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LISI GROUP (HOLDINGS) LIMITED

利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Lisi Group (Holdings) Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2024 (the “Year”) together with the comparative figures of the previous corresponding year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024
(Expressed in Renminbi (“RMB”))

| | <i>Note</i> | 2024 RMB’000 | 2023 <i>RMB’000</i> |
|---|-------------|-------------------------------|------------------------|
| Continuing Operations | | | |
| Revenue | 4 | 2,687,361 | 2,422,402 |
| Cost of sales | | (1,992,137) | (1,794,220) |
| Gross profit | 4(b) | 695,224 | 628,182 |
| Other net income | 5 | 156,332 | 21,699 |
| Selling and distribution expenses | | (101,850) | (97,276) |
| Administrative expenses | | (126,207) | (140,457) |
| Finance costs | 6(a) | (37,052) | (46,492) |
| Impairment losses on financial assets and contract assets | | (70,660) | (19,061) |
| Net valuation loss on investment properties | | (108,281) | (19,039) |
| Profit before taxation | 6 | 407,506 | 327,556 |
| Income tax | 7 | (82,455) | (57,792) |
| Profit for the year from Continuing Operations | | 325,051 | 269,764 |
| Discontinued Operations | | | |
| Profit for the year from Discontinued Operations | | – | 2,067,715 |
| Profit for the year | | 325,051 | 2,337,479 |
| Earnings per share – Basic and diluted | | | |
| (RMB cent) | 8 | | |
| From Continuing Operations | | 4.04 | 3.35 |
| From Discontinued Operations | | – | 25.71 |
| From Continuing Operations and Discontinued Operations | | 4.04 | 29.06 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

(Expressed in RMB)

| | <i>Note</i> | 2024 | 2023 |
|---|-------------|----------------|-----------|
| | | RMB'000 | RMB'000 |
| Profit for the year | | 325,051 | 2,337,479 |
| Other comprehensive income for the year (after tax): | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| – Exchange differences on translation into presentation currency | | (5,766) | (48,437) |
| – Net translation difference reclassified to profit or loss upon disposal subsidiaries | | – | 40,735 |
| Other comprehensive income for the year | | (5,766) | (7,702) |
| Total comprehensive income for the year attributable to equity shareholders of the Company | | 319,285 | 2,329,777 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024
(Expressed in RMB)

| | <i>Note</i> | 2024 RMB'000 | 2023 <i>RMB'000</i> |
|---|-------------|-------------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 361,424 | 434,848 |
| Investment properties | 9 | 453,870 | 562,151 |
| Financial assets at fair value through profit or loss ("FVPL") | | – | 803,773 |
| Deferred tax assets | | 24,021 | 19,348 |
| | | <u>839,315</u> | <u>1,820,120</u> |
| Current assets | | | |
| Inventories | | 291,203 | 346,003 |
| Trade and other receivables, contract assets and prepayments | 10 | 1,439,196 | 1,003,681 |
| Financial assets at FVPL | | 799,094 | – |
| Restricted cash | | 149,244 | 247,465 |
| Cash and cash equivalents | | 548,260 | 453,497 |
| | | <u>3,226,997</u> | <u>2,050,646</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 780,885 | 712,338 |
| Bank and other loans | 12 | 575,033 | 758,054 |
| Lease liabilities | | 11,698 | 16,541 |
| Income tax payable | | 59,007 | 20,294 |
| | | <u>1,426,623</u> | <u>1,507,227</u> |
| Net current assets | | <u>1,800,374</u> | <u>543,419</u> |
| Total assets less current liabilities | | <u>2,639,689</u> | <u>2,363,539</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2024
(Expressed in RMB)

| | <i>Note</i> | 2024 RMB'000 | 2023 <i>RMB'000</i> |
|--------------------------------|-------------|-------------------------------|------------------------|
| Non-current liabilities | | | |
| Bank and other loans | 12 | 89,980 | 90,000 |
| Lease liabilities | | 14,266 | 22,592 |
| Deferred tax liabilities | | 141,176 | 175,965 |
| | | <u>245,422</u> | <u>288,557</u> |
| NET ASSETS | | 2,394,267 | 2,074,982 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 69,888 | 69,888 |
| Reserves | | 2,324,379 | 2,005,094 |
| TOTAL EQUITY | | 2,394,267 | 2,074,982 |

NOTES

1 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”).

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 3 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.

2 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 and investment properties 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.

3 CHANGES IN ACCOUNTING POLICIES

(i) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. The policy does not have a material impact on the Group's financial statements.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

| | 2024 | 2023 |
|---|------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Continuing Operations | | |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major products of service lines | | |
| – sales of goods | 2,395,457 | 2,194,287 |
| – rendering of services | <u>219,316</u> | <u>157,626</u> |
| | <u>2,614,773</u> | <u>2,351,913</u> |
| Revenue from other sources | | |
| – investment income | 33,680 | 33,634 |
| – rental income from operating leases | <u>38,908</u> | <u>36,855</u> |
| | <u>72,588</u> | <u>70,489</u> |
| | <u>2,687,361</u> | <u>2,422,402</u> |

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

| | 2024 | 2023 |
|---|------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by timing of revenue recognition | | |
| – Point in time | 2,403,183 | 2,201,403 |
| – Over time | <u>211,590</u> | <u>150,510</u> |
| | <u>2,614,773</u> | <u>2,351,913</u> |

The directors of the Company consider that the customer base is diversified and includes two customers (2023: one) of manufacturing and trading segment and one customer (2023: one) of wholesale segment with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 March 2024. Revenue from those customers amounted to RMB354.6 million, RMB475.1 million and RMB536.5 million during the year ended 31 March 2024, respectively (2023: RMB388.4 million and RMB255.1 million).

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

As at 31 March 2024, 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 RMB774 million (2023: RMB759 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 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:

| | 2024 | 2023 |
|---------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year | 41,185 | 39,963 |
| After 1 year but within 5 years | 99,668 | 99,950 |
| After 5 years | 1,220 | 16,501 |
| | <u>142,073</u> | <u>156,414</u> |

(b) Segment reporting

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

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.

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 2024 and 2023 is set out below.

| | 2024 | | | | |
|---------------------------------|---|-------------------|----------------------|-----------------------------------|------------------|
| | Continuing Operations | | | | |
| | Manufacturing and trading RMB'000 | Retail RMB'000 | Wholesale RMB'000 | Investments holding RMB'000 | Total RMB'000 |
| Revenue from external customers | 1,442,861 | 332,798 | 878,022 | 33,680 | 2,687,361 |
| Inter-segment revenue | - | 26 | 75,952 | - | 75,978 |
| Reportable segment revenue | <u>1,442,861</u> | <u>332,824</u> | <u>953,974</u> | <u>33,680</u> | <u>2,763,339</u> |
| Reportable segment gross profit | <u>420,298</u> | <u>88,629</u> | <u>152,617</u> | <u>33,680</u> | <u>695,224</u> |

2023

| | Continuing Operations | | | | Discontinued Operations | | | Total RMB'000 | |
|---------------------------------|---|-------------------|----------------------|-----------------------------------|-------------------------|---------------------|------------------------------------|------------------|----------------------|
| | 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 |
| 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 | <u>1,284,359</u> | <u>400,169</u> | <u>767,376</u> | <u>33,634</u> | <u>2,485,538</u> | <u>-</u> | <u>749</u> | <u>749</u> | <u>2,486,287</u> |
| Reportable segment gross profit | <u>363,377</u> | <u>101,632</u> | <u>129,539</u> | <u>33,634</u> | <u>628,182</u> | <u>-</u> | <u>749</u> | <u>749</u> | <u>628,931</u> |

(ii) *Reconciliations of reportable segment revenue*

| | 2024 RMB'000 | 2023 RMB'000 |
|--------------------------------------|-------------------------------|------------------|
| Reportable segment revenue | 2,763,339 | 2,485,538 |
| Elimination of inter-segment revenue | (75,978) | (63,136) |
| Consolidated revenue | <u>2,687,361</u> | <u>2,422,402</u> |

(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 or the location of customers.

| | 2024 RMB'000 | 2023 RMB'000 |
|--|-------------------------------|------------------|
| Mainland China and Hong Kong (place of domicile) | 1,319,664 | 1,206,597 |
| The United States and Europe | 1,295,802 | 1,139,856 |
| Others | 71,895 | 75,949 |
| | <u>2,687,361</u> | <u>2,422,402</u> |

The analysis above includes property rental income from external customers and investment income in Mainland China of RMB38,908,000 and RMB33,680,000, respectively, for the year ended 31 March 2024 (2023: RMB36,855,000 and RMB33,634,000).

All of the Group's non-current assets (excluding deferred tax assets) are located in Mainland China and Hong Kong as at 31 March 2024 and 2023.

5 OTHER NET INCOME

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Government grants | 19,367 | 11,495 |
| Interest income on cash at bank | 8,318 | 7,137 |
| Net gain from sale of scrap materials | 895 | 1,119 |
| Net gain/(loss) on disposal of property, plant and equipment | 126,289 | (316) |
| Others | 1,463 | 2,264 |
| | <u>156,332</u> | <u>21,699</u> |

Note:

For the year ended 31 March 2024, the Group has entered into land resumption agreements (the “Land Resumption Agreements”) with a third party in respect of the disposal of certain land use rights and properties of the Group at a consideration of RMB169.6 million. The net carrying amounts of those land use rights and properties were RMB42.4 million. As at 31 March 2024, the disposal has been completed, resulting in a gain on disposal of RMB127.2 million.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---------------------------------------|------------------------|------------------------|
| Interest on bank and other borrowings | 35,331 | 44,163 |
| Interest on lease liabilities | 1,721 | 2,318 |
| Net foreign exchange difference | – | 11 |
| | <u>37,052</u> | <u>46,492</u> |

(b) Staff costs

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Salaries, wages and other benefits | 152,097 | 160,190 |
| Contributions to defined contribution retirement plans | 5,066 | 6,111 |
| | <u>157,163</u> | <u>166,301</u> |

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) 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% (2023: 14% to 16%) of the applicable local salaries level. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), 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.

(c) **Other items**

| | 2024 | 2023 |
|---|-----------------------|----------------|
| | <i>RMB’000</i> | <i>RMB’000</i> |
| Cost of inventories [#] | 1,787,019 | 1,642,437 |
| Auditor’s remuneration | 2,200 | 3,500 |
| Depreciation charge | | |
| – owned property, plant and equipment | 81,447 | 70,230 |
| – right-of-use assets | 15,831 | 16,981 |
| Rental income from investment properties less direct outgoings of RMB12,347,000 (2023: RMB11,905,000) | 26,561 | 24,950 |

[#] Cost of inventories includes RMB135,921,000 (2023: RMB124,658,000) for the year ended 31 March 2024, 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:

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current taxation: | | |
| – Provision for the year | 121,613 | 65,055 |
| – Under-provision in respect of prior years | <u>304</u> | <u>296</u> |
| | 121,917 | 65,351 |
| Deferred taxation: | | |
| – Origination and reversal of temporary differences | <u>(39,462)</u> | <u>(7,559)</u> |
| | <u>82,455</u> | <u>57,792</u> |

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

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before taxation | <u>407,506</u> | <u>327,556</u> |
| Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (<i>Notes (i), (ii) and (iii)</i>) | 102,447 | 82,526 |
| Tax effect of non-deductible expenses | 4,204 | 3,882 |
| Tax effect of unused tax losses and deductible temporary differences not recognised | 362 | 307 |
| Tax effect of PRC tax concessions (<i>Note (ii)</i>) | (33,835) | (29,219) |
| Under-provision in respect of prior years | 304 | 296 |
| Tax effect of reversal of recognised deferred tax | <u>8,973</u> | <u>–</u> |
| Income tax | <u>82,455</u> | <u>57,792</u> |

Notes:

- (i) The Hong Kong Profits Tax rate for the year ended 31 March 2024 is 16.5% (2023: 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 2024 (2023: RMBNil).

- (ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% (2023: 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 (2023: 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 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2024 is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of 8,044,020,000 ordinary shares (2023: 8,044,020,000 ordinary shares) in issue during the year.

| | 2024 | 2023 | | Total RMB'000 |
|--|-------------------------------------|-------------------------------------|---------------------------------------|------------------|
| | Continuing Operations RMB'000 | Continuing Operations RMB'000 | Discontinued Operations RMB'000 | |
| Profit for the year attributable to equity shareholders of the Company | 325,051 | 269,764 | 2,067,715 | 2,337,479 |

(b) Diluted earnings per share

There were no potential dilutive ordinary shares during the years ended 31 March 2024 and 2023. Hence, diluted earnings per share is the same as basic earnings per share.

9 INVESTMENT PROPERTIES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|-----------------|-----------------|
| Valuation: | | |
| At 1 April | 562,151 | 1,774,302 |
| Fair value adjustments included in the consolidated statement of profit or loss | (108,281) | (19,039) |
| Disposal of the Discontinued Operations | - | (1,193,112) |
| At 31 March | 453,870 | 562,151 |

Certain investment properties were pledged against the loans of the Group.

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 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: 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 2024. 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.

(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 7.25% to 7.5% for the year ended 31 March 2024 (2023: 6.25% to 6.5%). The fair value measurement is negatively correlated to the yield rate.

10 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS

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:

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Within 1 month | 183,127 | 123,042 |
| More than 1 month but less than 3 months | 228,971 | 214,006 |
| Over 3 months | 506,640 | 359,643 |
| | <u>918,738</u> | <u>696,691</u> |

Trade debtors and bills receivable are due within 0 – 180 days from the date of billing.

11 TRADE AND OTHER PAYABLES

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Trade payables to: | | |
| – Third parties | 293,795 | 217,103 |
| – Companies under the control of shareholders of the Company | 83,244 | 115,735 |
| | <u>377,039</u> | 332,838 |
| Bills payable | 218,983 | 173,824 |
| | <u>596,022</u> | 506,662 |
| Accrued charges and other payables: | | |
| – Accrued expenses | 19,792 | 24,272 |
| – Payables for staff related costs | 69,902 | 73,420 |
| – Deposits from customers and suppliers | | |
| – Third parties | 8,854 | 8,851 |
| – Payables for miscellaneous taxes | 8,995 | 2,290 |
| – Others | 5,488 | 8,052 |
| | <u>113,031</u> | 116,885 |
| Financial liabilities measured at amortised cost | 709,053 | 623,547 |
| Contract liabilities | 71,832 | 88,791 |
| | <u>780,885</u> | <u>712,338</u> |

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:

| | 2024 | 2023 |
|-----------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 month | 190,472 | 240,410 |
| Over 1 month but within 3 months | 113,219 | 77,758 |
| Over 3 months but within 6 months | 176,874 | 122,526 |
| Over 6 months | 115,457 | 65,968 |
| | <u>596,022</u> | <u>506,662</u> |

The analysis of movements in contract liabilities

| | 2024 | 2023 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Balance at 1 April | 88,791 | 46,691 |
| 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 | (82,577) | (30,200) |
| Increase in contract liabilities as a result of billing in advance | 65,618 | 88,791 |
| Disposal of the Discontinued Operations | – | (16,491) |
| | <u>71,832</u> | <u>88,791</u> |

12 BANK AND OTHER LOANS

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

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Bank loans: | | |
| – Secured and unguaranteed (<i>Note (ii)</i>) | 371,000 | 576,600 |
| – Secured and guaranteed (<i>Notes (ii) and (iii)</i>) | <u>257,980</u> | <u>238,000</u> |
| | 628,980 | 814,600 |
| Loans from shareholders and companies under the control of shareholders of the Company: | | |
| – Unsecured and unguaranteed (<i>Note (i)</i>) | <u>36,033</u> | <u>33,454</u> |
| | <u>665,013</u> | <u>848,054</u> |

Notes:

- (i) At 31 March 2024, the loans from companies under the control of shareholders of the Company are bearing interest rates ranging from 2% to 8% (31 March 2023: 2%-7% per annum) and are repayable by March 2025 (31 March 2023: by March 2024).
- (ii) Certain bank loans are secured by the leasehold land and buildings and deposit of the Group.
- (iii) Bank and other loans of RMB90 million as at 31 March 2024 (2023: RMB90 million) were guaranteed by a director of the company and a company under the control of a director of the Company.
- (a) The Group's bank and other loans are repayable as follows:

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|----------------------------------|------------------------|------------------------|
| Within 1 year or on demand | <u>575,033</u> | <u>758,054</u> |
| After 1 year but within 2 years | – | – |
| After 2 years but within 5 years | <u>89,980</u> | <u>90,000</u> |
| | <u>89,980</u> | <u>90,000</u> |
| | <u>665,013</u> | <u>848,054</u> |

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. The aggregate carrying values of the pledged leasehold land and buildings and investment properties are analysed as follows.

| | 2024 | 2023 |
|------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Leasehold land and buildings | 99,176 | 124,043 |
| Investment properties | 325,370 | 411,966 |
| | <u>424,546</u> | <u>536,009</u> |

- (c) At 31 March 2024, the Group's banking facilities amounting to RMB644,490,000 (31 March 2023: RMB756,000,000) were utilised to the extent of RMB583,961,000 (31 March 2023: RMB732,912,000).

13 DIVIDENDS

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2024 (2023: RMB Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB2,687.4 million for the Year, representing an increase of 10.9% when compared to the revenue of approximately RMB2,422.4 million reported in the last year. The net profit of the Continuing Operations for the Year amounted to approximately RMB325.1 million when compared to the net profit of approximately RMB269.8 million reported in the last year.

The Group's basic and diluted earnings per share of the Continuing Operations for the Year were both RMB4.04 cents, while the Group's basic and diluted earnings per share of the Continuing Operations for the last year were both RMB3.35 cents.

Discontinued Operations

On 6 May 2022, the Group entered into an agreement to sell the trading of imported car business and the provision of imported car platform services business (collectively, the "Automotive 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 last 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 2024, the Group's net assets increased to approximately RMB2,394.3 million, resulting in a net asset value per share of RMB29.8 cents. The increase in net assets was primarily attributed to the profit earned for the year ended 31 March 2024.

As at 31 March 2024, the Group's total assets amounted to approximately RMB4,066.3 million, including cash and bank deposits of approximately RMB548.3 million. Bank and other loans amounted to approximately RMB665.0 million. The Group's debt-to-equity ratio (bank loans and other borrowings over total equity) decreased from 40.9% as at 31 March 2023 to 27.8% as at 31 March 2024, mainly due to the decrease of bank loans of approximately RMB185.6 million during the Year.

Most of the Group's business transactions were conducted in RMB and US\$. As at 31 March 2024, the Group's major borrowings included bank loans, which had an outstanding balance of approximately RMB629.0 million. The loans from shareholders was approximately RMB36.0 million. All of the Group's borrowings are denominated in RMB, HK\$, and US\$.

Pledge of Assets

As at 31 March 2024, the Group's leasehold land and buildings and investment properties, with a carrying amount of approximately RMB424.5 million, were pledged as collateral to secure the Group's bank loans and facilities. Bank deposits amounting to approximately RMB149.2 million were pledged as collateral for the Group's bank loans and bills and security performance.

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 2024, the Group had total capital commitments in respect of acquisition of plant and machinery of RMB1.8 million.

Significant Investments

As at 31 March 2024, the Group held investments primarily in (i) investment properties of approximately RMB453.9 million, which represented eight properties situated in Ningbo and rented out under operating leases. The investment properties in aggregate constituted approximately 11.2% of the Group's total assets as at 31 March 2024, and (ii) financial assets at fair value through profit or loss of approximately RMB799.1 million, which represented the financial products offered by the National Trust Company Limited ("National Trust"). As at 31 March 2024, the fair value of the financial products in aggregate constituted approximately 19.7% 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 RMB108.3 million on its investment properties due to the slowdown of economic growth and sluggish property market environment. As at 31 March 2024, the investment properties were valued at approximately RMB453.9 million, constituting 11.2% 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

The National Trust Company Limited is a licensed financial institution in the PRC and is principally engages in the asset management and provision of financial products in the PRC.

國民信托申鑫70號單一資金信托 (National Trust Shenxin No. 70 Single Fund Trust*) is a standalone trust (單一類信託) and as at 31 March 2024, its underlying assets include (i) 寧銀理財寧欣日日薪固定收益類日開理財3號產品 (Bank of Ningbo Ningxin Fixed Income Open-end Wealth Management Product No. 3*) at the amount of RMB50 million with an expected yield of 2.72%; (ii) 寧銀理財寧欣日日薪固定收益類日開理財7號產品 (Bank of Ningbo Ningxin Fixed Income Open-end Wealth Management Product No.7*) at the amount of RMB30 million with an expected yield of 2.67%; and (iii) 射陽鑫建市政建設有限公司 (Sheyang Xinjian Municipal Construction Co., Ltd.*), a company established in the PRC in 2015 with its registered office located in Sheyang County, Jiangsu Province and principally engages in public works and infrastructure construction, at the amount of approximately RMB399.5 million with an expected yield of 5.60%.

國民信托申鑫80號單一資金信托 (National Trust Shenxin No. 80 Single Fund Trust*) is a standalone trust (單一類信託) and as at 31 March 2024, its underlying assets include (i) 寧銀理財寧欣日日薪固定收益類日開理財7號產品 (Bank of Ningbo Ningxin Fixed Income Open-end Wealth Management Product No. 7*) at the amount of RMB50 million with an expected yield of 2.67%; (ii) 寧銀理財寧欣日日薪固定收益類日開理財3號產品 (Bank of Ningbo Ningxin Fixed Income Open-end Wealth Management Product No. 3*) at the amount of RMB50 million with an expected yield of 2.72%; and (iii) 射陽鑫海建設發展有限公司 (Sheyang Xinhai Construction Development Co., Ltd.*), a company established in the PRC in 2011 with its registered office located in Sheyang County, Jiangsu Province and principally engages in construction works and public works, at the amount of approximately RMB219.6 million with an expected yield of 5.60%.

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 Group will also closely monitor the market condition of financial products to timely adjust the investment policies.

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.

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

Manufacturing and trading business become the most important business segment of the Group in the Year and accounted for 53.7% of total revenue. Retail business, wholesale business and investment holding business had 12.4%, 32.7 and 1.2% of the remaining.

In terms of geographical segmentation, the Group's main markets consist of the PRC, the United States and Europe which contributed 97.3% of the Group's total revenue during the Year. Among these markets, with the PRC contributed 49.1% of the Group's revenue while the United States and Europe contributed 48.2%. The remaining 2.7% was generated from other markets.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2024.

Employee Information

As of 31 March 2024, the Group employed a workforce of 1,208 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 RMB325.1 million, compared to a net profit of approximately RMB2,337.5 million in the last year. This significant decrease of the net profit was attributed primarily to (i) the disposal of the Automotive Business, which resulted in a gain on disposal of approximately RMB2,124.4 million in the last year; (ii) a gain from the Land Resumption of approximately RMB127.2 million in the Year; (iii) the Group recorded the net valuation loss on investment properties of approximately RMB108.3 million in the Year; and (iv) the Group recorded the impairment losses on financial assets and contract assets of approximately RMB70.7 million.

The net valuation loss on investment properties and impairment losses on financial assets and contract assets have risen as a result of the economic growth slowdown and the sluggish property market. This challenging environment has led to an increased risk of debts collection issues and a continued decline in the leasing rate.

Revenue from the Continuing Operations

During the Year, the Group recorded revenue from the Continuing Operations of approximately RMB2,687.4 million, representing an increase of 10.9% when compared with the revenue of approximately RMB2,422.4 million reported for the last year.

Manufacturing and Trading Business

During the Year, the manufacturing and trading business segment generated revenue of approximately RMB1,442.9 million, representing an increase of 12.3% compared to the last year's revenue of approximately RMB1,284.4 million. Despite severe competition in the overseas market and high inflationary rate, the Group successfully reduce its operating cost and enhance production and product quality by installing automation systems in its production process. The Group will continue its cost control measures and business strategy of focusing on higher margin products and the development of new products and customers.

Retail Business

The Group's retail business revenue for the Year decreased by 15.9% to approximately RMB332.8 million, compared to approximately RMB395.9 million in the last year. The decline in revenue was primarily due to increasing move to retail online shopping, e-commerce and large supermarket chains.

Wholesale Business

The Group's wholesale business revenue increased by 23.9% to approximately RMB878.0 million, compared to approximately RMB708.5 million in the last year. The wholesale business in wines and beverages has stabilized and recorded a modest increase in revenue, while the electrical appliances segment, particularly heating, ventilation, and air conditioning (HVAC), recorded a promising increase in revenue both contributed by the hard work of sale team of wholesale business.

Investments Holding Business

The Group's investment income increased by 0.3% to approximately RMB33.7 million during the Year, compared to approximately RMB33.6 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

Although there is uncertainty surrounding economic recovery, consumer sentiment and the US-China Trade War, the Group remains cautiously optimistic in its manufacturing and trading business profitability and growth. Existent market headwinds remain largely relevant, including the rise in geopolitical tensions, high interest rate environment, to persistent price inflationary pressures on raw materials and labor. The Group proactively explored the overseas markets, adjusted our domestic marketing strategy, and 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.

Going forward, 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. The Group will continue to focus on higher-margin products and customers to further enhance its business and financial performance.

Optimization of retail business and maintaining steady growth of wholesale business

As customer's consumption patterns change and online purchase and ecommerce businesses are more common, retail business have been forced to keep up. Through the optimization of the product structure and enhancement of product display in supermarket, including dedicated sections for local characteristic products, new arrivals, and discounted items, the diverse shopping habits and preferences of our customers can be satisfied. Furthermore, the direct sourcing of fresh food from source suppliers allows us to lower the costs while delivering products with superior quality and value to consumers.

Given the current property market is deeply intertwined with the overall economy, the recovery of the property market will be heavily dependent on the improvement of the macro economy and the stimulation of regulatory policies. The Group's wholesale business segment, specifically the heating, ventilation, and air-conditioning (HVAC) wholesale business which collaborate with large and well-established real estate developer, will inevitably be affected by the downturn of real estate market and increase the risk of debts collection. The Group will always adhere to the HVAC wholesale business strategy of steady development, keep a close eye on the orientation of macro policies, the default risk and business development.

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.

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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practice adopted by the Group and the audited annual results for the Year.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, KPMG, *Certified Public Accountants*, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on this announcement.

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

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules during the Year. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix C3 of the Listing Rules as its own code of conduct for securities transactions. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the Year.

ANNUAL GENERAL MEETING

The date of the annual general meeting of the Company (the "AGM") will be announced in due course. Notice of AGM will be issued and disseminated to the shareholders in due course.

PUBLICATION OF THE FURTHER INFORMATION

The 2024 annual report of the Company will be despatched to the shareholders of the Company and available on the Company's website at www.lisigroup.com.hk and the website of The Stock Exchange in due course.

APPRECIATION

The Chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and each staff of the Group for their hard work and loyalty to the Group.

By Order of the Board
Li Lixin
Chairman and Executive Director

Hong Kong, 28 June 2024

As at the date of this announcement, the Board comprises Mr Li Lixin, Mr Cheng Jianhe and Ms Jin Yaxue being executive directors, Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong being independent non-executive directors.