Director's attendance/ Number of meetings of Nomination Committee held**
Mr He Chengying	3/3
Mr Shin Yick Fabian	3/3
Mr Kwong Kwan Tong *(Appointed on 31 August 2022)*	1/1
Ms Cheng Weihong *(Resigned on 31 August 2022)*	0/2

During the Year, the Nomination Committee has monitored and reviewed the nomination procedures, the Board Diversity Policy, reviewed the structure, diversity and composition of the Board and made recommendation to the Board on matters related to election or re-elction and retirement of the Directors at general meeting.

Board Diversity Policy

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

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

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

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

Capacity:	Executive Directors and independent non-executive Directors
Gender:	Male and female
Age:	53-61
Nationality:	Chinese
Length of service:	4-16 years
Board expertise:	Finance, law, accounting, investment, engineering, economic, insurance, investment consulting analysis

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong. The responsibilities and functions of the Audit Committee are set out in its terms of reference and are available on the websites of the Company and the Stock Exchange.

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

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

Members	Director's attendance/ Number of meetings of Audit Committee held
Mr Shin Yick Fabian	4/4
Mr Kwong Kwan Tong	4/4
Mr He Chengying	4/4

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

During the Year, the Audit Committee reviewed the Group's annual results for the year ended 31 March 2022 and interim results for the six months ended 30 September 2022. The Audit Committee also reviewed the Group's financial controls, internal control, risk management systems, the ESG and the adequacy of resources, staff qualifications and experience, training programs, budget of the Company's accounting and financial reporting function.

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

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

ACCOUNTABILITY AND AUDIT

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

The consolidated financial statements of the Company for the Year are prepared on the going concerns basis and have been audited by the external auditor, KPMG, and reviewed by the Audit Committee. The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 32 to 36 of this annual report.

AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of statutory audit services and other services, provided by the auditor of the Company to the Group amounted to RMB3,500,000 and RMB600,000, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's risk management and internal control system to safeguard the assets of the Group and Shareholder's investments. The Board has entrusted the Audit Committee with the responsibility to review, and has delegated to the management of the Company the implementation of such systems of internal controls as well as the risk management control and compliance control. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses. Therefore, a risk management system is in place to ensure the regular identification, evaluation and management of risks faced by the Group.

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

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

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

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

– Develop necessary measures to manage those risks; and

– Monitor and review the effectiveness of such measures.

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

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

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

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

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

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

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

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

The Directors considered that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorized use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations. The system and the procedures is regularly reviewed by the Board and amended from time to time.

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

COMPANY SECRETARY

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

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

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

SHAREHOLDERS' RIGHTS

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

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

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

INVESTOR RELATIONS

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

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

DIRECTORS' REPORT

The Directors submit their annual report together with the consolidated financial statements of the Group for the Year. For the independent auditor's report, please refer to pages 32 to 36 of this annual report.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the Year and discussion on the Group's prospects, as well as discussion and analysis of the Group's performance using financial key performance indicators during the Year and the material factors underlying its financial performance are set out in the "Chairman's Statement" on page 6, and "Management Discussion and Analysis" on pages 7 to 11.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year under review, save and except for (i) the Group unable to publish the audited consolidated results of the Group for the year ended 31 March 2022 by 30 June 2022 in accordance with Rules 13.49(1) and 13.49(2) of the Listing Rules which was due to the external auditor could not receive all the bank confirmations in time due to the restrictions of quarantine measures implemented in the PRC; and (ii) the deviation of CG Code as set out in Corporate Governance Report on page 12, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group strives to minimise environmental impact by saving electricity and encouraging recycle of materials. In addition to regularly review our ESG policies and strategies from time to time in order to minimise the environmental impacts from our operations, we also require our suppliers and manufacturers to operate in strict compliance with the relevant environmental laws and regulations.

For details of the Group's environmental policies and performance, please refer to the "Environmental, Social and Governance Report 2022/2023" to be published on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on page 37 of this annual report.

A management discussion and analysis of the results of the Group for the Year is set out on pages 7 to 11 of this annual report.

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: RMBnil).

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 41 of this annual report and in Note 27 to the consolidated financial statements respectively.

FIXED ASSETS

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

SIGNIFICANT INVESTMENTS

Details of significant investments held as at 31 March 2023 are set out in "Schedule of Investment Properties" and "Schedule of Financial Products" on pages 122 to 125 of this annual report.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2023 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 27(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2023, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval, and contributed surplus, subject to satisfaction of the related laws and regulations) available for distribution to the equity shareholders of the Company was RMB787,547,000 (2022: RMB792,315,000).

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 126 of this annual report.

DIRECTORS

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

Executive Directors
Mr LI Lixin
(Appointed as a Chairman on 12 October 2022)
Mr CHENG Jianhe
Ms JIN Yaxue

Non-Executive Director
Ms CHENG Weihong
(Resigned on 31 August 2022)

Independent Non-Executive Directors
Mr SHIN Yick Fabian
Mr HE Chengying
Mr KWONG Kwan Tong

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

The Company received confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive Directors as independent from the date of their appointment till 31 March 2023.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND A CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as set out in Note 28 of the consolidated financial statements, no other contracts of significance in relation to the Group's business to which the Company or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

RETIREMENT BENEFIT SCHEMES

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

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

PERMITTED INDEMNITY PROVISION

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

CONNECTED TRANSACTIONS

Details of continuing connected transactions for the year ended 31 March 2023:

(a) Lease of properties

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

Pursuant to a lease agreement signed on 30 August 2022 between Ningbo Lisi Household Products Company Limited ("Ningbo Lisi") the Company's Subsidiary, and Da Mei (Ningbo) New Materials Company Limited ("Da Mei"), a company owned by Mr Li Lixin, a director and substantial shareholder of the Company, Da Mei agreed to lease the east part of its property at 518 Cheng Xin Lu, Yinzhou Investment and Business Incubation of Ningbo, the People's Republic of China (the "East District") to Ningbo Lisi for a term of 12 months commencing from 1 October 2022 to 30 September 2023 as its factory space and office premises with monthly rent of RMB701,528.

Pursuant to a lease agreement signed on 20 December 2021 between Ningbo Lisi and Da Mei, Da Mei agreed to lease the East District to Ningbo Lisi for a term of 9 months commencing from 1 January 2022 to 30 September 2022 as its factory space and office premises with monthly rent of RMB701,528.

The maximum aggregate annual value (the "Annual Cap") of the rental expenses and rental expenses incurred for leasing of the East District during the year ended 31 March 2023 is as follows:

	Annual Cap	Rental expenses
	RMB	RMB
From 1 January 2022 to 30 September 2022	6,313,752	4,209,166*
From 1 October 2022 to 30 September 2023	8,418,336	4,209,166**

* Rental expense from 1 April 2022 to 30 September 2022.

** Rental expense from 1 October 2022 to 31 March 2023.

(b) Export agency services

Pursuant to an export agency agreement signed on 20 December 2021 between Ningbo Lisi and Lisi Import and Export Company Limited ("Lisi I&E"), a company owned by Mr Li Lixin, a director and substantial shareholder of the Company, Lisi I&E agreed to provide Ningbo Lisi export agency services which include assisting Ningbo Lisi on handling government applications, settlement services and other liaison services between local government departments and the customers for a term of 3 years commencing from 1 January 2022 to 31 December 2024.

As stated in the announcement dated on 20 December 2021, the annual cap of service fees payable Lisi I&E for Export Agency Services for the period from 1 April 2022 to 31 March 2023 was RMB13.15 million.

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

	Annual Cap	Export agency fee
	RMB	RMB
From 1 April 2022 to 31 March 2023	13,150,000	11,106,945

(c) Import agency services

Pursuant to an import agency agreement signed on 20 December 2021 between Ningbo Lisi and Lisi I&E, Lisi I&E agreed to provide Ningbo Lisi import agency services for a term of 3 years commencing from 1 January 2022 to 31 December 2024. The import agency services include assisting Ningbo Lisi on handling government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between Ningbo Lisi with other third parties.

As stated in the announcement dated on 20 December 2021, the annual cap of service fees payable Lisi I&E for Import Agency Services for the period from 1 April 2022 to 31 March 2023 was RMB163.4 million.

The Annual Cap of the gross transaction amount for the provision of import agency service, gross transaction amount and the amount of import agency fee incurred for raw materials purchased are as follows:

	Annual Cap of gross transaction amount	Gross transaction amount	Import agency fee incurred
	RMB	RMB	RMB
From 1 April 2022 to 31 March 2023	163,400,000	147,172,488	883,035

(d) Mutual supply of products

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

As stated in the announcement dated on 20 December 2021, (i) the annual cap of gross transaction amounts payable to New JoySun for Mutual Supply of Products from New JoySun for the period from 1 April 2022 to 31 March 2023 was RMB12.391million, and (ii) that payable to Lisi Group for supply of products from Lisi Group to New JoySun pursuant to the Mutual Supply Agreement for such period was RMB1.2 million.

DIRECTORS' REPORT

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

Supply of products from the group of New JoySun Corp. to the group of Lisi Group Co. Ltd.

	Annual Cap	**Supply of products**
	RMB	RMB
From 1 April 2022 to 31 March 2023	12,391,000	1,682,318

Supply of products from the group of Lisi Group Co. Ltd. to the group of New JoySun Corp.

	Annual Cap	**Supply of products**
	RMB	RMB
From 1 April 2022 to 31 March 2023	1,200,000	–

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

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

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

Conclusion

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

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

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

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

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

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

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in Note 28 to the consolidated financial statements.

The related party transactions included in Note 28(a) to the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Directors' Report as required by Chapter 14A of the Listing Rules, except for certain service income, operating lease income, interest expenses, net increase in non-interest bearing advances received from related parties and net increase in loans received from related parties which are exempted from the disclosure. The related party transaction included in Note 28(b) to the consolidated financial statements did not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

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

As at 31 March 2023, 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, Chapter 571 of the Laws of Hong Kong (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%
		1,687,282,681 (S)	20.98%

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.

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

Save as disclosed herein, as at 31 March 2023, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

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

SHARE OPTION SCHEME

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

Purpose of the Scheme:

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

Participants:

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

Total number of ordinary shares available for issue and the percentage of the issued share capital:

10% of the issued share capital of the Company at the date of approval of the refreshed Scheme Mandate Limit.

Maximum entitlement of each participant:

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

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

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

Minimum holding period before an option can be exercised:

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

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

Not applicable

Basis of determining the exercise price:

Determined by the Board and shall be:

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

(2) the average of closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer, whichever is higher provided that it shall not be lower than the nominal value of the shares.

The life of the Scheme:

The Scheme has been expired on 30 August 2022, no share option had been granted under the Scheme since its adoption on 31 August 2012 and there were no other options outstanding during the Year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares/ underlying shares (Note)	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,382,141,014 (L) 893,521,680 (S)	17.18% 11.11%
Shi Hui Holdings Limited	Beneficial owner	1,355,174,666 (L) 793,761,001 (S)	16.85% 9.87%
Central Huijin Investment Limited	Person having a security interest in shares/ interest in controlled corporation	2,329,995,680 (L)	28.97%
China Construction Bank Corporation	Person having a security interest in shares/ interest in controlled corporation	2,329,995,680 (L)	28.97%
Cheng Weihong	Interest in controlled corporation	1,849,407,702 (L) 398,000,000 (S)	22.99% 4.95%
Tong Shiping	Interest of spouse	1,849,407,702 (L) 398,000,000 (S)	22.99% 4.95%
Mighty Mark Investments Limited	Beneficial owner	956,407,702 (L)	11.89%
Poly Platinum Enterprises Limited	Beneficial owner/Person having a security interest in shares	933,000,000 (L)	11.6%
Greater Bay Area Homeland Development Fund (GP) Limited	Person having a security interest in shares/ interest in controlled corporation	933,000,000 (L)	11.6%
Greater Bay Area Homeland Investments Limited	Person having a security interest in shares/ interest in controlled corporation	933,000,000 (L)	11.6%
Hopeful Glad Limited	Beneficial owner	893,000,000 (L) 398,000,000 (S)	11.10% 4.95%

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

DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporation which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

COMPETITION AND CONFLICT OF INTERESTS

During the Year, none of the Directors or substantial Shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	17.6%
– five largest suppliers	43.0%
Sales	
– the largest customer	16.0%
– five largest customers	51.5%

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

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Li Lixin
Chairman and Executive Director

Hong Kong, 29 June 2023

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
Lisi Group (Holdings) Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 121, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

29 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023
(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000 (Restated) (Note)
Continuing Operations			
Revenue	4	2,422,402	2,133,627
Cost of sales		(1,794,220)	(1,583,614)
Gross profit	4(b)	628,182	550,013
Other income	5	21,699	39,459
Selling and distribution expenses		(97,276)	(94,877)
Administrative expenses		(140,457)	(132,838)
Finance costs	6(a)	(46,492)	(50,189)
Impairment losses on financial assets and contract assets		(19,061)	(4,011)
Net valuation loss on investment properties	14	(19,039)	(11,830)
Profit before taxation	6	327,556	295,727
Income tax	7	(57,792)	(58,505)
Profit for the year from Continuing Operations		269,764	237,222
Discontinued Operations			
Profit/(loss) for the year from Discontinued Operations	12	2,067,715	(622,412)
Profit/(loss) for the year		2,337,479	(385,190)
Earnings/(loss) per share -Basic and diluted (RMB cent)	11		
From Continuing Operations		3.35	2.95
From Discontinued Operations		25.71	(7.74)
From Continuing Operations and Discontinued Operations		29.06	(4.79)

Note: As detailed in Note 12, the comparative information has been re-presented to show the results of Discontinued Operations separately.

The notes on pages 44 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Profit/(loss) for the year		2,337,479	(385,190)
Other comprehensive income for the year (after tax and reclassification adjustments):	10		
Items that are or may be reclassified subsequently to profit or loss:			
– Exchange differences on translation into presentation currency		(48,437)	11,121
– Net translation difference reclassified to profit or loss upon disposal of subsidiaries		40,735	–
Other comprehensive income for the year		(7,702)	11,121
Total comprehensive income for the year attributable to equity shareholders of the Company		2,329,777	(374,069)

The notes on pages 44 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	13	434,848	504,724
Investment properties	14	562,151	1,774,302
Financial assets at fair value through profit or loss ("FVPL")	17	803,773	808,419
Deferred tax assets	26(b)	19,348	16,216
		1,820,120	3,103,661
Current assets			
Inventories	18	346,003	281,603
Trade and other receivables and contract assets	19(a)	922,668	841,724
Prepayments	19(b)	81,013	290,195
Restricted cash	20	247,465	172,878
Cash and cash equivalents	21	453,497	320,504
		2,050,646	1,906,904
Current liabilities			
Trade and other payables	22	712,338	1,922,528
Promissory note	23	–	318,262
Bank and other loans	24	758,054	2,422,568
Lease liabilities	25	16,541	15,551
Income tax payable	26(a)	20,294	41,817
		1,507,227	4,720,726
Net current assets/(liabilities)		543,419	(2,813,822)
Total assets less current liabilities		2,363,539	289,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank and other loans	24	90,000	64,600
Lease liabilities	25	22,592	33,952
Deferred tax liabilities	26(b)	175,965	446,082
		288,557	544,634
NET ASSETS/(LIABILITIES)		2,074,982	(254,795)
CAPITAL AND RESERVES	27		
Share capital		69,888	69,888
Reserves		2,005,094	(324,683)
TOTAL EQUITY		2,074,982	(254,795)

Approved and authorised for issue by the board of directors on 29 June 2023.

Li Lixin
Director

Cheng Jianhe
Director

The notes on pages 44 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023
(Expressed in RMB)

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital redemption reserve RMB'000 (Note 27(d)(i))	Statutory reserves RMB'000 (Note 27(d)(ii))	Contributed surplus RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(iv))	Other reserve RMB'000 (Note 27(d)(v))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 April 2021	69,888	2,690,990	1,341	69,517	202,449	(5,868)	30,340	(2,939,383)	119,274
Changes in equity for the year ended 31 March 2022:									
Loss for the year	–	–	–	–	–	–	–	(385,190)	(385,190)
Other comprehensive income	–	–	–	–	–	11,121	–	–	11,121
Total comprehensive income for the year	–	–	–	–	–	11,121	–	(385,190)	(374,069)
Appropriation to reserves	–	–	–	5,553	–	–	–	(5,553)	–
Balance at 31 March 2022	69,888	2,690,990	1,341	75,070	202,449	5,253	30,340	(3,330,126)	(254,795)
Changes in equity for the year ended 31 March 2023:									
Profit for the year	–	–	–	–	–	–	–	2,337,479	2,337,479
Other comprehensive income	–	–	–	–	–	(7,702)	–	–	(7,702)
Total comprehensive income for the year	–	–	–	–	–	(7,702)	–	2,337,479	2,329,777
Appropriation to reserves	–	–	–	136	–	–	–	(136)	–
Disposals of the Discontinued Operations	–	–	–	(25,438)	–	–	–	25,438	–
Balance at 31 March 2023	69,888	2,690,990	1,341	49,768	202,449	(2,449)	30,340	(967,345)	2,074,982

The notes on pages 44 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Profit/(loss) before taxation			
– Continuing Operations		327,556	295,727
– Discontinued Operations		2,068,760	(660,426)
Adjustments for:			
Investment income	4(a)	(33,634)	(50,036)
Depreciation and amortisation		87,211	85,096
Net loss/(gain) on disposal of property, plant and equipment and investment properties	5	316	(17,307)
Interest income on cash at bank	5	(7,137)	(6,599)
Finance costs		98,802	256,425
Impairment losses on financial assets, contract assets and guarantee contracts		22,277	144,263
Impairment loss on property, plant and equipment		–	14,478
Net gain on disposal of the Discontinued Operations		(2,124,358)	–
Net valuation loss on investment properties	14	19,039	166,131
Changes in working capital:			
(Increase)/decrease in restricted cash		(38,993)	6,559
Increase in inventories		(64,400)	(101,406)
Increase in trade and other receivables, prepayments and contract assets		(93,249)	(282,795)
Increase in trade and other payables		50,775	300,801
Cash generated from operations		312,965	150,911
Income tax paid	26(a)	(65,050)	(113,077)
Net cash generated from operating activities		247,915	37,834

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 March 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Investing activities			
Proceeds from sale of financial assets at FVPL	31(e)	260	80,320
Payments for purchase of property, plant and equipment		(74,495)	(127,528)
Proceeds from disposal of property, plant and equipment and investment properties, net of transaction cost		1,445	124,677
Net proceeds from disposal of the Discontinued Operations		1,262	–
Interest received		7,137	6,599
Investment income received		38,020	43,907
Net cash (used in)/generated from investing activities		(26,371)	127,975
Financing activities			
Proceeds from new bank and other loans	21(b)	852,700	742,731
Repayment of bank and other loans	21(b)	(843,070)	(853,416)
(Increase)/decrease in restricted cash pledged to secure bank loans		(36,000)	15,000
Finance costs paid	21(b)	(45,347)	(56,885)
Capital element of lease rentals paid	21(b)	(14,864)	(21,449)
Interest element of lease rentals paid	21(b)	(2,318)	(2,740)
Net cash used in financing activities		(88,899)	(176,759)
Net increase/(decrease) in cash and cash equivalents		132,645	(10,950)
Cash and cash equivalents at 1 April		320,504	332,738
Effect of foreign exchange rate changes		348	(1,284)
Cash and cash equivalents at 31 March	21	453,497	320,504

The notes on pages 44 to 121 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Lisi Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 1995. The consolidated financial statements of the Company for the year ended 31 March 2023 comprise the Company and its subsidiaries (collectively referred to as the "Group"). During the year, the Group is principally engaged in manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances, property rental and investments holding (see Note 4).

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

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

– Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

– Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous Contracts – cost of fulfilling a contract

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

(d) Business combination

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

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

(e) Subsidiaries

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

(g) Other investments in debt and equity securities

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

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

For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Investments other than equity investments

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

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

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

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

(ii) Equity investments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment properties

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

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

(i) Property, plant and equipment

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

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

(j) Leased assets

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

(i) As a lessee

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(ii) As a lessor

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

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

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

(k) Credit losses and impairment of assets

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

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

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls for trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group classifies other financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in fair value reserve (recycling).

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

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

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

– goodwill; and

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

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

– Calculation of recoverable amount

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iv) Interim financial reporting and impairment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories and other contract costs

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

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

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

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

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

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

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

(m) Contract assets and contract liabilities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other receivables

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

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

(o) Cash and cash equivalents

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

(p) Trade and other payables

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

(q) Interest-bearing borrowings

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

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

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

(ii) Termination benefits

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

(s) Income tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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

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

(t) Provisions and contingent liabilities

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income

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

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

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

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

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

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

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

(ii) Service fee and commission income

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(iii) Rental income from operating leases

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

(iv) Customer loyalty programme

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

(v) Dividends

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

(vi) Interest income

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

(vii) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies

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

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

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

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

(w) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Discontinued operations

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 14 and 31(e) contain information about the assumptions and their risk factors relating to valuation of investment properties and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

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

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

(b) Impairment of non-current assets

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

	2023 RMB'000	2022 RMB'000 (Restated)
Continuing Operations		
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
– sales of goods	2,194,287	1,925,099
– rendering of services	157,626	118,397
	2,351,913	2,043,496
Revenue from other resources		
– investment income	33,634	50,036
– rental income from operating leases	36,855	40,095
	70,489	90,131
	2,422,402	2,133,627

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

	2023 RMB'000	2022 RMB'000 (Restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by timing of revenue recognition		
– Point in time	2,201,403	1,932,786
– Over time	150,510	110,710
	2,351,913	2,043,496

The directors of the Company consider that the customer base is diversified and includes only one customer (2022: one) of manufacturing and trading segment and one customer (2022: nil) of wholesale segment with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 March 2023. Revenue from those customers amounted to RMB388.4 million and RMB255.1 million during the year ended 31 March 2023, respectively (2022: RMB261.5 million). Details of the Group's credit risk are set out in Note 31(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

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

As at 31 March 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts with customers of wholesale of heating, ventilation and air-conditioning systems ("HVAC") is RMB759 million (2022: RMB474 million). The Group will recognise the revenue in future when or as the customers accept the goods and the services are rendered, which is expected to occur over the next 36 months. The Group has applied practical expedient in paragraph 121 of HKFRS 15 to its contracts for other businesses such that the above information does not include information about revenue that the Group will be entitled to and when it satisfies the remaining performance obligations under the contracts for other business that had an original expected duration of one year or less.

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

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

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	39,963	39,903
After 1 year but within 5 years	99,950	108,133
After 5 years	16,501	36,690
	156,414	184,726

(b) Segment reporting

The Group manages its business by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. In view of the disposal of the Discontinued Operations as disclosed in Note 12, the Group's reportable segments are presented as follows:

Continuing 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, and provides central air-conditioner installation services.
- Investments holding: this segment manages the investments in debt and equity securities.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

Discontinued Operations:

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

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

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

(i) Segment results

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

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

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2023 and 2022 is set out below.

	2023								
	Continuing Operations					Discontinued Operations			
	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Investments holding RMB'000	Sub-total RMB'000	Car-sale RMB'000	Car trading platform RMB'000	Sub-total RMB'000	Total RMB'000
Revenue from external customers	1,284,359	395,948	708,461	33,634	2,422,402	–	749	749	2,423,151
Inter-segment revenue	–	4,221	58,915	–	63,136	–	–	–	63,136
Reportable segment revenue	1,284,359	400,169	767,376	33,634	2,485,538	–	749	749	2,486,287
Reportable segment gross profit	363,377	101,632	129,539	33,634	628,182	–	749	749	628,931

	2022								
	Continuing Operations					Discontinued Operations			
(Restated)	Manufacturing and trading RMB'000	Retail RMB'000	Wholesale RMB'000	Investments holding RMB'000	Sub-total RMB'000	Car-sale RMB'000	Car trading platform RMB'000	Sub-total RMB'000	Total RMB'000
Revenue from external customers	1,159,942	422,906	500,743	50,036	2,133,627	–	15,946	15,946	2,149,573
Inter-segment revenue	–	1,107	97,474	–	98,581	–	51	51	98,632
Reportable segment revenue	1,159,942	424,013	598,217	50,036	2,232,208	–	15,997	15,997	2,248,205
Reportable segment gross profit	284,687	110,992	104,298	50,036	550,013	–	3,417	3,417	553,430

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue

	2023 RMB'000	2022 RMB'000 (Restated)
Reportable segment revenue	2,485,538	2,232,208
Elimination of inter-segment revenue	(63,136)	(98,581)
Consolidated revenue	2,422,402	2,133,627

(iii) Geographic information

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

	2023 RMB'000	2022 RMB'000 (Restated)
Mainland China and Hong Kong (place of domicile)	1,206,597	1,049,801
The United States	882,158	787,331
Europe	257,698	173,444
Others	75,949	123,051
	2,422,402	2,133,627

The analysis above includes property rental income from external customers and investment income in Mainland China of RMB36,855,000 and RMB33,634,000, respectively, for the year ended 31 March 2023 (2022: RMB40,095,000 and RMB50,036,000 (restated)).

All of the Group's non-current assets (excluding deferred tax assets) are located in Mainland China and Hong Kong as at 31 March 2023 and 2022.

5 OTHER INCOME

	2023 RMB'000	2022 RMB'000 (Restated)
Government grants	11,495	14,215
Interest income on cash at bank	7,137	6,302
Net gain from sale of scrap materials	1,119	1,729
Net (loss)/gain on disposal of property, plant and equipment	(316)	17,307
Others	2,264	(94)
	21,699	39,459

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2023 RMB'000	2022 RMB'000 (Restated)
Interest on bank and other borrowings	44,163	47,449
Interest on lease liabilities	2,318	2,740
Net foreign exchange difference	11	–
	46,492	50,189

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries, wages and other benefits	160,190	146,855
Contributions to defined contribution retirement plans	6,111	6,097
	166,301	152,952

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 14% to 16% (2022: 14% to 16%) of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement age.

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

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

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2023 RMB'000	2022 RMB'000 (Restated)
Cost of inventories# (Note 18(b))	1,642,437	1,465,836
Auditor's remuneration	3,500	7,530
Depreciation charge		
– owned property, plant and equipment	70,230	62,966
– right-of-use assets	16,981	21,037
Rental income from investment properties less direct outgoings of RMB11,905,000 (2022: RMB12,367,000)	24,950	27,728

\# Cost of inventories includes RMB124,658,000 (2022: RMB110,826,000) for the year ended 31 March 2023, relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 RMB'000	2022 RMB'000 (Restated)
Current taxation (Note 26(a)):		
– Provision for the year	65,055	81,917
– Under-provision in respect of prior years	296	182
	65,351	82,099
Deferred taxation:		
– Origination and reversal of temporary differences	(7,559)	(23,594)
	57,792	58,505

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

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

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before taxation	327,556	295,727
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i) and (iii))	82,526	74,485
Tax effect of non-deductible expenses	3,882	6,075
Tax effect of unused tax losses and deductible temporary differences not recognised	307	712
Tax effect of PRC tax concessions (Note (ii))	(29,219)	(22,949)
Under-provision in respect of prior years	296	182
Income tax	57,792	58,505

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 March 2023 is 16.5% (2022: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2023 (2022: RMBNil).

(ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% (2022: 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. In addition, this subsidiary is entitled to an additional 100% tax deduction to its assessable profits (2022: 100%) in respect of the qualified research and development costs incurred in the PRC.

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

8 DIRECTORS' EMOLUMENTS

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

	2023				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr Li Lixin	–	–	–	–	–
Mr Cheng Jianhe	–	–	–	–	–
Ms Jin Yaxue	–	180	300	–	480
Non-executive director					
Ms Cheng Weihong (resigned on 31 August 2022)	–	–	–	–	–
Independent non-executive directors					
Mr He Chengying	211	–	–	–	211
Mr Shin Yick Fabian	232	–	–	–	232
Mr Kwong Kwan Tong	211	–	–	–	211
	654	180	300	–	1,134

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none of them are directors (2022: none). The aggregate of the emoluments in respect of the five (2022: five) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,465	2,078
Discretionary bonuses	773	577
Retirement scheme contributions	110	61
	3,348	2,716

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

	2023	2022
(In HK$)		
Nil – 1,000,000	5	5

10 OTHER COMPREHENSIVE INCOME

	2023			2022		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation into presentation currency	(7,702)	–	(7,702)	11,121	–	11,121

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the year ended 31 March 2023 is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average of 8,044,020,000 ordinary shares (2022: 8,044,020,000 ordinary shares) in issue during the year.

	2023			2022		
	Continuing Operations RMB'000	Discontinued Operations RMB'000	Total RMB'000	Continuing Operations RMB'000	Discontinued Operations RMB'000	Total RMB'000
Profit/(loss) for the year attributable to equity shareholders of the Company	269,764	2,067,715	2,337,479	237,222	(622,412)	(385,190)

(b) Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares during the years ended 31 March 2023 and 2022. Hence, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

12 DISCONTINUED OPERATIONS

During the year ended 31 March 2023, in view of the continuous low performance of the trading of imported cars business and the provision of imported cars platform services business (collectively, the "Automotive Business"), the directors of the Company considered that the full recovery of Automotive Business will be no earlier than the end of 2023 and it was difficult to ascertain and predict when exactly it will take place. On 6 May 2022, the Company entered into an agreement with Kenpay International Company Limited ("Purchaser"), a third party, to sell the entire issued share capital of Robust Cooperation Limited ("Robust") and Mega Convention Group Limited ("Mega") (collectively, the "Disposal Group") to the Purchaser at a consideration of HK$3,000,000 (approximately RMB2,565,000). The Disposal was completed on 21 June 2022. Upon the completion of the Disposal, the Group ceased to engage in the Automotive Business.

The Disposal Group represented (i) the Car-sale segment, (ii) Car trading platform segment (collectively, the "Discontinued Operations"). Accordingly, the consolidated results of the Discontinued Operations for the period from 1 April 2022 to 21 June 2022 have been presented as Discontinued Operations 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 Operations separately from Continuing Operations.

12 DISCONTINUED OPERATIONS (CONTINUED)

(a) Results of the Discontinued Operations

	2023 RMB'000	2022 RMB'000
Revenue	749	15,946
Cost of sales	–	(12,529)
Gross profit	749	3,417
Other income	–	(1,233)
Selling and distribution expenses	–	(714)
Administrative expenses	(821)	(146,629)
Finance costs	(52,310)	(206,236)
Impairment losses on financial assets and guarantee contracts	(3,216)	(140,252)
Impairment loss on property, plant and equipment	–	(14,478)
Net valuation loss on investment properties	–	(154,301)
Loss before taxation	(55,598)	(660,426)
Income tax	(1,045)	38,014
Loss for the year from Discontinued Operations	(56,643)	(622,412)
Net gain on disposal of the Discontinued Operations	2,124,358	–
Gain/(loss) from Discontinued Operations	2,067,715	(622,412)

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(Expressed in RMB unless otherwise indicated)

12 DISCONTINUED OPERATIONS (CONTINUED)

(b) The net cash flows incurred by the Discontinued Operations are as follows:

	2023 RMB'000	2022 RMB'000
Net cash generated from/(used in) operating activities	4	(481)
Net cash generated from investing activities	–	1
Net cash used in financing activities	–	(30,000)
Net cash inflow/(outflow)	4	(30,480)

(c) Effect of disposal on financial position of the Group

	At 21 June 2022 RMB'000
Non-current assets	1,245,403
Current assets	455,644
Current liabilities	(3,596,841)
Non-current liabilities	(266,734)
Net liabilities disposed of	(2,162,528)
Cash consideration (HK$3 million)	(2,565)
Exchange difference reclassified to profit or loss	40,735
Gain on disposal of subsidiaries	(2,124,358)

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

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

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Moulds RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:							
At 1 April 2022	410,479	145,770	175,240	59,075	244,248	10,040	1,044,852
Exchange adjustments	46	19	–	74	–	–	139
Additions	5,402	2,066	14,787	2,863	44,018	2,232	71,368
Disposal of the Discontinued Operations	(68,670)	(2,038)	(915)	(725)	–	(165)	(72,513)
Disposals	(7,354)	(252)	(1,468)	(2,353)	–	(1,581)	(13,008)
At 31 March 2023	339,903	145,565	187,644	58,934	288,266	10,526	1,030,838
Accumulated depreciation and impairment losses:							
At 1 April 2022	(133,641)	(127,656)	(52,667)	(51,785)	(168,672)	(5,707)	(540,128)
Exchange adjustments	(34)	(19)	–	(66)	–	–	(119)
Charge for the year	(26,642)	(4,370)	(19,325)	(3,755)	(31,567)	(1,552)	(87,211)
Disposal of the Discontinued Operations	19,294	202	166	395	–	165	20,222
Written back on disposals	7,203	252	1,218	1,297	–	1,276	11,246
At 31 March 2023	(133,820)	(131,591)	(70,608)	(53,914)	(200,239)	(5,818)	(595,990)
Net book value:							
At 31 March 2023	206,083	13,974	117,036	5,020	88,027	4,708	434,848

(i) At 31 March 2023, property certificates of certain properties with a net book value of RMB13,470,000 (31 March 2022: RMB13,937,000) are yet to be obtained.

(ii) Certain of the Group's leasehold land and buildings were pledged against loans drawn by the Group (see Note 24(b)).

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

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

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

	2023 RMB'000	2022 RMB'000
Leasehold premises carried at depreciated cost	38,656	50,396

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets	16,981	21,037
Interest on lease liabilities (Note 6(a))	2,318	2,740
Expense relating to short-term leases	8,073	5,955
Variable lease payments not included in the measurement of lease liabilities	1,182	1,586

Note: During the year, additions to right-of-use assets were RMB5,448,000 (2022: RMB38,238,000). This amount primarily related to the capitalised lease payments payable under tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 21(c) and 25, respectively.

14 INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Valuation:		
At 1 April	1,774,302	2,005,840
Reclassification from property, plant and equipment (Note 13)	–	15,693
Fair value adjustments included in the consolidated statement of profit or loss	(19,039)	(166,131)
Disposal of the Discontinued Operations	(1,193,112)	–
Disposals	–	(81,100)
At 31 March	562,151	1,774,302

As disclosed in note 24(b) and note 13, certain investment properties were pledged against the loans of the Group. At 31 March 2022 certain investment properties are subject to seizures caused by creditors' application to the court for property preservation.

Notes:

(i) Fair value hierarchy

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

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

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

During the year ended 31 March 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 March 2023. The valuations were carried out by a qualified independent surveyor, Knight Frank Petty Limited, who has among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. Management of the Group has discussed with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

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14 INVESTMENT PROPERTIES (CONTINUED)

Notes: (continued)

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

The investment properties located in Ningbo, Mainland China, are shopping arcade, retail shops and warehouse, the fair value of which is determined using income capitalisation approach. The significant unobservable input used in the fair value measurement is yield rate, ranged from 6.25% to 6.5% for the year ended 31 March 2023 (2022: 6.25% to 6.5%). The fair value measurement is negatively correlated to the yield rate.

15 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	Place of establishment/ business	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Ningbo New JoySun Corp (i)(ii) 寧波新江廈股份有限公司	The PRC	Registered and paid-up capital of RMB60,000,000	100%	–	100%	Wholesale of household products and wine, operation of department stores, and provision of financing to group companies
Ningbo New JoySun HVAC Equipment Limited (i)(ii) 寧波新江廈暖通設備有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	100%	–	100%	Wholesale and installation of household electrical appliances and HVAC equipment
Ningbo New JoySun Supermarket Chain Limited (i)(ii) ("New JoySun Supermarket") 寧波新江廈連鎖超市有限公司	The PRC	Registered and paid-up capital of RMB30,000,000	100%	–	100%	Operation of supermarkets
Xiangshan Lisi Department Store Limited (i)(ii) 象山利時百貨有限公司	The PRC	Registered and paid-up capital of RMB20,000,000	100%	–	100%	Property rental
Ningbo Lisi Household Products Company Limited (i)(iii) 寧波利時日用品有限公司	The PRC	Registered and paid-up capital of HK$50,000,000	100%	–	100%	Manufacturing and trading of plastic and metallic household products

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

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

(iii) The company is a wholly foreign owned enterprise established in the mainland China.

16 GOODWILL

	2023 RMB'000	2022 RMB'000
Cost:		
At 1 April	1,329,844	1,329,844
Disposal of the Discontinued Operations	(1,329,844)	–
At 31 March	–	1,329,844
Accumulated impairment losses:		
At 1 April	(1,329,844)	(1,329,844)
Disposal of the Discontinued Operations	1,329,844	–
At 31 March	–	(1,329,844)
Carrying amount:		
At 31 March	–	–

The goodwill is allocated to the car-sale segment cash-generating unit ("CGU") and has been disposed in the disposal of the Automotive Business (see Note 12).

17 FINANCIAL ASSETS AT FVPL

The financial assets measured at FVPL represent trust investment products issued by financial institutions with variable returns and have an initial term of 36 months.

The trust investment products reach maturity consecutively between April 2023 and September 2023. Pursuant to the supplemental agreements with the financial institution, the respective terms of the trust investment products were extended from 36 months to 54 months.

Further information on the fair value measurement is disclosed in Note 31(e).

18 INVENTORIES

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

	2023 RMB'000	2022 RMB'000
Raw materials	70,613	50,204
Work in progress	25,987	34,913
Finished goods	92,715	70,920
Merchandises	156,688	125,566
	346,003	281,603

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

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	1,642,437	1,465,836

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS

(a) Trade and other receivables and contract assets

	2023 RMB'000	2022 RMB'000
Trade receivables from:		
– Third parties	141,304	151,598
– Companies under the control of a shareholder of the Company (Note (i))	578,552	451,416
Bills receivable	293	–
	720,149	603,014
Less: loss allowance	(23,165)	(68,500)
	696,984	534,514
Amounts due from companies under the control of a shareholder of the Company (Note (ii))	1,006	876
Other receivables (Note (iii))	45,013	1,822,088
Less: loss allowance	(1,525)	(1,621,225)
	43,488	200,863
Financial assets measured at amortised cost	741,478	736,253
Deposits:		
– Deposits for operating leases expenses paid to third parties	5,209	7,686
– Others	15,300	7,078
	20,509	14,764
Trade and other receivables (Note (iv))	761,987	751,017
Contract assets (Note (v))	160,681	90,707
	922,668	841,724

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS (CONTINUED)

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

Notes:

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

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

(iii) At 31 March 2022, other receivables include advances to customers of car trading platform segment and prepayment for purchase of parallel imported cars which orders were subsequently cancelled, amounted to RMB1,815,745,000. Further information on credit risk is disclosed in Note 31.

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

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

Ageing analysis

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

	2023 RMB'000	2022 RMB'000
Within 1 month	123,042	143,359
More than 1 month but less than 3 months	214,006	240,597
Over 3 months	359,643	150,558
	696,691	534,514

Trade debtors and bills receivable are due within 0 -180 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 31(a).

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(Expressed in RMB unless otherwise indicated)

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS (CONTINUED)

(b) Prepayments

	2023 RMB'000	2022 RMB'000
Prepayments:		
– Prepayments to suppliers	76,905	288,310
– Others	4,108	1,885
	81,013	290,195

20 RESTRICTED CASH

	2023 RMB'000	2022 RMB'000
Pledged deposits for issuance of bank loans and bills	203,512	165,826
Pledged deposits for issuance of letter of credit	40,000	–
Pledged deposits for security performance	3,696	6,536
Other restricted cash (Note)	257	516
	247,465	172,878

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

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise

	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	453,497	320,504

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

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Bank and other loans RMB'000 (Note 24)	Interest payable RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 25)	Promissory note RMB'000 (Note 23)	Total RMB'000
At 1 April 2022	2,487,168	338,509	49,503	318,262	3,193,442
Changes from financing cash flows:					
Proceeds from new bank and other loans	852,700	–	–	–	852,700
Repayment of bank and other loans	(843,070)	–	–	–	(843,070)
Capital element of lease rentals paid	–	–	(14,864)	–	(14,864)
Interest element of lease rentals paid	–	–	(2,318)	–	(2,318)
Other borrowing costs paid	–	(45,347)	–	–	(45,347)
Total changes from financing cash flows	9,630	(45,347)	(17,182)	–	(52,899)
Exchange adjustments	11,002	–	–	17,903	28,905
Other changes:					
Bank charges and other finance costs	–	19,369	–	–	19,369
Interest expenses	–	72,721	2,318	4,383	79,422
Increase in lease liabilities from entering into new leases during the period	–	–	966	–	966
Lease modification	–	–	4,482	–	4,482
Early termination of lease contracts	–	–	(954)	–	(954)
Disposal of the Discontinued Operations	(1,659,746)	(385,252)	–	(340,548)	(2,385,546)
Total other changes	(1,659,746)	(293,162)	6,812	(336,165)	(2,282,261)
At 31 March 2023	848,054	–	39,133	–	887,187

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

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

	Bank and other loans RMB'000 (Note 24)	Interest payable RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 25)	Promissory note RMB'000 (Note 23)	Total RMB'000
At 1 April 2021	2,576,244	134,614	42,335	314,743	3,067,936
Changes from financing cash flows:					
Proceeds from new bank and other loans	742,731	–	–	–	742,731
Repayment of bank and other loans	(853,416)	–	–	–	(853,416)
Capital element of lease rentals paid	–	–	(21,449)	–	(21,449)
Interest element of lease rentals paid	–	–	(2,740)	–	(2,740)
Other borrowing costs paid	–	(56,885)	–	–	(56,885)
Total changes from financing cash flows	(110,685)	(56,885)	(24,189)	–	(191,759)
Exchange adjustments	(7,941)	–	–	(13,231)	(21,172)
Other changes:					
Bank charges and other finance costs	–	13,958	–	–	13,958
Interest expenses	–	246,822	2,740	16,750	266,312
Increase in lease liabilities from entering into new leases during the period	–	–	9,886	–	9,886
Lease modification	–	–	28,352	–	28,352
Early termination of lease contracts	–	–	(9,621)	–	(9,621)
Transfer of overdue bills payable to bank loans	29,550	–	–	–	29,550
Total other changes	29,550	260,780	31,357	16,750	338,437
At 31 March 2022	2,487,168	338,509	49,503	318,262	3,193,442

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating cash flows	9,255	7,541
Within financing cash flows	17,182	24,189
	26,437	31,730

22 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables to:		
– Third parties	217,103	216,623
– Companies under the control of shareholders of the Company	115,735	67,886
	332,838	284,509
Bills payable	173,824	189,550
	506,662	474,059
Amounts due to companies under the control of shareholders of the Company (Note (i))	–	46,652
Accrued charges and other payables:		
– Accrued expenses	24,272	21,991
– Payables for staff related costs	73,420	71,614
– Deposits from customers and suppliers		
– Third parties	8,851	22,052
– Company under the control of shareholders of the Company	–	265
– Interest payable (Note 21(b))	–	338,509
– Payables for miscellaneous taxes	2,290	32,244
– Payables for acquisition of subsidiaries	–	243,300
– Others	8,052	249,070
	116,885	979,045
Financial liabilities measured at amortised cost	623,547	1,499,756
Expected credit loss for financial guarantee granted (Note 30(b))	–	376,081
Contract liabilities	88,791	46,691
	712,338	1,922,528

22 TRADE AND OTHER PAYABLES (CONTINUED)

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.

Ageing analysis

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

	2023 RMB'000	2022 RMB'000
Within 1 month	240,410	187,780
Over 1 month but within 3 months	77,758	86,053
Over 3 months but within 6 months	122,526	185,913
Over 6 months	65,968	14,313
	506,662	474,059

The analysis of movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance at 1 April	46,691	52,174
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(30,200)	(52,152)
Decrease in contract liabilities as a result of cancellation of orders during the year that was included in the contract liabilities at the beginning of the period	–	(22)
Increase in contract liabilities as a result of billing in advance	88,791	46,691
Disposal of the Discontinued Operations	(16,491)	–
Balance at 31 March	88,791	46,691

23 PROMISSORY NOTE

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

24 BANK AND OTHER LOANS

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

	2023 RMB'000	2022 RMB'000
Bank loans:		
– Unsecured and guaranteed (Note (iii))	–	48,669
– Secured and unguaranteed (Note (ii))	576,600	535,580
– Secured and guaranteed (Notes (ii) and (iii))	238,000	1,350,444
	814,600	1,934,693
Loans from other financial institutions:		
– Secured and guaranteed (Notes (ii) and (iii))	–	361,339
Loans from shareholders and companies under the control of shareholders of the Company:		
– Unsecured and unguaranteed (Note (i))	33,454	191,136
	848,054	2,487,168

Notes:

(i) At 31 March 2023, the loans from shareholders and companies under the control of shareholders of the Company bearing interest ranged from 2% to 7% (31 March 2022: 0% to 7%) per annum and are repayable by March 2024 (31 March 2022: by March 2023).

(ii) Certain bank and other loans are secured by the leasehold land and buildings and assets of the Group (Note 24(b)).

(iii) Bank and other loans of RMB238 million as at 31 March 2023 were guaranteed by a director of the Company, and/or companies under the control of a director of the Company. Bank and other loans of RMB1,760 million as at 31 March 2022 were guaranteed by shareholders of the Company, directors of the Company, close family members of a shareholder of the Company and/or companies under the control of shareholders of the Company.

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

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

24 BANK AND OTHER LOANS (CONTINUED)

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

	2023 RMB'000	2022 RMB'000
Within 1 year or on demand	758,054	2,422,568
After 1 year but within 2 years	–	34,500
After 2 years but within 5 years	90,000	30,100
	90,000	64,600
	848,054	2,487,168

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

(b) Certain of the Group's loans are secured by the Group's leasehold land and buildings, investment properties and deposits of the Group. At 31 March 2022. certain loans of the Group were also secured by the equity interest of a subsidiary of the Group. The aggregate carrying values of the pledged leasehold land and buildings and investment properties are analysed as follows. Further details of pledged deposits are disclosed in note 20.

	2023 RMB'000	2022 RMB'000
Leasehold land and buildings	124,043	181,347
Investment properties	411,966	1,762,302
	536,009	1,943,649

(c) At 31 March 2023, the Group's banking facilities amounted to RMB756,000,000 (31 March 2022: RMB1,458,906,000) were utilised to the extent of RMB732,912,000 (31 March 2022: RMB1,369,206,000).

25 LEASE LIABILITIES

The lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	16,541	15,551
After 1 year but within 2 years	9,855	15,697
After 2 years but within 5 years	11,308	15,000
After 5 years	1,429	3,255
	22,592	33,952
	39,133	49,503

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2023 RMB'000	2022 RMB'000
Balance of income tax payable at 1 April	41,817	72,795
Provision for income tax for the year	65,055	81,917
Under-provision in respect of prior years	296	182
Income tax paid	(65,050)	(113,077)
Disposal of the Discontinued Operations	(21,824)	–
Balance of income tax payable at 31 March	20,294	41,817

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

(b) Deferred tax assets and liabilities recognised:

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

	Assets						Liabilities			
Deferred tax arising from:	Accrued operating lease expenses RMB'000	Impairment losses on property, plant and equipment RMB'000	Credit loss allowance RMB'000	Accrued expenses RMB'000	Unrealised profit and losses resulting from intragroup transaction RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment and investment properties and related depreciation RMB'000	Tax allowance in excess of depreciation on property, plant and equipment RMB'000	Fair value adjustments on other investments RMB'000	Total RMB'000
1 April 2021	2,995	9,637	1,251	230	1,171	15,284	(487,104)	(18,984)	(670)	(506,758)
(Charged)/credited to the consolidated statement of profit or loss	(12)	(53)	724	–	273	932	63,600	(1,392)	(1,532)	60,676
At 31 March 2022	2,983	9,584	1,975	230	1,444	16,216	(423,504)	(20,376)	(2,202)	(446,082)
(Charged)/credited to the consolidated statement of profit or loss	(61)	(54)	4,170	–	(923)	3,132	3,435	(1,149)	1,097	3,383
Disposal of the Discontinued Operations	–	–	–	–	–	–	260,244	6,490	–	266,734
At 31 March 2023	2,922	9,530	6,145	230	521	19,348	(159,825)	(15,035)	(1,105)	(175,965)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB94,260,000 (31 March 2022: RMB2,940,137,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB92,626,000 (31 March 2022: RMB89,636,000) which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 March 2023 will expire on or before 31 December 2027.

(d) Deferred tax liabilities not recognised

At 31 March 2023, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB2,536,120,000 (31 March 2022: RMB2,244,571,000). Deferred tax liabilities of RMB126,806,000 (31 March 2022: RMB112,229,000) have not been recognised in respect of tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Capital redemption reserve RMB'000 (Note 27(d)(i))	Contributed surplus RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(iv))	Accumulated losses RMB'000	Total RMB'000
At 1 April 2021	69,888	2,690,990	1,341	226,796	(20,648)	(2,692,857)	275,510
Changes in equity for the year ended 31 March 2022:							
Loss and total comprehensive income	–	–	–	–	–	831	831
Waiver of payables by subsidiaries	–	–	–	–	–	566,555	566,555
	–	–	–	–	–	567,386	567,386
At 31 March 2022 and 1 April 2022	69,888	2,690,990	1,341	226,796	(20,648)	(2,125,471)	842,896
Changes in equity for the year ended 31 March 2023:							
Loss and total comprehensive income	–	–	–	–	–	(4,768)	(4,768)
At 31 March 2023	69,888	2,690,990	1,341	226,796	(20,648)	(2,130,239)	838,128

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: RMBNil).

(c) Share capital

	2023		2022	
	No. of shares '000	HK$'000	No. of shares '000	HK$'000
Authorised:				
Ordinary shares at HK$0.01 each	10,000,000	100,000	10,000,000	100,000

	2023		2022	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 April and 31 March	8,044,020	69,888	8,044,020	69,888

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

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

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

(ii) Statutory reserves

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

(iii) Contributed surplus

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

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

(iv) Exchange reserve

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

(v) Other reserve

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

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

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

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

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

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the adjusted net debt-to-capital ratio at a stable level. In order to improve the Group's capital structure, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 March 2023 and 2022 was as follows:

	2023 RMB'000	2022 RMB'000
Trade and other payables	712,338	1,922,528
Bank and other loans	848,054	2,487,168
Lease liabilities	39,133	49,503
Promissory note	–	318,262
Total debts	1,599,525	4,777,461
Less: Cash and cash equivalents	(453,497)	(320,504)
Adjusted net debt	1,146,028	4,456,957
Total equity and adjusted capital	2,074,982	(254,795)
Adjusted net debt-to-capital ratio	55%	(1,749%)

28 MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Note	2023 RMB'000	2022 RMB'000
Sales of goods		1,752	8,180
Rental income from operating leases		–	32
Services income from operating leases		–	30
Import and export handling charges	(i)	11,990	10,436
Rental payment for operating leases and in respect of the recognised lease liabilities (net of VAT)		15,927	14,389
Interest expenses	(ii)	964	911
Net increase in non-interest-bearing advances received from related parties	(iii)	–	(11,444)
Net increase in loans received from related parties	(iv)	–	1,392

Notes:

(i) Pursuant the import agency agreement and export agency agreement (collectively, the "agreements") between the Group and the related party, the related party provided import and export agency services to the Group. The gross transaction amount under the agreements amounted to RMB1,268,272,000 (2022: RMB1,113,018,000).

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

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

(iv) The loans are unsecured, bear interest ranging from 2.16% to 7.00% (2022: 0% to 7.00%) per annum and are repayable before March 2024 (2022: March 2023).

During the year ended 31 March 2023, there are certain fund transfer with a related party with aggregated transaction amount of RMB2.8 billion (2022: RMB2.5 billion). The maximum outstanding balance during the year is RMB0.8 billion (2022: RMB0.3 billion). The balance is unsecured, interest-free and repayable on demand. The balance is fully settled as of the end of the reporting period.

As disclosed in Note 24, certain of the Group's bank and other loans were guaranteed by related parties of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

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

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	5,625	4,450
Contributions to defined contribution retirement plans	144	67
	5,769	4,517

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

29 COMMITMENTS

At 31 March 2023, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Commitments in respect of plant and machinery		
– Contracted for	743	494

30 CONTINGENT LIABILITIES

(a) Assets pledged

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

	2023 RMB'000	2022 RMB'000
Leasehold land and buildings	–	2,587
Investment properties	–	12,000
	–	14,587

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

(b) Financial guarantees issued

In addition to the disclosure in Note 30(a), as at 31 March 2022, the Group has provided guarantees to the lenders of some of its customers of Automotive Business in relation to these customers' banking facilities and bank loans amounting to RMB2,623 million. As at 31 March 2022, bank loans of RMB324 million out of the above-mentioned guarantees were defaulted. Included in these bank loans were RMB100 million the banks of which have commenced litigations against the borrowers and the guarantors, including the subsidiaries of the Group, for repaying the outstanding loans. The Group estimated the expected credit loss and provision of RMB376,081,000 was made against the guarantees granted by the Group as of 31 March 2022 (Note 22).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, contract assets and financial assets at FVPL. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

In respect of financial assets at FVPL, the Group's strategy is to place the investments with well-known funds management companies or financial institutions. Accordingly, the Group considers its exposure to credit risk to be low in this respect.

Except for the pledges of certain of the Group's properties for bank loans drawn by a company and the financial guarantees given by the Group as set out in Note 30, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees is disclosed in Note 30.

Trade receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle receivable in accordance with contract terms and other debts in accordance with agreements within certain credit terms granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the debtors operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, 82% (2022: 75%) and 92% (2022: 87%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors respectively.

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

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. During the year ended 31 March 2023, in view of the disposal of the Discontinued Operations and the results of the review of the repayment history and pattern of the Group's debtors, the Group assesses the credit risk and ECL for trade receivables and contract assets separately and the ECL model of trade receivables was changed from due date basis to invoice date basis.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2023:

Trade receivables:

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 month	0.55%	123,723	(681)
More than 1 month but less than 3 months	1.14%	216,469	(2,463)
Over 3 months	5.27%	379,664	(20,021)
		719,856	(23,165)

Contract assets:

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	2.29%	164,442	(3,761)

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

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Automotive business (Discontinued Operations):

	2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.52%	80	–
More than 90 days past due	100.00%	62,044	(62,044)
		62,124	(62,044)

Non-automotive business (Continuing Operations):

	2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.52%	582,370	(3,038)
1 – 30 days past due	0.57%	17,169	(97)
31 – 90 days past due	1.63%	15,504	(253)
More than 90 days past due	25.93%	18,207	(4,721)
		633,250	(8,109)

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

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Expected loss rates are based on actual loss experience adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

	2023 RMB'000	2022 RMB'000
Balance at 1 April	70,153	71,205
Impairment losses recognised/(reversed) during the year	18,817	(1,052)
Disposal of the Discontinued Operations	(62,044)	–
At 31 March	26,926	70,153

Other receivables and financial guarantee granted

To determine ECLs for other receivables and financial guarantee granted, the Group considers changes in the risk of default of the specified debtor since the initial recognition of other receivables or issuance of the guarantee.

The Group recognises a loss allowance for other receivables and financial guarantee granted equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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

(a) Credit risk (continued)

Other receivables and financial guarantee granted (continued)

The following table presents the carrying amounts of other receivables and financial guarantee granted and indicates whether they are subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired:

	2023
	Other receivables
	Stage 1 RMB'000
Gross carrying amounts	45,013
Loss allowance	(1,525)
Carrying amount	43,488

	2022							
	Other receivables				Financial guarantee granted			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross carrying amounts	86,473	544,991	1,190,624	1,822,088	–	–	–	–
Loss allowance	(81,342)	(544,991)	(994,892)	(1,621,225)	(70,751)	(26,653)	(278,677)	(376,081)
Carrying amount	5,131	–	195,732	200,863	(70,751)	(26,653)	(278,677)	(376,081)

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

(a) Credit risk (continued)

Other receivables and financial guarantee granted (continued)

The movement in the allowance for impairment for other receivables and financial guarantee granted during the year was as follows:

	2023			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Balance at 1 April	152,093	571,644	1,273,569	1,997,306
Net remeasurement of loss allowance	3,459	–	–	3,459
Disposal of the Discontinued Operations	(154,027)	(571,644)	(1,273,569)	(1,999,240)
Balance at 31 March	1,525	–	–	1,525

	2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Balance at 1 April	148,296	544,738	1,158,957	1,851,991
Net remeasurement of loss allowance	3,797	26,906	114,612	145,315
Balance at 31 March	152,093	571,644	1,273,569	1,997,306

As at 31 March 2022, a debtor of the Group has pledged its property with a value of RMB163 million to secure a bank loan of the Group of RMB357 million. Certain debtors have provided assets of approximately RMB33 million as counter-guarantee for the outstanding balances.

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

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Note 2(b) explains management's plans in managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay.

For the bank and other loans subject to repayment on demand clauses which can be exercised at the banks' or other financial institutions' sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the banks and other financial institutions were to invoke their unconditional rights to call the loans with immediate effect.

	2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 March RMB'000
Trade and other payables measured at amortised cost	623,547	–	–	–	623,547	623,547
Bank and other loans	826,018	4,410	94,410	–	924,838	848,054
Lease liabilities	17,316	10,607	13,188	2,115	43,226	39,133
	1,466,881	15,017	107,598	2,115	1,591,611	1,510,734

	2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 March RMB'000
Trade and other payables measured at amortised cost	1,499,756	–	–	–	1,499,756	1,499,756
Bank and other loans	2,021,880	92,092	453,872	–	2,567,844	2,487,168
Promissory note	323,920	–	–	–	323,920	318,262
Lease liabilities	16,042	16,983	17,549	5,083	55,657	49,503
	3,861,598	109,075	471,421	5,083	4,447,177	4,354,689
Adjustments to disclose cash flows on bank loans based on lender's right to demand repayment	403,670	(54,345)	(422,653)	–	(73,328)	
	4,265,268	54,730	48,768	5,083	4,373,849	

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Group's bank and other loans, promissory note and lease liabilities at the end of the reporting period.

	2023		2022	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	1.2%-7.0%	775,155	0.0%-18.0%	2,194,420
Promissory note	–	–	5.4%	318,262
Lease liabilities	4.6%-5.6%	39,133	4.7%-5.6%	49,503
Variable rate borrowings:				
Bank and other loans	2.2%-4.2%	72,899	2.2%-5.5%	292,748
Total borrowings		887,187		2,854,933
Fixed rate borrowings as a percentage of total borrowings		92%		90%

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

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases, borrowings and business combination which give rise to receivables, payables, loans, promissory note, lease liabilities and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US$, RMB, HK$. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2023 Exposure to foreign currencies	
	US$ RMB'000	HK$ RMB'000
Cash and cash equivalents	3,681	1,056
Trade and other payables	–	(1,140)
Bank and other loans	(5,556)	(19,818)
Gross exposure arising from recognised assets and liabilities	(1,875)	(19,902)

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

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2022 Exposure to foreign currencies	
	US$ RMB'000	HK$ RMB'000
Cash and cash equivalents	5,733	908
Trade and other payables	–	(250,936)
Bank and other loans	(5,146)	(185,990)
Promissory notes	–	(318,262)
Gross exposure arising from recognised assets and liabilities	587	(754,280)

(iii) Sensitivity analysis

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

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

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and increase/ (decrease) in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and increase/ (decrease) in accumulated losses RMB'000
US$	10%	–	10%	–
	(10%)	–	(10%)	–
HK$	10%	(567)	10%	(21,390)
	(10%)	567	(10%)	21,390

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter- company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis as 2022.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The fair value measurement of the Group's financial assets at FVPL falls into level 3 of the fair value hierarchy.

Information about level 3 fair value measurements

The fair value of the Group's financial assets at FVPL is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate, ranged from 3.17% to 3.36% for the year end 31 March 2023. The fair value measurement is negatively correlated to the discount rate. As at 31 March 2023, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decrease/increase the Group's profit after tax by RMB348,000.

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

	2023 RMB'000	2022 RMB'000
Financial assets at FVPL		
At 1 April	808,419	882,610
Changes in fair value recognised in profit during the year	(4,386)	6,129
Proceeds from sales	(260)	(80,320)
At 31 March	803,773	808,419

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2023 and 2022.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		749	216
Investments in subsidiaries		849,472	849,472
		850,221	849,688
Current assets			
Other receivables		4,252	2,878
Cash and cash equivalents		391	364
		4,643	3,242
Current liabilities			
Other payables		10,811	4,803
Other loans		5,647	5,231
		16,458	10,034
Net current liabilities		(11,815)	(6,792)
Non-current liabilities			
Lease liabilities		278	–
NET ASSETS		838,128	842,896
Capital and Reserves	27		
Share capital		69,888	69,888
Reserves		768,240	773,008
Total equity		838,128	842,896

33 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider that the Company has no controlling shareholder at 31 March 2023.

(Expressed in RMB unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, Income taxes: *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SCHEDULE OF INVESTMENT PROPERTIES

Details of the principal investment properties of the Group as at 31 March 2023 are as follows:

Location	Term of lease	Use
JoySun Department Store Jiangdong, Level 1 to level 3, Nos. 301-305 East Zhongshan Road, Jiangdong District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental
Lisi Department Store Xiangshan, No. 165 Jianshe Road, Dandong Street, Xiangshan County, Ningbo, Zhejiang Province The PRC	Long-term	A partial portion of the shopping arcade for rental
A portion of New JoySun Supermarket Hengxi, Renmin Road, Hengxi Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental

SCHEDULE OF INVESTMENT PROPERTIES

Location	Term of lease	Use
New JoySun Supermarket Gaoqiao Warehouse, Gaofeng Village, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental
A portion of New JoySun Supermarket Gaoqiao, Gaofeng Village, Gaoqiao Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental
A portion of New JoySun Supermarket Dongwu, Dong Village, Dongwu Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental
New JoySun Supermarket Dasong, Xicheng Village, Zhanqi Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental
A portion of New JoySun Supermarket Yunlong, No. 1100 Qifa Commercial Plaza, Yunlong Town, Yinzhou District, Ningbo, Zhejiang Province, The PRC	Long-term	A partial portion of the shopping arcade for rental

SCHEDULE OF FINANCIAL PRODUCTS

The Company utilized certain idle funds to subscribe for certain financial products from National Trust Company Limited. Given the Board is of the views that such financial products are highly secured with appropriate returns, the Board considers the subscriptions are conducive to enhancing the utilization of capital and increasing income from idle funds. The consideration in relation to the subscriptions of such financial products was determined after taking into account various factors including cash management, the level of risk and return of the financial products and their respective maturity dates. Accordingly, the Board are of the view that the subscriptions of such financial products are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Details of the financial products of the Group as at 31 March 2023 are as follows:

Name of the financial products	Name of the trust company	Subscription Date	Maturity Date	Subscription Amount RMB'000	Fair value RMB'000	Return for the year RMB'000
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	29 April 2020	28 October 2024	49,950	50,030	2,467
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	18 May 2020	17 November 2024	89,950	90,186	4,440
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	28 June 2020	27 December 2024	59,950	60,223	2,960
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	10 August 2020	9 February 2025	79,950	80,480	3,947
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	17 August 2020	16 February 2025	69,950	70,434	3,454
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	21 August 2020	20 February 2025	69,950	70,450	3,454
國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	24 August 2020	23 February 2025	59,950	60,383	2,960
國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	31 August 2020	28 February 2025	59,950	60,291	2,728

SCHEDULE OF FINANCIAL PRODUCTS

Name of the financial products	Name of the trust company	Subscription Date	Maturity Date	Subscription Amount RMB'000	Fair value RMB'000	Return for the year RMB'000
國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	3 September 2020	2 March 2025	59,950	60,296	2,728
國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	7 September 2020	6 March 2025	59,950	60,303	2,728
國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	10 September 2020	9 March 2025	49,950	50,248	2,273
國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	14 September 2020	13 March 2025	49,950	50,253	2,273
國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*)	國民信托有限公司 (National Trust Company Limited*)	16 September 2020	16 March 2025	39,950	40,196	1,819

* for identification purpose only

5-YEAR FINANCIAL SUMMARY

(Expressed in RMB unless otherwise indicated)

GENERAL INFORMATION

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

	2023	2022 (Restated) (Note 1)	2021	2020 (Restated) (Note 2)	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,422,402	2,133,627	1,850,030	2,665,845	3,960,034
Profit/(loss) before taxation	327,556	295,727	(2,508,284)	(144,672)	278,781
Income tax	(57,792)	(58,505)	(42,709)	(9,786)	(68,081)
Profit/(loss) for the year from Continuing Operations	269,764	237,222	(2,550,993)	(154,458)	210,700
Profit/(loss) for the year from Discontinued Operations	2,067,715	(622,412)	–	–	–
Profit/(loss) for the year attributable to equity shareholders of the Company	2,337,479	(385,190)	(2,550,993)	(154,458)	210,700
Assets and liabilities					
Total assets	3,870,766	5,010,565	5,125,561	7,947,376	4,305,949
Total liabilities	(1,795,784)	(5,265,360)	(5,006,287)	(5,300,204)	(1,993,622)
Net assets/(liabilities)	2,074,982	(254,795)	119,274	2,647,172	2,312,327

Notes:

1 The Group discontinued the operation of the Automotive Business during the year ended 31 March 2023. The financial statements for the year ended 31 March 2022 have been restated to present the results of the Discontinued Operations separately from the Continuing Operations.

2 As disclosed in the annual report for the year ended 31 March 2021, the Group ceased to classify the non-automotive segments as Discontinued Operations during the year ended 31 March 2021, the financial statements for the year ended 31 March 2020 has been restated accordingly.

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