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

2012 年報
ANNUAL REPORT

Create Better Living
创造优质生活

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr LI Li Xin *(Chairman)*

Mr CHENG Jian He

Non-Executive Directors

Mr XU Jin

Mr LAU Kin Hon

Independent Non-Executive Directors

Mr HE Chengying

Mr CHAN Man Sum Ivan

Mr CHEUNG Kiu Cho Vincent

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton

HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit A, 5/F, Garment Centre

No. 576-586 Castle Peak Road

Cheung Sha Wan, Kowloon, Hong Kong

SECURITIES CODE

Hong Kong Stock Code: 526

AUDITOR

Mazars CPA Limited

Certified Public Accountants

42nd Floor, Central Plaza

18 Harbour Road

Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications, Shenzhen Branch, PRC

Bank of Communications, Ningbo Branch, PRC

The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited

Rosebank Centre, 11 Bermudiana Road, Pembroke

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

Profiles of Directors and Senior Management

CHAIRMAN

Mr LI Li Xin, aged 44, Mr Li was re-designated in April 2011 as executive director (the "Director(s)") of Lisi Group (Holdings) Limited (the "Company") and chairman of the Company and its subsidiaries (the "Group"). 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 this private group include manufacturing, retail, and real property development. As regards manufacturing, the group mainly manufactures and sells plastic and hardware products and products for daily consumption. On the retail business side, this private group owns a number of department stores and a local supermarket chain. The group also has investments in real property development in the PRC. Mr Li has 21 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

Mr Li is currently a committee member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the China Plastics Processing Industry Association, an executive committee member of National Industrial and Commercial Union, the vice chairman of Ningbo City 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. He was appointed as non-executive Director and chairman of the Group in September 2008.

EXECUTIVE DIRECTOR

Mr CHENG Jian He, aged 46, is the Chief Executive Officer of the Group. Mr Cheng has over 23 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. By profession, Mr Cheng is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

He was appointed as executive Director and Chief Executive Officer of the Group in September 2008.

NON-EXECUTIVE DIRECTORS

Mr XU Jin, aged 46, is the founder and currently the chairman of a private enterprise incorporated in the People's Republic of China whose principal businesses include manufacturing and trading of plastic and metal household products. Mr Xu has extensive experience in manufacturing and trading of plastic and metal products. He joined the Group in March 2006.

Mr LAU Kin Hon, aged 44, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 20 years. Mr Lau received his bachelor of laws degree from University College, London, UK. He was appointed as non-executive Director and company secretary of the Company in May 2005.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr HE Chengying, aged 49, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University, a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. Mr He is currently the Assistant to President and General Manager of the R&D Department of Guosen Securities. He is also an associate professor, senior economist and a special research fellow of the China Management Science Research Institute and Researcher (Professor) of Zhejiang University of Finance and Economy. 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 was appointed as independent non-executive Director in September 2006.

Mr CHAN Man Sum Ivan, aged 38, is a member of the American Institute of Certified Public Accountants and holds a Bachelor of Science Degree in Business Administration with emphasis on Accounting issued by California State University Los Angeles. Mr Chan was a Director of an investment bank and a chief financial officer of a listed company. Mr Chan has over 14 years of experience in the field of investment banking, accounting and financial management. He was appointed as independent non-executive Director in June 2006.

Mr CHEUNG Kiu Cho Vincent, aged 36, is a Registered Professional Surveyor in the General Practice Division and member of both The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors, UK. Mr Cheung holds a Master of Business Administration degree in International Management granted by University of London in association with Royal Holloway and Bedford New College and a Bachelor of Science (Honours) degree in Real Estate granted by The Hong Kong Polytechnic University. Mr Cheung is a National Director, Greater China of an international corporate valuation and advisory company. Mr Cheung has over 15 years of experience in the field of assets valuation, assets management and corporate advisory. He was appointed as independent non-executive Director in June 2006.

SENIOR MANAGEMENT

Ms Jin Ya Xue, aged 42, is currently the General Manager of household products business of the Group. Ms Jin has been responsible for sales and operations management of Ningbo plant since 1998. She holds an Executive Master of Business Administration degree from Fudan University. She has over 16 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.

Mr PUN Kam Wai Peter, aged 50, is the Chief Financial Officer of the Group. Mr Pun possesses over 22 years of experience in financial management and corporate planning in various industries including FMCG (fast moving consumer goods), entertainment, telecom service, manufacturing and financial information service. He was the financial controller of a listed company in Hong Kong for which he led the successful IPO on the GEM (Growth Enterprise Market) Board. By profession, Mr Pun is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Besides, he holds a Master degree in Business Administration from the Chinese University of Hong Kong and a Master degree in Professional Accounting from University of Southern Queensland, Australia. He joined the Group in July 2009.

Profiles of Directors and Senior Management

Ms YANG Shu Ying, aged 49, is the Senior Sales and Marketing Manager of the Group. Ms Yang is responsible for the international marketing and sales of the Group. She has over 28 years experience in marketing and sales of household products, garment and sundry. Ms Yang graduated from Ming Chuan College, Taiwan. She joined the Group in 1992, left in 1995 and rejoined in 1996.

Mr CHEN Tao Li, aged 38, is the Operations Manager of the Group. He is responsible for the production management, production planning, quality control, logistics and plant operation. He has over 13 years experience in production management. Prior to joining the Group, he was the production manager (vice-president), quality control manager and management representative of an electronic components specialists company in Guangdong. Mr Chen obtained his Bachelor Degree in machine manufacturing from Henan Mechanical and Electrical Engineering College. Moreover, he obtained his second degree in Business Administration from Shenzhen University. He joined the Group in January 2007.

Mr Lam Wai Wah, Alan, aged 48, is currently the Senior Sales and Marketing Manager 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 21 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.

Chairman's Statement

Dear Shareholders,

The Group recorded a net profit with an increased turnover. Like other manufacturing counterparts, the Group's bottom-line was facing severe pressure in several aspects, especially in the high prices of raw materials and the elevation of labor wages. The sluggish market had further posed pressure on the performance of the Group as well as the entire industry during the year ended 31 March 2012 (the "Year").

Despite the downtrend economy in our major markets, the Group still managed to record an increased turnover with an improved gross profit during the Year under review. This was the result of the Group's continuous efforts in cost management and sales enhancement and the acquisition of Ningbo plant that led the Group in the right direction with the strategies in place.

For the Year, the Group recorded a turnover of approximately RMB393.9 million, representing an increase of 2.5% when compared with the turnover of RMB384.5 million reported for last year. Net profit for the Year decreased by 5.2% to RMB9.9 million, compared to a net profit of RMB10.5 million for last year, mainly due to higher administrative expenses related to the upcoming relocation of Shenzhen plant to Ningbo. The Group's basic earnings per share for the Year was RMB0.4 cent.

The board of Directors (the "Board") has resolved not to recommend any final dividend for the Year.

CLEAR BUSINESS STRATEGIES

The Group kept on adopting effective sales and cost management measures throughout the Year, which resulted in increasing the gross profit of the Group. In order to cope with the environment of fierce competition and gloomy market outlook, the Group continued to realign our client base with higher-margin products and customers.

Moreover, being one of the household products suppliers with multi-product categories in Asia, Lisi will capitalise on this competitive edge to develop and offer more sophisticated range of household products with favourable margins. Meanwhile, by stepping up the development effort, the product lines will be diversified and characterised with different life cycles.

Besides, the Group has further strengthened its sales and marketing effort by better allocation of sales staff with specialised scope of duties. Together with the support of a solid production base and know-how on producing the most comprehensive range of household products, the Group is going to have more intensive strategies to boost sales as well as maintaining sustainable earnings.

The acquisition of Ningbo plant in 2010 has strengthened our customer base and different range of household products. The enlarged group has enjoyed synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products. The Group will continue to explore potential business that have good earnings and growth potentials and are within the acceptance risk profile of the Company in order to maximise Group's as well as the return of the shareholders of the Company (the "Shareholders").

COST MANAGEMENT

A series of cost management measures was successfully implemented during the past few years, which has led to the Group's improved results. The Group will continue to impose effective measures on the establishment as well as the organisation. During the Year, the number of employees decreased from 2,038 to 1,463 in preparation for Shenzhen factory move.

Chairman's Statement

To enhance cost-effectiveness, the Group continues to realign its product lines and extend the product mix. The Group is able to maintain a better allocation of workforce after merging of departments. Furthermore, the Group has invested in machinery replacement to raise production efficiency. From the above measures, the team spirits of our staff as well as operation efficiency have further been improved.

To cope with the increasing raw material cost, the Group has made use of bulk procurement and future delivery to hedge against the cost fluctuation in raw materials where appropriate. Besides, the Group will continue to negotiate more favourable terms with key raw material suppliers and logistic service providers. Lisi will closely monitor the trends of raw material prices and take prompt actions to manage the risk.

APPRECIATION

With clear business strategies, stringent cost control measures, strong product development capabilities and strengthened sales team, the Group has improved its position and strength to grasp the business opportunities lying ahead resulting from consolidation among competition under this tough economic environment and the anticipated recovery. I am confident with the optimistic result and Lisi's business prospect.

On behalf of the Board, I would like to thank our customers, suppliers, business partners and the Shareholders for their continuous support. Last but not least, I would also like to take this opportunity to express my heartfelt gratitude and pride in having an outstanding workforce at Lisi. We shall continue to work hard in order to overcome all the challenges and strive for better results in the near future.

Li Li Xin
Chairman

Hong Kong, 29 June 2012

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

General Information

For the Year, the Group recorded a turnover of approximately RMB393.9 million, representing an increase of 2.5% when compared with the turnover of approximately RMB384.5 million reported for the last period. Net profit for the Year decreased by 5.2% to approximately RMB9.9 million, compared to a net profit of RMB10.5 million for last year. The Group's basic and diluted earnings per share was RMB0.4 cent.

Change in Functional Currency

In prior years, the Directors regarded HKD as the functional currency of the Company. Upon the completion of the acquisition of a wholly-owned subsidiary group in Ningbo, the PRC, whose functional currency is RMB in April 2010 and the restructuring of the Group's operation in Shenzhen, the PRC in April 2011, the Directors consider that the primary economic environment has been substantially changed. Since then, the Company's primary source of revenue is derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB. Accordingly, the Directors have determined the change of the functional and presentation currencies of the Company from HKD to RMB starting from 1 April 2011.

Such change of functional currency from HKD to RMB will help to minimize the impact of exchange gain/loss on the business results of the Group from the fluctuations of RMB.

Liquidity and Financial Resources

As at 31 March 2012, the Group's net assets increased to RMB211.7 million, rendering net asset value per share at RMB8.5 cents. The Group's total assets at that date were valued at RMB544.9 million, including cash and bank deposits totaling approximately RMB11.1 million. Consolidated bank borrowings and other borrowings amounted to RMB167.0 and RMB81.9 million respectively. Its debt-to-equity ratio (bank and other borrowings over total equity) has been increased from 104.9% as at 31 March 2011 to 117.6% as at 31 March 2012.

Capital Structure

For the Year, the Company has no change in the issued share capital.

As at 31 March 2012, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of RMB102.0 million, other bank borrowings of RMB65.0 million and due to and borrowings from a Shareholder, related companies and a third party totaling RMB81.9 million. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis.

Pledge of Assets

Certain assets of the Group having a carrying value of RMB110.3 million as at 31 March 2012 (31 March 2011: RMB128.9 million) were pledged to secure banking facilities of the Group.

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources to acquisition, better utilization of the Company's assets, and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate from operations and alternative debt and equity financing.

Segment Information

North America remained the Group's primary market, which accounted for 71.1% of total revenue. The remaining comprised of revenue from Europe 7.9%, Hong Kong 4.7%, PRC 5.5%, Taiwan 2.1% and others 8.7%.

Contingent Liabilities

As at 31 March 2012, the Company had no material contingent liabilities.

Management Discussion and Analysis

Investments in New Businesses

Pursuant to the share transfer agreement and the capital increase agreement entered into between Ningbo Lisi Information Technology Ltd. ("Ningbo IT"), being a wholly-owned subsidiary of the Company, and various independent third parties in October 2010, Ningbo IT's equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") increased to 22.35% on 29 November 2011. Thus, VMCL became an associate company of the Group. The core business of VMCL is engaged in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

Another investment in new business of the Group is QL Electronics Co., Ltd. ("QLEC"). During the Year, our equity interest in QLEC was diluted slightly from 8.826% to 8.538% due to a share increase program in QLEC of which the sole purpose was to attract/retain senior executives who would be of most crucial importance for the development of the company. This share increase program had support from all the shareholders of QLEC.

The Directors consider both VMCL and QLEC have good business prospects and growth potential. We are optimistic on the values of these two investments brought to the Group in the future.

Employee Information

As at 31 March 2012, the Group employed a workforce of 1,463 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurated with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share-option scheme in force but no share option was granted during the Year.

Review of Operations

During the Year, the Group recorded a gross profit of RMB96.5 million. Driven by increase in sales and contribution and improvement of cost management from our factory in Ningbo, the results were improved as compared to the gross profit of RMB86.3 million last year. Besides, the receipts of dividends with a total of RMB9.2 million from newly acquired business were another good contributor to the income of the Group. However, there were challenges in managing the costs due to the price volatility on major materials in the global market and rise of the local production cost in our PRC factories (as a result of local cost increase). In addition, the planned relocation of the Group's manufacturing factory in Shenzhen to Ningbo would also have some short-term negative impact on our results like the higher administrative expenses (RMB7.9 million) which included the additional provision of severance payments to employees in Shenzhen plant (RMB6.8 million) already reflected in our books. The financial results for the Year had already absorbed a significant portion of the short term hit from such higher expenses and additional provision. The management of the Company considers the plant relocation is justifiable and the Group's performance will benefit from the synergies of consolidated manufacturing resources in Ningbo in the medium and long term. Even with the short term hit outlined above, profit for the Year of the Group decreased only by 5.2% to RMB9.9 million as compared to RMB10.5 million in prior year.

Management Discussion and Analysis

PROSPECT

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

The Group will continue its cost control measures and business strategy of focusing on higher margin products and customers that have been improving the Group's business and financial performance. Apart from the continuing effort in cost control measures such as integration and realignment of management and sales resources, structural changes in procurement and manufacturing planning and relocation of its production facilities, the Group will step up its efforts to explore new businesses. The Group took initiative and continue its effort in expanding its customer base, especially the higher margin OEM customers, who are willing to invest in tailor-made products that fit their specific requirements. In the long run, the Group will further enhance the development of its business into different markets.

The Group is always seeking enhancement of its products. With the Group's innovative R&D team, we believe that we can produce quality products to meet market needs and to maintain good profit margins. The Group has been developing new products such as kitchenware gadgets, metal silicone over-mould bakeware and silicone bakeware. In the short to medium term, we will diversify new product lines to optimise the production capacity and to get hold of the market opportunities.

We shall also monitor closely the volatility of global financial markets, the direct and indirect impact of quantitative easing measures and anti-inflation actions in economies of different markets and adjust our sales and purchase strategies accordingly to achieve our goal of continuous business growth and performance improvement.

Relocation of Manufacturing Plant

On 9 December 2011, the Company made an announcement that the planned relocation of the Group's manufacturing plant in Shenzhen to Ningbo, PRC, was underway and it was expected that the relocation would be completed in the third quarter of 2012. On 30 May 2012, the Group entered into a lease agreement with a related Company, which is beneficially owned by Mr Li Li Xin, the Chairman, executive Director and substantial Shareholder, to rent a plant in Ningbo by payment of monthly rent of RMB635,100. For details of the lease agreement, please refer to the announcement of the Company dated 30 May 2012. After the relocation the Group's manufacturing plant will be consolidated into one location. This will drive further synergies to improve efficiency in purchasing, production and logistics. Regarding the vacant site in Shenzhen ("Shenzhen Site") after the relocation, the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC approved the change of primary use of the Shenzhen Site from industrial use to residential and commercial use. The Company is considering further development of the Shenzhen Site in accordance with the relevant laws and regulations in order to better utilise the land resources. No decision has been made regarding the future development of the Shenzhen Site. The Company will make further announcement when appropriate in compliance with the the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Expanding into New Businesses with High Growth Potential

The Group will continue to explore potential businesses that have strong growth potential and good earnings which can contribute to build and provide drives for the fast growth of the Company and good return to the Shareholders.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company recognises that maintaining good corporate governance is essential for enhancing the Shareholder's value. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and control of the Group and for monitoring the performance of the management teams. The Board is currently comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors. The names of the Directors and their attendances are as follows:

	Attendance
Executive Directors	
Li Li Xin *(Chairman)*	1/12
Cheng Jian He	11/12
Non-Executive Directors	
Xu Jin	10/12
Lau Kin Hon	12/12
Independent non-executive Directors	
He Chengying	2/12
Chan Man Sum Ivan	4/12
Cheung Kiu Cho Vincent	11/12

During the Year, 12 full Board's meetings were held. Notice of at least 14 days was given to Directors for regular Board's meetings during the Year as required by the CG Code Provision A.1.3.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, Mr Li Li Xin was chairman of the Company and Mr Cheng Jian He was chief executive officer, the division of responsibilities between the chairman and the chief executive officer were clearly established and set out in writing.

NON-EXECUTIVE DIRECTORS

Non-executive Directors are appointed for a fixed term of two years or three years, subject to retirement and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

REMUNERATION COMMITTEE

The role and function of the remuneration committee are principally advising the Board on the policy and structure for remuneration of Directors and senior management and on establishing a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all executive Directors and senior management and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

The remuneration committee is currently comprised of two independent non-executive Directors, namely Mr Chan Man Sum Ivan and Mr Cheung Kiu Cho Vincent and one non-executive Director, namely Mr Xu Jin. No meeting was held during the Year.

Corporate Governance Report

NOMINATION COMMITTEE

The role and function of the nomination committee are principally to regularly evaluate the structure of the Board and make recommendations to the Board on any proposed change. The Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company

The nomination committee is currently comprised of two independent non-executive Directors, namely Mr Cheung Kiu Cho Vincent (chairman) and Mr Chan Man Sum Ivan and one non-executive Director, namely Mr Lau Kin Hon. No meeting was held during the Year.

AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of the audit services and non-audit services, provided by the auditor of the Company to the Group amounted to RMB635,000 and RMB25,000 respectively.

AUDIT COMMITTEE

The audit committee is currently comprised of three independent non-executive Directors. Two audit committee meetings were held during the Year. The names of the committee members and their attendances are set out below:

	Attendance
Chan Man Sum, Ivan *(Chairman)*	2/2
Cheung Kiu Cho Vincent	2/2
He Chengying	1/2

The roles and function of the audit committee are principally making recommendation to the Board on the engagement of external auditors, reviewing the financial information of the Group and overseeing the Group's financial reporting system and internal control procedures.

During the Year, the audit committee reviewed the Group's annual results for the year ended on 31 March 2011 and the interim results for the six months ended on 30 September 2011.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group. As stated in the independent auditor's report, the Directors are currently undertaking and intend to take such measures detailed in note 2 to the consolidated financial statements to generate sufficient liquid funds to finance its operations and that it is appropriate to prepare the consolidated financial statements on a going concern basis. At the end of the reporting period, the Group had net current liabilities of RMB105,583,000. The validity of the going concern basis depends on the Group's future profitable operation or the successful and effectiveness of the measures as detailed in note 2 to the consolidated financial statements.

The Board has conducted an annual review of the effectiveness of the system of internal control of the Group.

Directors' Report

The Directors submit their report together with the audited financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on page 20 of this annual report.

The Board do not recommend the payment of dividend.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out on page 23 of this annual report and in note 28 to the consolidated financial statements respectively .

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in note 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2012 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in notes 27 and 30 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2012, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of approximately RMB80,583,000 (2011: RMB80,583,000) is available for distribution, subject to certain conditions as described in note 28 to the consolidated financial statements. The Company's share premium account of RMB145,494,000 (2011: RMB145,494,000) as at 31 March 2012 may be distributed in the form of fully paid bonus shares.

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 78 of this annual report.

DIRECTORS

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

Executive Directors:
Li Li Xin *(Chairman)*
Cheng Jian He

Non-executive Directors:
Xu Jin
Lau Kin Hon

Independent non-executive Directors:
He Chengying
Chan Man Sum Ivan
Cheung Kiu Cho, Vincent

Directors' Report

In accordance with bye-law 87 of the Company's bye-laws, Mr He Chengying, Mr Chan Man Sum Ivan and Mr Cheung Kiu Cho, Vincent will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements respectively.

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 determinable 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 32 of the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company, 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.

CONNECTED TRANSACTIONS

The following agreements entered into by Ningbo Lisi Houseware Products Company Limited ("Ningbo Lisi") with a company owned by Mr Li Li Xin, a Director and beneficial owner of the Company on 21 November 2009 have constituted continuing connected transactions of the Company (the "Continuing Connected Transactions") according to the Listing Rules for a term of 3 years commencing from 1 January 2010 and endings on 31 December 2012 since completion of the acquisition on 30 April 2010 as mentioned in note 32 to the consolidated financial statements:

(i) An import agency agreement for providing import agency services to Ningbo Lisi;

(ii) An export agency agreement for providing export agency services to Ningbo Lisi;

(iii) A tenancy agreement for leasing certain factory space and office premises to Ningbo Lisi. Ningbo Lisi would be charged a monthly rent of RMB418,986;

(iv) A value-added processing co-operation agreement to provide processing services to Ningbo Lisi.

The Continuing Connected Transactions were approved by the independent Shareholders at the special general meeting held on 20 April 2010.

Having reviewed the Continuing Connected Transactions, the Independent Non-executive Directors, pursuant to Rule 14A.37 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, notwithstanding that they 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.

Directors' Report

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 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "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 unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter had been submitted by the Company to the Stock Exchange.

Pursuant to Rule 14A.38 of the Listing Rules, the auditor of the Company confirmed that the Continuing Connected Transaction:

(1) had received the approval of the Board;

(2) had been in accordance with the pricing policies of the Group or the comparable transactions as identified by the Management.

(3) had been entered into in accordance with the relevant agreements governing the Continuing Connection Transaction; and

(4) had not exceeded the cap disclosed in the previous circular made on 31 March 2010.

Save as mentioned above, there were no other discloseable 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 32 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in note 32 to the consolidated financial statements which constituted continuing connected transactions, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

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

As at 31 March 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code were as follows:

Name of Director	Nature of interests	Number of issued ordinary shares of HK$0.01 each in the Company	Percentage of total issued ordinary shares
Mr Li Li Xin *(note 1)*	*(note 1)*	1,349,661,014	54.49%
Mr Xu Jin	Personal	253,837,198	10.25%

Note 1: Mr Li Li Xin's interest in 1,349,661,014 shares is held as to 5,892,000 shares personally, 15,620,000 shares through his spouse Jin Ya Er and 1,328,149,014 share through Big-Max, whose issued share capital is beneficially owned as to 90% by Mr Li Li Xin and as to 10% by his spouse, Jin Ya Er.

Directors' Report

Save as disclosed herein, as at 31 March 2012, 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.

Share option scheme

The company adopted a share option scheme (the "Scheme") on 8 August 2002 and the Scheme Mandate Limit was refreshed on 18 September 2009 and 23 August, 2010, the particulars of the Scheme are as follows:

Purpose of the Scheme:

To enable the Company to grant options to the participant who accepts the offer of the grant of the options as incentives and/or rewards for their contributions made to the Group.

Participants:

Full-time employees and Directors (including executive, non-executive and independent non-executive Directors) of any member of the Group.

Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report:

247,696,379 ordinary shares (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 remaining life of the Scheme:

The Scheme remains in force until 8 August 2012.

No share options had been granted under the Scheme up to 31 March 2012 and there were no other options outstanding at the beginning or at the end of the Year.

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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the Directors and chief executives, as at 31 March 2012, the register of substantial Shareholders maintained under Section 336 of Part XV of the SFO by the Company recorded no other interests or short positions in shares of the Company being 5% or more of the Company's issued share capital.

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.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	10.0%
– five largest suppliers	31.4%
Sales	
– the largest customer	26.2%
– five largest customers	57.5%

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.

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.

RETIREMENT SCHEME

Particulars of retirement scheme of the Group are set out in note 31 to the consolidated financial statements.

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

The consolidated financial statements for the financial year 2012 were audited by Mazars CPA Limited, *Certified Public Accountants*. A resolution for its reappointment as auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Li Xin
Chairman

Hong Kong, 29 June 2012

Independent Auditor's Report

MAZARS

To the shareholders of
Lisi Group (Holdings) Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 20 to 77, which comprise the consolidated and the Company's statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report

BASIS FOR QUALIFIED OPINION

Included in the consolidated statement of financial position is an interest in an associate, Veritas-Msi (China) Company Limited ("Veritas-Msi"). As stated in note 20 to the consolidated financial statements, the Group applies the equity method to account for its investment in Veritas-Msi, based on the unaudited financial information contained in Veritas-Msi's management accounts in respect of the period from 1 December 2011 to 31 March 2012 (referred to below as "Veritas-Msi management accounts"). The Group's share of the profits and net assets of Veritas-Msi for the period ended 31 March 2012 and as at that date included in the Group's consolidated financial statements for the year ended 31 March 2012 are set out in note 20 to the consolidated financial statements.

As explained by management of the Group, since Veritas-Msi became an associate of the Group only in late November 2011, it was not practicable to arrange for an audit to be performed on Veritas-Msi management accounts which we considered necessary for the purpose of our audit due to the significance of Veritas-Msi to the Group. As we had not been able to perform or be involved in performing an audit on the financial information of Veritas-Msi, we were unable to obtain sufficient appropriate audit evidence about the carrying amount including the goodwill of the Group's interest in Veritas-Msi and the Group's share of Veritas-Msi's results for the period as included in the Group's consolidated financial statements as at and for the year ended 31 March 2012. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to note 2 to the consolidated financial statements which explains the measures that the directors are currently undertaking and intend to take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the consolidated financial statements on a going concern basis. At the end of the reporting period, the Group had net current liabilities of RMB105,583,000. The validity of the going concern basis depends on the Group's future profitable operation or the effectiveness of the measures as detailed in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that would result from a failure of these measures to accomplish successful outcome. We consider that appropriate disclosures have been made in this respect. Our opinion is not qualified in respect of this matter.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2012

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

	Note	2012 RMB'000	2011 RMB'000 (note 4)
Turnover	6	393,890	384,461
Cost of sales		(297,431)	(298,205)
Gross profit		96,459	86,256
Other revenue	6	3,571	2,449
Other income	7	6,064	9,486
Selling and distribution expenses		(18,884)	(19,792)
Administrative and other operating expenses		(56,995)	(49,083)
Finance costs	8	(14,378)	(10,013)
Share of results of an associate	20	1,855	–
Profit before taxation	8	17,692	19,303
Income tax expense	11	(7,769)	(8,836)
Profit for the year	12	9,923	10,467
Other comprehensive income			
Exchange differences on translating financial statements of foreign operations		2,561	(6,054)
Exchange differences on translating inter-company balances with foreign operations		(4,617)	–
Income tax relating to other comprehensive income		–	–
		(2,056)	(6,054)
Total comprehensive income for the year attributable to equity holders of the Company		7,867	4,413
		RMB	RMB
Earnings per share			
Basic and diluted	14	0.40 cent	0.44 cent

Consolidated Statement of Financial Position

At 31 March 2012

	Note	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000 (note 4)	At 1 April 2010 RMB'000 (note 4)
Non-current assets				
Property, plant and equipment	15	232,315	224,361	203,837
Goodwill	17	43,313	43,313	–
Intangible assets	18	10,530	13,104	–
Available-for-sale financial assets	19	75,481	82,690	–
Interest in an associate	20	42,345	–	–
		403,984	363,468	203,837
Current assets				
Inventories	21	52,585	76,443	34,995
Trade and other receivables	22	77,272	57,491	55,818
Pledged deposits	25	–	907	–
Bank balances and cash	23	11,073	14,592	10,895
		140,930	149,433	101,708
Current liabilities				
Trade and other payables	24	158,973	158,544	113,249
Tax payables		2,474	3,163	–
Current portion of bank borrowings	25	85,035	40,542	123,582
Current portion of obligations under finance leases	26	31	31	30
		246,513	202,280	236,861
Net current liabilities		(105,583)	(52,847)	(135,153)
Total assets less current liabilities		298,401	310,621	68,684
Non-current liabilities				
Obligations under finance leases	26	25	58	93
Long-term portion of bank borrowings	25	82,000	102,000	–
Deferred tax liabilities	29	4,722	4,776	–
		86,747	106,834	93
NET ASSETS		211,654	203,787	68,591
Capital and reserves				
Share capital	27	22,724	22,724	14,495
Reserves		188,930	181,063	54,096
TOTAL EQUITY		211,654	203,787	68,591

Approved and authorised for issue by the Board of Directors on 29 June 2012

Li Li Xin
Chairman

Cheng Jian He
Director

Statement of Financial Position

At 31 March 2012

	Note	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000 (note 4)	At 1 April 2010 RMB'000 (note 4)
Non-current assets				
Interest in subsidiaries	16	188,010	210,481	80,600
Current assets				
Other receivables	22	10,369	510	2,185
Bank balances and cash	23	139	14	6
		10,508	524	2,191
Current liabilities				
Other payables	24	9,636	10,445	22,114
Net current assets (liabilities)		872	(9,921)	(19,923)
NET ASSETS		188,882	200,560	60,677
Capital and reserves				
Share capital	27	22,724	22,724	14,495
Reserves	28	166,158	177,836	46,182
TOTAL EQUITY		188,882	200,560	60,677

Approved and authorised for issue by the Board of Directors on 29 June 2012

Li Li Xin
Chairman

Cheng Jian He
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

		Reserves								
	Share capital RMB'000	Share premium RMB'000 (note 28(i))	Statutory reserve RMB'000 (note 28(ii))	Capital redemption reserve RMB'000	Translation reserve RMB'000 (note 28(iv)	Contributed surplus RMB'000 (note 28(iii))	Accumulated losses (profit) RMB'000	Total reserves RMB'000	Total RMB'000
At 1 April 2010	14,495	22,940	–	1,341	(8,781)	56,236	(17,640)	54,096	68,591
Profit for the year	–	–	–	–	–	–	10,467	10,467	10,467
Other comprehensive income									
Exchange differences on translating foreign operations	–	–	–	–	(6,054)	–	–	(6,054)	(6,054)
Total comprehensive income for the year	–	–	–	–	(6,054)	–	10,467	4,413	4,413
Transactions with owners									
Issue of new shares	8,229	122,554	–	–	–	–	–	122,554	130,783
Transfer to statutory reserve	–	–	2,409	–	–	–	(2,409)	–	–
At 31 March 2011	22,724	145,494	2,409	1,341	(14,835)	56,236	(9,582)	181,063	203,787
At 1 April 2011	22,724	145,494	2,409	1,341	(14,835)	56,236	(9,582)	181,063	203,787
Profit for the year	–	–	–	–	–	–	9,923	9,923	9,923
Other comprehensive income									
Exchange differences on translating financial statements of foreign operations	–	–	–	–	2,561	–	–	2,561	2,561
Exchange differences on translating inter-company balances with foreign operations	–	–	–	–	(4,617)	–	–	(4,617)	(4,617)
	–	–	–	–	(2,056)	–	–	(2,056)	(2,056)
Total comprehensive income for the year	–	–	–	–	(2,056)	–	9,923	7,867	7,867
Transfer to statutory reserve	–	–	1,651	–	–	–	(1,651)	–	–
At 31 March 2012	**22,724**	**145,494**	**4,060**	**1,341**	**(16,891)**	**56,236**	**(1,310)**	**188,930**	**211,654**

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	2012 RMB'000	2011 RMB'000 (note 4)
OPERATING ACTIVITIES		
Profit before taxation	17,692	19,303
Allowance for inventory obsolescence	141	501
Amortisation of intangible assets	2,574	2,352
Depreciation of property, plant and equipment	19,183	16,819
Dividend income	(9,159)	–
Exchange differences, net	(2,494)	2,158
Gain on disposal of property, plant and equipment, net	(1,687)	(1,338)
Interest income	(162)	(250)
Interest expense	14,378	10,013
Reversal of impairment loss on property, plant and equipment	(770)	(5,460)
Share of results of an associate	(1,855)	–
Write-back of other payables	(2,737)	(2,270)
Changes in working capital:		
Inventories	22,130	(34,516)
Trade and other receivables	(17,925)	1,731
Trade and other payables	(5,769)	2,503
Cash generated from operating activities	33,540	11,546
Income tax paid	(8,512)	(5,038)
Interest paid	(14,373)	(10,006)
Net cash from (used in) operating activities	10,655	(3,498)
INVESTING ACTIVITIES		
Interest received	162	250
Dividend received	9,159	–
Advance to an associate	(2,000)	–
Capital injection to an associate	(25,397)	–
Deposit paid for subscription of equity interest in an associate	(490)	–
Net cash outflow from acquisition of subsidiaries	–	(56,420)
Acquisition of available-for-sale financial assets	(7,394)	(82,690)
Purchase of property, plant and equipment	(27,911)	(30,226)
Proceeds on disposal of property, plant and equipment	2,946	2,414
Decrease (Increase) in pledged deposits	875	(907)
Net cash used in investing activities	(50,050)	(167,579)

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	2012 RMB'000	2011 RMB'000 (note 4)
FINANCING ACTIVITIES		
Issue of new shares	–	130,783
Advances from (Repayment to) related companies	11,270	(3,386)
Repayment of loan from a shareholder	(514)	(10,609)
Loan from a related company	–	40,000
New short-term bank borrowings	–	113,488
Repayment of short-term bank borrowings	–	(126,619)
New bank borrowings	136,066	210,000
Repayment of bank borrowings	(110,697)	(177,909)
Repayment of capital elements of obligation under finance leases	(30)	(29)
Finance charge on obligation under finance leases	(5)	(7)
Net cash from financing activities	36,090	175,712
Net (decrease) increase in cash and cash equivalents	(3,305)	4,635
Cash and cash equivalents at beginning of year	14,592	10,426
Effect of foreign exchange rate changes, net	(214)	(469)
Cash and cash equivalents at end of year, represented by bank balances and cash	11,073	14,592

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

1. CORPORATE INFORMATION

Lisi Group (Holdings) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's principal place of business is located at Unit A, 5/F., Garment Centre, No. 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong. The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are detailed in note 16 to the consolidated financial statements.

2. BASIS OF PREPARATION

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group's profitable operation or the continued availability of adequate finance in view of the excess of current liabilities over current assets as at 31 March 2012.

In preparing the consolidated financial statements for the year ended 31 March 2012, the directors have adopted a going concern basis as the following actions and measures have been taken by the Group to improve the financial position and performance of the Group:

i) The Group has adopted measures to improve its liquidity from securing continuing support from its banks. Starting from the beginning of 2012, People's Bank of China has started taking actions to loosen the tight monetary policy of last two years and increases the money supply in local commercial banks so as to maintain the economic growth momentum and exert greater support to enterprises in a wide range of industries including export sector. Given the good business relationships already built with the Company's or the Group's bankers, the directors are confident that the Group will benefit in the environment of this loosening monetary policy and manage to renew/increase bank loans with even more favorable terms.

ii) The related companies and the substantial shareholder of the Company, as usual, are ready to extend loans/advances to the Group should the latter continues to have such funding requirements.

iii) In December 2011, the Group has successfully changed the land usage of the current Shenzhen factory from industrial use to residential-commercial use. The directors expect that the value of the land will appreciate significantly from this change of land usage and the land has become an even more valuable asset for further financing alternatives (including but not limited to increase of bank loan) in the near future.

iv) The management is confident that the good business and financial performance of the Ningbo plant (acquired in 2010) will continue to provide steady positive cash flows to the Group.

v) From time to time, the Group negotiates with the suppliers for more favorable credit terms. Meanwhile, credit periods granted to customers are reviewed regularly in order to determine if any revision is necessary.

2. BASIS OF PREPARATION (CONTINUED)

Going concern (Continued)

vi) The Group improved the productivity through the regular review of the conditions of existing machineries and the replacement of machineries with newer models where necessary. Various types of machines were purchased during the year to replace certain machines of lower productivity. This will benefit the operational efficiency and eventually strengthen the financial position of the Group in the long run.

vii) Since the change of the management of the Company in 2006, the Group has committed substantial efforts in improving the production efficiency, cost effectiveness and sales impetus and the readiness to lessen the challenges of global material price fluctuations and domestic cost increases on our margin management. The results of all these efforts had been gradually materialised and evidenced in various forms such as new customers signed, cost reduction in both direct input and overheads, improved margin management and increased sales.

viii) The Group would continue its current successful strategies, especially focusing on higher margin business opportunities and creditworthy customers so as to boost up the quality and return of sales and thus improve the cash flow from operations.

Statement of compliance

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements except for the adoption of certain new/revised HKFRSs effective from the current year that are relevant to the Group.

A summary of the principal accounting policies adopted by the Group is set out in note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised HKFRSs (Continued)

HKAS 24 (Revised) – *Related Party Disclosures (Continued)*

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

Improvements to HKFRSs 2010 – *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to HKFRSs including the following that are considered to be relevant to the Group:

Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the statement of changes in equity.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, is measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's statement of financial position, investment in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in associate is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the associate for the year. The consolidated statement of financial position includes the Group's share of the net assets of the associate and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals or exceeds the carrying amount of its interest in the associate, which includes any long term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Associates (Continued)

On the loss of significant influence, the Group remeasures any retained interest in the former associate at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the part interest in the associate and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former associate are accounted for on the same basis as would be required if the former associate had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset subsequently.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured as the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill on acquisition of associate is included in interest in an associate. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income.

Intangible assets

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships of 6 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

As the Group's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the items is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	Over the unexpired term of lease
Leasehold improvements	10% – 20%
Plant and machinery	10% – 20%
Furniture, fixtures, office and computer equipment	20% – 33.3%
Motor vehicles	20% – 25%
Moulds	10% – 14.3%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Construction-in-progress

Construction-in-progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction-in-progress until it is completed and ready for its intended use.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

The Group's financial liabilities include trade and other payables, loans from related parties, bank and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is transferred from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income under operating lease is recognised when the properties are let out and on the straight-line basis over the lease terms.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency following the change as described in note 4 to the consolidated financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On disposal of a foreign operation, which includes the disposal of the Group's entire interest in a foreign operation, the loss of control of a subsidiary that includes a foreign operation, the loss of significant influence over an associate that includes a foreign operation, and the loss of joint control over a jointly controlled entity that includes a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

- On disposal or partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not recognised in profit or loss.

- On all other partial disposals, which includes partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents 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 of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as an increase in the amount of inventories recognised as an income in the period in which the reversal occurs.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets and investment in subsidiaries and an associate may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental receivable/payable under operating leases are credited/charged to profit or loss on a straight-line basis over the term of relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses and 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 employee. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The Group operates a defined contribution retirement scheme for the Hong Kong employees based on local laws and regulations. The scheme covers all eligible employees. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Defined contribution plans (Continued)

Pursuant to the law and regulations of the People's Republic of China (the "PRC"), contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

(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 of the parent of the Group.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(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. If the Group is itself such a plan, the sponsoring employers are also 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).

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 and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual 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. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment of investments and receivables

The Company assesses annually if investments in subsidiaries have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 17 to the consolidated financial statements.

Useful lives of intangible assets

The Group reviews the amortisation period for intangible assets with finite useful lives at least at the end of each reporting period. In reviewing useful lives of intangible assets, the Group has considered various factors, such as expected usage of the asset, forecast customer attrition pattern, expected period of future economic benefit and legal or similar limits on the use of the asset. The estimation of the useful lives of the intangible assets is based on the experience of the Group with similar intangible assets that generate similar future economic benefits.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [1]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [2]
Amendments to HKAS 1 (Revised)	*Presentation of Items of Other Comprehensive Income* [3]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosures of Interests with Other Entities* [4]
HKFRS 13	*Fair value measurement* [4]
Amendments to HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards* [4]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]
Amendments to HKFRS 7	*Financial Instructions: Disclosure – Offsetting Financial Assets and Financial Liabilities* [4]
Amendments to HKAS 32	*Financial Instructions: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HKFRS 9	*Financial Instruments* [6]
Annual Improvements Projects	*Annual Improvements 2009-2011 Cycle* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The directors are in the process of assessing the possible impact on the future adoption of these new and revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

4. CHANGES IN FUNCTIONAL AND PRESENTATION CURRENCIES

In prior years, the directors regarded Hong Kong dollar ("HKD") as the functional currency of the Company. Upon the completion of the acquisition of a wholly-owned subsidiary group in Ningbo, the PRC, whose functional currency is RMB in April 2010 and the restructuring of the Group's operation in Shenzhen, the PRC in April 2011, the directors consider that the primary economic environment has been substantially changed. Since then, the Company's primary source of revenue, that is, dividend, is derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB. Accordingly, the directors have determined the change of the functional and presentation currencies of the Company from HKD to RMB starting from 1 April 2011.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". On the date of the change of functional currency, all assets, liabilities and income statement items were translated into RMB at the exchange rate on that date. As a result, the cumulative currency translation differences which had arisen up to the date of the change of functional currency were reallocated to other components within equity.

Whereas the change in presentation currency of the Company was applied retrospectively, the comparative figures presented in these consolidated financial statements have also been restated to the change in presentation currency to RMB accordingly.

5. SEGMENT INFORMATION

The directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments based on the Group's internal reporting in respect of these segments. The directors consider that manufacturing and trading business segment and investment holding business segment are the Group's major operating segments. Segment results represent the profit earned or loss incurred by each segment. The following analysis is the information reported to chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results from operations by reporting segment:

	2012				2011			
	Manufacturing and trading business RMB'000	Investment holding business RMB'000	Unallocated RMB'000	Consolidated RMB'000	Manufacturing and trading business RMB'000	Investment holding business RMB'000	Unallocated RMB'000	Consolidated RMB'000
Segment revenue								
Sale to external customers	384,731	–	–	384,731	384,461	–	–	384,461
Investment and other income	3,571	9,159	–	12,730	2,449	–	–	2,449
Consolidated total revenue	388,302	9,159	–	397,461	386,910	–	–	386,910
Segment results	23,057	9,159	(2,001)	30,215	29,316	–	–	29,316
Finance costs	(11,400)	(2,483)	(495)	(14,378)	(10,013)	–	–	(10,013)
Share of results of an associate	–	1,855	–	1,855	–	–	–	–
Profit (Loss) before taxation	11,657	8,531	(2,496)	17,692	19,303	–	–	19,303
Income tax expense	(7,769)	–	–	(7,769)	(8,836)	–	–	(8,836)
Profit (Loss) for the year	3,888	8,531	(2,496)	9,923	10,467	–	–	10,467

There were no inter-segment sales in both years.

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment results represent the results achieved by each segment without allocation of central administration costs including directors' emoluments. This is the measurement method reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

5. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segments is set out below.

	2012			2011		
	Manufacturing and trading business RMB'000	Investment holding business RMB'000	Consolidated RMB'000	Manufacturing and trading business RMB'000	Investment holding business RMB'000	Consolidated RMB'000
Segment assets	424,256	2,044	426,300	429,636	50	429,686
Available-for-sale financial assets	–	75,481	75,481	–	82,690	82,690
Interest in an associate	–	42,345	42,345	–	–	–
Unallocated assets	–	–	788	–	–	525
Consolidated total assets			544,914			512,901
Segment liabilities	283,623	40,000	323,623	258,669	40,000	298,669
Unallocated liabilities			9,637			10,445
Consolidated total liabilities			333,260			309,114

For the purpose of monitoring segment performance and allocating resources between segments:

- Segment assets include interest in an associate, all tangible assets, available-for-sale financial assets, loans and other receivables. All assets are allocated to reportable segments other than unallocated head office and corporate assets as these assets are managed on a group basis.

- Segment liabilities include other payables, interest-bearing borrowings and tax payables. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

5. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

An analysis of the Group's other segment information by operating segments is set out below.

	2012			2011		
	Manufacturing and trading business RMB'000	Investment holding business RMB'000	Consolidated RMB'000	Manufacturing and trading business RMB'000	Investment holding business RMB'000	Consolidated RMB'000
Other segment information						
Amortisation of intangible assets	2,574	–	2,574	2,352	–	2,352
Depreciation of property, plant and equipment	19,183	–	19,183	16,819	–	16,819
Addition of goodwill	–	–	–	43,313	–	43,313
Addition of intangible assets	–	–	–	15,456	–	15,456
Capital expenditure	27,911	33,281	61,192	30,226	82,690	112,916
Interest income	158	4	162	199	51	250

(d) Geographic information

The Group's operations are principally located in Hong Kong and the PRC. The analysis of geographical segments based on the geographical location of customers and the location of non-current assets are detailed below:

	Group			
	Revenue		Non-current assets	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
United States of America	270,872	283,729	–	–
Canada	11,696	8,612	–	–
Hong Kong	18,704	31,087	670	571
PRC	21,759	4,619	327,833	280,207
Taiwan	8,158	4,470	–	–
Europe	31,532	27,830	–	–
Others	34,740	26,563	–	–
	397,461	386,910	328,503	280,778

5. SEGMENT INFORMATION (CONTINUED)

(e) Information about major customers

Revenue from external customers contributing over 10% of total revenue from the Group's manufacturing and trading business segment are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Customer A	100,880	149,467
Customer B	47,494	57,145
Customer C	45,327	–
	193,701	206,612

Other than as disclosed above, no other sales to a single customer of the Group accounted for over 10% of total revenue of the Group for both years.

6. TURNOVER AND REVENUE

Turnover and revenue recognised by category for the Group are analysed as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Turnover		
Sale of goods	384,731	384,461
Dividend income	9,159	–
	393,890	384,461
Other revenue		
Rental income from operating leases on land and buildings	2,841	1,970
Interest income	162	250
Others	568	229
	3,571	2,449
Total revenue	397,461	386,910

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7. OTHER INCOME

	Group	
	2012 RMB'000	2011 RMB'000
Gain on disposal of property, plant and equipment, net	1,687	1,338
Reversal of impairment loss on property, plant and equipment	770	5,460
Write-back of other payables	2,737	2,270
Exchange gain, net	192	–
Sundry income	678	418
	6,064	9,486

8. PROFIT BEFORE TAXATION

	Group	
	2012 RMB'000	2011 RMB'000
This is stated after charging:		
Finance costs		
Interest on bank borrowings wholly repayable within five years including an entrusted loan from a related company	13,879	9,200
Interest on loan from a shareholder wholly repayable within five years	126	402
Interest on loan from a third party wholly repayable within five years	368	362
Interest on advance from related companies wholly repayable within five years	–	42
Finance charges on obligations under finance leases	5	7
	14,378	10,013
Other items		
Staff costs (excluding directors' emoluments):		
Wages, salaries and allowances	72,510	60,122
Termination benefits	1,431	841
Contributions to defined contribution retirement schemes	2,453	1,718
	76,394	62,681
Auditor's remuneration	635	647
Allowance for inventory obsolescence	141	501
Amortisation of intangible assets	2,574	2,352
Cost of inventories	297,431	298,205
Depreciation of property, plant and equipment	19,183	16,819
Exchange losses, net	–	5,358
Operating lease charges on premises	6,225	6,079

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

9. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	2012			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors				
Cheng Jian He	–	–	–	–
Li Li Xin (redesignated as executive director on 1 April 2011)	–	–	–	–
Non-executive directors				
Xu Jin	–	–	–	–
Lau Kin Hon	–	–	–	–
Independent non-executive directors				
Chan Man Sum Ivan	119	–	–	119
Cheung Kiu Cho Vincent	99	–	–	99
He Chengying	99	–	–	99
	317	–	–	317

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Year ended 31 March 2012

9. DIRECTORS' EMOLUMENTS (CONTINUED)

	2011			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive director				
Cheng Jian He	–	–	–	–
Non-executive directors				
Li Li Xin	–	–	–	–
Xu Jin	–	–	–	–
Lau Kin Hon	–	–	–	–
Independent non-executive directors				
Chan Man Sum Ivan	121	–	–	121
Cheung Kiu Cho Vincent	101	–	–	101
He Chengying	101	–	–	101
	323	–	–	323

There were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office for both years.

10. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The aggregate of the emoluments of the five highest paid individuals of the Group during the year are as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Salaries and allowances	2,970	2,821
Contributions to defined contribution retirement schemes	51	47
	3,021	2,868

10. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

Their emoluments are within the following band:

	Group Number of individuals	
	2012	2011
Nil to RMB1,000,000	5	5

The above highest paid individuals do not include any director of the Company.

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

11. TAXATION

Hong Kong Profits Tax has not been provided for the year as the Group incurred a loss for taxation purposes.

PRC Enterprise Income Tax is calculated at the applicable tax rates of 25% *(2011: 25%)* on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012 RMB'000	2011 RMB'000
Current tax		
PRC Enterprise Income Tax		
Current year	7,696	7,945
Underprovision in prior year	127	–
	7,823	7,945
Deferred taxation		
Reversal and origination of temporary differences	(54)	891
Total income tax expense for the year	7,769	8,836

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

11. TAXATION (CONTINUED)

Reconciliation of effective tax rate

	Group	
	2012	2011
	%	%
Applicable tax rate	29	32
Share of results of an associate	(3)	–
Non-deductible expenses	7	9
Tax exempt revenue	(16)	(1)
Unrecognised temporary differences	17	1
Unrecognised tax losses	23	13
Utilisation of previously unrecognised tax loss	(7)	(9)
Recognition of previously unrecognised deferred tax assets	–	(3)
Underprovision in prior years	1	–
Others	(7)	(1)
Effective tax rate for the year	44	41

The applicable tax rate is the weighted average rates prevailing in the territories in which the Group entities operate during the year. The decrease is caused by a change in profitability of the Group's subsidiaries in the respective territories.

12. PROFIT FOR THE YEAR

The profit attributable to equity holders of the Company for the year ended 31 March 2012 includes a loss of RMB11,678,000 *(2011: a profit of RMB17,332,000)*, which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for both years.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit of RMB9,923,000 *(2011: RMB10,467,000)* attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares of 2,476,964,000 *(2011: 2,402,477,000)* shares in issue during the year.

Diluted earnings per share for 2012 and 2011 are the same as basic earnings per share as the Company had no dilutive potential ordinary shares for both years.

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Year ended 31 March 2012

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures, office and computer equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group								
Reconciliation of carrying amount – year ended 31 March 2011								
At beginning of reporting period	177,177	3,317	6,559	412	196	15,170	1,006	203,837
Acquisition of subsidiaries	–	–	8,489	191	–	2,524	–	11,204
Additions	–	227	8,455	763	407	14,645	5,729	30,226
Depreciation	(5,736)	(781)	(3,100)	(395)	(147)	(6,660)	–	(16,819)
Reversal of impairment loss	2,352	–	–	–	–	3,108	–	5,460
Transferred from construction-in-progress	–	728	131	–	–	–	(859)	–
Disposals	–	–	(1,063)	(43)	–	(138)	–	(1,244)
Effect of foreign currency exchange differences	(7,630)	(143)	84	(11)	(9)	(551)	(43)	(8,303)
At end of reporting period	166,163	3,348	19,555	917	447	28,098	5,833	224,361
Reconciliation of carrying amount – year ended 31 March 2012								
At beginning of reporting period	166,163	3,348	19,555	917	447	28,098	5,833	224,361
Additions	1,651	253	8,890	1,140	1,922	6,148	7,907	27,911
Depreciation	(6,045)	(952)	(3,991)	(442)	(335)	(7,418)	–	(19,183)
Reversal of impairment loss	–	–	–	–	–	770	–	770
Transferred from construction-in-progress	3,909	1,456	(89)	59	–	5,500	(10,835)	–
Disposals	–	(28)	(614)	(30)	(235)	–	(6)	(913)
Effect of foreign currency exchange differences	–	(60)	(15)	(15)	(14)	(517)	(10)	(631)
At end of reporting period	**165,678**	**4,017**	**23,736**	**1,629**	**1,785**	**32,581**	**2,889**	**232,315**
At 31 March 2011								
Cost	227,889	17,044	71,439	28,615	5,256	192,861	5,833	548,937
Accumulated depreciation and impairment losses	(61,726)	(13,696)	(51,884)	(27,698)	(4,809)	(164,763)	–	(324,576)
	166,163	3,348	19,555	917	447	28,098	5,833	224,361
At 31 March 2012								
Cost	233,381	17,841	71,071	24,073	6,742	198,024	2,889	554,021
Accumulated depreciation and impairment losses	(67,703)	(13,824)	(47,335)	(22,444)	(4,957)	(165,443)	–	(321,706)
	165,678	**4,017**	**23,736**	**1,629**	**1,785**	**32,581**	**2,889**	**232,315**

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Year ended 31 March 2012

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's leasehold land and buildings were situated in the PRC under medium-term leases.

As a result of the reuse of idle moulds for production during the year, management considered that a reversal of provision for impairment loss on certain idle moulds of RMB770,000 *(2011: RMB3,108,000)*, by reference to their utilisation analysis, should be made.

The net book value of the Group's property, plant and equipment includes an amount of RMB56,000 *(2011: RMB88,000)* in respect of assets held under finance leases.

16. INTEREST IN SUBSIDIARIES

		Company		
	Note	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Unlisted shares, at cost		133,222	133,222	133,222
Provision for impairment loss		(133,222)	(133,222)	(133,222)
		–	–	–
Due from subsidiaries	(a)	434,476	493,474	405,463
Loan to a subsidiary	22(ii)	–	10,080	–
Provision for impairment loss	(b)	(246,466)	(293,073)	(324,863)
		188,010	210,481	80,600
		188,010	210,481	80,600

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. The directors expect that the settlement of a substantial part of the amount due from subsidiaries is neither planned nor likely to occur in the foreseeable future and the remaining will not be realised in the next twelve months from the end of the reporting period. The carrying value of the amounts due from subsidiaries approximate their fair value.

(b) Impairment losses were made in respect of the amounts due from certain subsidiaries because these subsidiaries have continuously incurred substantial losses and the directors are of the opinion that the probability to recover fully the amounts due from these subsidiaries would be remote.

16. INTEREST IN SUBSIDIARIES (CONTINUED)

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration/ kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Magician Investments (BVI) Limited	British Virgin Islands/ limited liability company	US$6 ordinary	100%	–	Investment holding
Well Harbour Development Limited	Hong Kong/ limited liability company	HK$1 ordinary	–	100%	Purchasing of paper, plastic and metal materials and products
Falton Investment Limited	Hong Kong/ limited liability company	HK$2 ordinary	–	100%	Subletting of premises to group companies
Magicgrand Development Limited	British Virgin Islands/ limited liability company	US$1 ordinary	–	100%	Trading of plastic and metal products
Magician Industrial Company Limited	Hong Kong/ limited liability company	HK$5 ordinary	–	100%	Marketing and trading of plastic and metal products
More Concept Limited	Hong Kong/ limited liability company	HK$3 ordinary	–	100%	Marketing and trading of plastic and metal products
Grandmate Industrial Company Limited	Hong Kong/ limited liability company	HK$251,000 ordinary	–	100%	Marketing and trading of plastic and metal products
Magician Lifestyle Limited	Hong Kong/ limited liability company	HK$1 ordinary	–	100%	Marketing and trading of plastic and metal products
Jinda Plastic Metal Products (Shenzhen) Co., Limited* 金達塑膠五金製品(深圳)有限公司("Jinda")	The PRC/foreign wholly-owned enterprise	HK$80,000,000 paid-up capital	–	100%	Property holding
Lisi Household Products (Shenzhen) Company Limited* 利時日用品(深圳)有限公司 ("Shenzhen Lisi")	The PRC/foreign wholly-owned enterprise	HK$100,000,000 paid-up capital	–	100%	Manufacturing and trading of plastic and metal household products
Magician Strategic Limited	British Virgin Islands/ limited liability company	US$1 ordinary	100%	–	Investment holding

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16. INTEREST IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Wealthy Glory Holdings Limited	British Virgin Islands/ limited liability company	US$50,000 ordinary	–	100%	Investment holding
Golden Time Group Holdings Limited	Hong Kong/ limited liability company	HK$10,000 ordinary	–	100%	Investment holding and marketing of household products
Ningbo Lisi Household Products Company Limited* 寧波利時日用品有限公司	The PRC/foreign wholly-owned enterprise	HK$35,000,000 paid-up capital	–	100%	Manufacturing and trading of plastic products
Ningbo Lisi Information Technology Company Limited* 寧波利時信息科技有限公司	The PRC/foreign wholly-owned enterprise	RMB20,000,000 paid-up capital	–	100%	Investment holding

* *English translation of company name is for identification purpose only.*

In August 2010, the relevant PRC authority approved the split-off of Jinda to Jinda and Shenzhen Lisi with operation period of 50 years. On 1 April 2011, certain assets and liabilities of Jinda were transferred to Shenzhen Lisi at their carrying amounts.

All of the above subsidiaries operate principally in Hong Kong except for those subsidiaries incorporated in the PRC which operate in the PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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Year ended 31 March 2012

17. GOODWILL

The amount of the goodwill capitalised by the Group as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of subsidiaries, are as follows:

	Group		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Reconciliation of carrying amount			
At beginning and end of reporting period, at cost	43,313	43,313	–

Goodwill arose during the year ended 31 March 2011 is attributable to an individual cash-generating unit ("CGU") of manufacturing and trading of household products in Ningbo, the PRC (the "Ningbo business").

The business has continued to operate on a satisfactory basis. In light of keen competition and recent development of the market, the directors have decided to revise certain key assumptions. The recoverable amount of the CGU of the Ningbo business has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the board of directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 2% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Key assumptions used for the value-in-use calculation are as follows:

	Group	
	2012	2011
Gross profit margin	30%-32%	32%-36%
Average growth rate	2%-10%	2%-15%
Long-term growth rate	2%	2 %
Discount rate	25%	22%

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Apart from the considerations described above in determining the value-in-use of CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

The recoverable amount of the CGU has exceeded its carrying amount based on value-in-use calculation. Accordingly, no impairment of goodwill has been recognised during the year.

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18. INTANGIBLE ASSETS

	Group Customer relationships		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Reconciliation of carrying amount			
At beginning of reporting period	13,104	–	–
Acquisition of subsidiaries	–	15,456	–
Amortisation	(2,574)	(2,352)	–
At end of reporting period	10,530	13,104	–
At end of reporting period			
Cost	15,456	15,456	–
Accumulated amortisation	(4,926)	(2,352)	–
	10,530	13,104	–

Amortisation of the intangible assets is included in the administrative and other operating expenses in the consolidated statement of comprehensive income.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Unlisted investments, at cost	75,481	82,690	–

The unlisted investments, which do not have quoted market price in an active market, are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

Included in the unlisted investment as at 31 March 2012 was the Group's 8.54% *(2011: 8.83%)* equity interest in Zhejiang Jin Rui Hong Technology Co., Limited (浙江金瑞泓科技股份有限公司) (formerly known as Ningbo Li Li Electronics Company Limited) ("ZJRHT") with carrying amount of RMB68,087,000 *(2011: RMB68,087,000)*, a company established in the PRC and engaged in manufacturing of semiconductor materials. The cost of the Group's investment in ZJRHT exceeds 10% of the total assets of the Group.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Included in the unlisted investment as at 31 March 2011 was the Group's 12.06% equity interest in Veritas-Msi (China) Company Limited ("Veritas-Msi") with carrying amount of RMB14,603,000, a company established in the PRC, which is a technology development company specialised in separation technology and multiphase measurement sciences for oil and gas industry. In November 2011, the Group further subscribed for the increased capital, representing 10.29% equity interest in Veritas-Msi, at an aggregate consideration of RMB25,397,000. Upon the completion of the subscription, the Group holds 22.35% equity interest in Veritas-Msi and therefore, the Group has reclassified the investment in Veritas-Msi with a carrying amount of RMB40,000,000 as interest in an associate, details of which has been set out in note 20 to the consolidated financial statements.

20. INTEREST IN AN ASSOCIATE

	Group		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Share of net assets	28,355	–	–
Goodwill	13,500	–	–
	41,855	–	–
Deposit paid for subscription of equity interest in the associate	490	–	–
	42,345	–	–

At the end of the reporting period, interest in an associate represents 22.35% *(2011: 12.06% classified under available-for-sale financial assets in note 19 to the consolidated financial statements)* equity interest in Veritas-Msi.

The following table illustrates the summarised financial information of the associate as of the end of the reporting period and for the respective period:

	RMB'000
Financial position at end of reporting period	
Total non-current assets	97,301
Total current assets	81,217
Total current liabilities	(6,228)
Total non-current liabilities	(45,422)
Net assets	126,868
Group's share of net assets of an associate	28,355

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20. INTEREST IN AN ASSOCIATE (CONTINUED)

	RMB'000
Post-acquisition operating results	
Turnover	33,327
Profit for the period	8,301
Group's share of post-acquisition results of the associate	1,855

The accounting policies adopted by the associate are consistent with the accounting policies adopted by the Group.

In March 2012, the Group further subscribed for 2.41% equity interest in Veritas-Msi, at an aggregate consideration of RMB490,000. The Group had fully paid for the consideration as at 31 March 2012. The approval of the subscription from the relevant PRC authority was obtained in April 2012, upon which the equity interest of the Group in Veritas-Msi is increased to 24.76%.

21. INVENTORIES

	Group		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Raw materials	23,147	40,847	18,001
Work-in-progress	15,256	20,938	12,627
Finished goods	14,182	14,658	4,367
	52,585	76,443	34,995

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22. TRADE AND OTHER RECEIVABLES

	Note	Group			Company		
		At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Trade and bills receivables from:							
Third parties		18,018	68,468	84,885	–	–	–
Related companies		34,725	15,690	–	–	–	–
Allowance for bad and doubtful debts		(172)	(35,221)	(35,142)	–	–	–
	(i)	52,571	48,937	49,743	–	–	–
Prepayments, deposits and other receivables		21,095	7,198	6,075	649	510	2,185
Loan to a subsidiary	(ii)	–	–	–	9,720	–	–
Due from an associate	(iii)	2,000	–	–	–	–	–
Due from a related company	(iv)	1,606	1,356	–	–	–	–
		24,701	8,554	6,075	10,369	510	2,185
		77,272	57,491	55,818	10,369	510	2,185

(i) Trade and bills receivables

The trade receivables from related companies including trade receivable from a related company of RMB34,467,000 *(2011: RMB15,572,000)* in respect of export arrangement, are unsecured and interest free. The related companies are companies in which the Company's director, Mr Li Li Xin, has beneficial interests.

During the year, the Group discounted bills receivable to a bank in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amounts of bills receivable and has recognised the cash received as secured bank borrowings and included in note 25 to the consolidated financial statements. At the end of the reporting period, the carrying amount of discounted bills receivable was RMB6,304,000 *(2011: RMB24,717,000)*. The carrying amount of the associated liabilities was RMB5,043,000 *(2011: RMB18,974,000)*.

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22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade and bills receivables (Continued)

At the end of the reporting period, the ageing analysis of trade and bills receivables (net of allowance for bad and doubtful debts) by invoice date is as follows:

	Group	
	2012 RMB'000	2011 RMB'000
0 – 30 days	34,722	28,716
31 – 60 days	14,728	12,235
61 – 90 days	2,517	7,470
Over 90 days	604	516
	52,571	48,937

At the end of the reporting period, the ageing analysis of the trade and bills receivables (net of allowance for bad and doubtful debts) by overdue date is as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Current	48,100	43,031
Less than 1 month past due	4,420	5,150
1 month to 2 months past due	38	254
Over 2 months past due	13	502
	4,471	5,906
	52,571	48,937

In general, the Group allows a credit period of 30 to 60 days to its trade customers. Included in the Group's trade receivables balance are debtors with a carrying amount of RMB4,471,000 *(2011: RMB5,906,000)*, which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable. These relate to a wide range of customers for whom there have been no recent history of default.

Allowance for bad and doubtful debts

At 31 March 2012, trade receivables of RMB172,000 *(2011: RMB35,221,000)* were impaired. During the year, the Group wrote off allowance for bad and doubtful debts of RMB33,365,000 *(2011: Nil)*, solely related to the receivables from the customers of the Group's sales division in the PRC, which were impaired in 2005 and not expected to be recoverable.

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Year ended 31 March 2012

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade and bills receivables (Continued)

Allowance for bad and doubtful debts (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2012 RMB'000	2011 RMB'000
At beginning of reporting period	(35,221)	(35,142)
Amount written-off	33,365	–
Exchange difference	1,684	(79)
At end of reporting period	(172)	(35,221)

The creation and release of provision for impaired receivables have been included in "administrative and other operating expenses" and "other income" respectively in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(ii) Loan to a subsidiary

The loan to a subsidiary is unsecured, interest-free and repayable in July 2012.

(iii) Due from an associate

The amount due from an associate is unsecured, interest-free and has no fixed repayment term.

(iv) Due from a related company

The amount due from a related company is unsecured, interest-free and has no fixed repayment term.

Name of related company	Connected director	Maximum amount outstanding during the year RMB'000	Group At 31 March 2012 RMB'000	Group At 1 April 2011 RMB'000
Ningbo Lisi Import and Export Company Limited	Li Li Xin	2,727	1,606	1,356

The amount due represents advances to the related company in respect of the import and export arrangements, details of which has been set out in notes 32(i) and 32(ii) to the consolidated financial statements. At the end of the reporting period, there was no provision made for non-repayment of the advances.

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Year ended 31 March 2012

23. BANK BALANCES AND CASH

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

24. TRADE AND OTHER PAYABLES

		Group			Company		
	Note	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Trade payables to:							
Third parties		36,456	51,701	41,831	–	–	–
A related company		4,485	7,711	9,133	–	–	–
	(i)	40,941	59,412	50,964	–	–	–
Accruals and other payables		36,114	28,029	38,432	3,322	3,427	4,247
Due to related companies	(ii)	35,583	24,063	5,985	–	–	–
Loan from a third party	(iii)	5,148	5,338	5,579	5,148	5,338	5,578
Loan from a related company	(iv)	40,000	40,000	–	–	–	–
Loan from/due to a shareholder	(v)	1,187	1,702	12,289	1,166	1,680	12,289
		118,032	99,132	62,285	9,636	10,445	22,114
		158,973	158,544	113,249	9,636	10,445	22,114

(i) Trade payables

An ageing analysis of the Group's trade payables by invoice date is set out below:

	Group	
	2012 RMB'000	2011 RMB'000
Less than 3 months	31,756	46,928
3 months to 6 months	7,138	9,336
6 months to 1 year	1,474	262
Over 1 year	573	2,886
	40,941	59,412

24. TRADE AND OTHER PAYABLES (CONTINUED)

(i) Trade payables (Continued)

The trade payable to a related company is unsecured, interest-free and has no fixed repayment term. The Company's director, Mr Li Li Xin has beneficial interest in the related company.

(ii) Due to related companies

The amounts due to related companies, in which Mr Li Li Xin has beneficial interest, are unsecured, interest-free and have no fixed repayment term. A related company which the Company owes RMB35,578,000 has agreed not to request repayment within the next twelve months of the end of the reporting period.

(iii) Loan from a third party

Loan from a third party was unsecured, interest-bearing at 7% per annum and repayable on 30 June 2012.

(iv) Loan from a related company

In August 2010, the Group entered into an entrusted loan agreement with a bank and a related company, in which the Company's director, Mr Li Li Xin, has beneficial interest. Pursuant to the entrusted loan agreement, the related company entrusted an amount of RMB40,000,000 (the "Fund") to the bank, which would arrange for advancement of the Fund to the Group as a short-term loan pursuant to the entrusted loan agreement. The loan is unsecured, interest-bearing at RMB base lending rate per annum and not repayable within the next twelve months of the end of the reporting period.

(v) Loan from/due to a shareholder

The loan from a shareholder brought forward from previous years of HK$2,000,000 (equivalent to RMB1,680,000) is unsecured, interest-bearing at HIBOR plus 2 to 3% per annum at the date of drawdown and repayable in June 2011, of which HK$560,000 (equivalent to RMB514,000) were repaid during the year. Upon the maturity of the loan in June 2011, the shareholder has agreed to extend the remaining HK$1,440,000 (equivalent to RMB1,166,000) with the same terms as the previous loan to 30 June 2012. Subsequent to the end of the reporting period, the shareholder has agreed not to request for repayment within the next twelve months of the end of the reporting period.

The remaining balance of HK$26,000 (equivalent to RMB21,000) represents amount due to a shareholder, which is unsecured, interest-free and has no fixed repayment term.

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25. BANK BORROWINGS

	Group		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Long-term interest-bearing borrowing, secured	102,000	118,000	100,200
Short-term interest-bearing borrowings			
Secured	30,000	–	–
Unsecured	30,000	–	–
Trade finance loans, secured	5,035	24,542	23,382
	167,035	142,542	123,582
Current portion	85,035	40,542	123,582
Non-current portion	82,000	102,000	–

The amounts due based on the scheduled repayment dates set out in the loan agreements would be as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Within 1 year	85,035	40,542
After 1 year but within 2 years	82,000	20,000
After 2 years but within 5 years	–	82,000
	167,035	142,542

The ranges of effective interest rates on the Group's borrowings are as follows:

	Group	
	2012	2011
Effective interest rate per annum		
Interest-bearing borrowings	6.3%-7.1%	5.0%-6.5%
Trade finance loans	2.5%-5.1%	2.3%-4.8%

25. BANK BORROWINGS (CONTINUED)

Bank borrowings are dominated in the following currencies:

	Group	
	2012 RMB'000	2011 RMB'000
Renminbi	162,000	118,000
US dollar	5,035	24,542
	167,035	142,542

The bank borrowings are secured by:

(a) the Group's leasehold land and buildings with a carrying value of approximately RMB110,346,231 *(2011: RMB128,885,000)*;

(b) the Group's deposits with nil carrying value *(2011: RMB907,000)*; and

(c) corporate guarantee of related companies, in which the Company's director, Mr Li Li Xin or Mr Xu Jin, has beneficial interest.

26. OBLIGATIONS UNDER FINANCE LEASES

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Amounts payable:						
Within one year	34	35	37	31	31	30
In the second to fifth years inclusive	25	62	102	25	58	93
	59	97	139	56	89	123
Future finance charges	(3)	(8)	(16)	–	–	–
Present value of lease obligations	56	89	123	56	89	123

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Year ended 31 March 2012

27. SHARE CAPITAL

	Group and Company					
	At 31 March 2012		At 31 March 2011		At 1 April 2010	
	No. of shares	RMB'000	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:						
At beginning and **end of reporting period, ordinary shares of HK$0.01 each**	10,000,000,000	84,000	10,000,000,000	84,000	10,000,000,000	84,000
Issued and fully paid:						
At beginning of reporting period, ordinary shares of HK$0.01 each	2,476,963,794	22,724	1,539,463,794	14,495	1,539,463,794	14,495
Issue of new shares	–	–	937,500,000	8,229	–	–
At end of reporting period, ordinary shares of HK$0.01 each	2,476,963,794	22,724	2,476,963,794	22,724	1,539,463,794	14,495

28. RESERVES

	Share premium	Capital redemption reserve	Translation reserve	Contributed surplus	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 28(i))		*(note 28(iv))*	*(note 28(iii))*		
Company						
At 1 April 2010	22,940	1,341	(12,416)	80,583	(46,266)	46,182
Profit for the year	–	–	–	–	17,332	17,332
Other comprehensive income						
Exchange differences arising from the translation into presentation currency	–	–	(8,232)	–	–	(8,232)
Total comprehensive income	–	–	(8,232)	–	17,332	9,100
Transactions with owners						
Issue of new shares	122,554	–	–	–	–	122,554
At 31 March 2011	145,494	1,341	(20,648)	80,583	(28,934)	177,836
At 1 April 2011	145,494	1,341	(20,648)	80,583	(28,934)	177,836
Loss for the year and total comprehensive loss for the year	–	–	–	–	(11,678)	(11,678)
At 31 March 2012	**145,494**	**1,341**	**(20,648)**	**80,583**	**(40,612)**	**166,158**

28. RESERVES (CONTINUED)

Note:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

(ii) The laws and regulations of the PRC require wholly foreign-owned enterprises ("WFOE") in the PRC to provide for certain statutory reserves, namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the statutory accounts.

The Group's subsidiaries in the PRC, which are WFOE, are required to allocate at least 10% of their after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiaries in the PRC. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the Board of Directors of the subsidiaries in the PRC.

10% of after-tax profit of a subsidiary in the PRC has been allocated to the general reserve for the years ended 31 March 2011 and 2012.

(iii) The contributed surplus of the Group represents 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 at the date of the Group reorganisation in 1995.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iv) The translation reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The translation reserve of the Company represents exchange differences arising from the translation into the presentation currency. The reserve is dealt with in accordance with the accounting policies set out in notes 3 and 4 to the consolidated financial statements.

(v) At 31 March 2012, the aggregate amount of reserves available for distribution to the equity holders of the Company comprising the contributed surplus and accumulated losses amounted to RMB39,971,000 *(2011: RMB51,649,000)*.

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29. DEFERRED TAXATION

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	Group					
	Assets			Liabilities		
	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Depreciation allowances	–	–	–	(8,322)	(8,444)	(2,101)
Tax losses	3,600	3,689	2,101	–	–	–
Deferred tax assets (liabilities)	3,600	3,689	2,101	(8,322)	(8,444)	(2,101)
Offsetting	(3,600)	(3,689)	(2,101)	3,600	3,689	2,101
Exchange difference	–	–	–	–	(21)	–
Net deferred tax assets (liabilities) at end of reporting period	–	–	–	(4,722)	(4,776)	–

Under the PRC Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the profits earned by the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

An associate is held directly by a wholly-owned subsidiary of the Group established in the PRC which is therefore not subject to the above-mentioned withholding tax.

Unrecognised deferred tax assets arising from

	Group	
	2012 RMB'000	2011 RMB'000
Deductible temporary differences	14,971	3,017
Tax losses	161,580	174,571
At end of reporting period	176,551	177,588

The tax losses of RMB133,160,000 *(2011: RMB126,185,000)* and deductible temporary differences of RMB800,000 *(2011: RMB875,000)* arising in Hong Kong have no expiry date under current tax legislation. The tax losses of RMB28,420,000 *(2011: RMB48,386,000)* and deductible temporary differences of RMB14,171,000 *(2011: RMB2,142,000)* arising in the PRC can be used to offset against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of these tax losses and deductible temporary differences because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

29. DEFERRED TAXATION (CONTINUED)

The unrecognised tax losses arising in the PRC at the end of the reporting period will expire as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Within one year	15,058	28,366
In the second to third years	4,962	15,058
In the third to fourth years	–	4,962
In the fourth to fifth years	–	–
In the fifth years inclusive	8,400	–
At end of reporting period	28,420	48,386

30. SHARE OPTION SCHEME

On 8 August 2002, a share option scheme was approved by the shareholders of the Company, under which the directors of the Company may, at their discretion, invite any full-time directors or employees of the Company or its subsidiaries to take up options at a nominal consideration of HK$1 for each option allotment to subscribe for ordinary shares in the Company, subject to a maximum of 10% of the issued share capital of the Company at the date of approval of the share option scheme. Each option will entitle the holder thereof to subscribe for one ordinary share of the Company and the subscription price is determined by the Board of Directors and shall be:

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

(2) the average of closing price of the Company's 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 Company's shares.

In September 2009 and August 2010, the Company refreshed its share option scheme (the "Refreshed Scheme") with the same terms as the previous share option scheme. Under the Refreshed Scheme, the maximum number of shares issued and to be issued upon the exercise of the share options granted under the share option scheme and any other share option schemes shall not in aggregate exceed 10% of the shares in issue as of the date of approval of the Refreshed Scheme.

No share options have ever been granted by the Company under the share options scheme since adoption.

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31. PENSION RETIREMENT OBLIGATIONS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000.

The Group's subsidiaries in the PRC also participated in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's PRC subsidiaries.

During the year, the amount of employer's contributions made by the Group to the defined contribution retirement schemes was approximately RMB2,453,000 *(2011: RMB1,718,000)*.

32. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Connected transactions

The following agreements entered into by Ningbo Lisi Household Products Company Limited ("Ningbo Lisi Household Products") in November 2009 have constituted continuing connected transactions of the Group since completion of the acquisition of Ningbo business in April 2010:

(i) Ningbo Lisi Household Products entered into an import agency agreement with a company owned by Mr Li Li Xin, a director and beneficial owner of the Company, for providing import agency services to Ningbo Lisi Household Products for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012. The related company would charge 0.6% of the gross transacted amount for each of the transaction handled. The maximum aggregate annual value (the "Annual Cap") of the gross transaction amount for the provision of import agency services from 1 April 2011 to 31 March 2012 is RMB75,600,000 *(2011: RMB63,000,000)*. The Group purchased raw materials with gross amount of RMB58,859,000 *(2011: RMB51,223,000)* and incurred import agency fee of RMB353,000 *(2011: RMB307,000)* during the year.

(ii) Ningbo Lisi Household Products entered into an export agency agreement with a company owned by Mr Li Li Xin for providing export agency services to Ningbo Lisi Household Products for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012. The related company would charge 1.5% of the gross transacted amount for each of the transaction handled. The Annual Cap of the export agency service fee for the provision of export agency services from 1 April 2011 to 31 March 2012 is RMB3,500,000 *(2011: RMB3,000,000)*. The Group incurred export agency fee of RMB2,088,000 *(2011: RMB1,600,000)* during the year.

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32. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Connected transactions (Continued)

(iii) Ningbo Lisi Household Products entered into a tenancy agreement with a company owned by Mr Li Li Xin for leasing certain factory space and office premises to Ningbo Lisi Household Products. The related company would charge a monthly rent of RMB418,986 *(2011: RMB418,986)*. The Annual Cap of the rental expenses for leasing the factory space and office premises from 1 April 2011 to 31 March 2012 is RMB5,027,826 *(2011: RMB5,027,826)*. The Group incurred rental expenses of RMB5,027,826 *(2011: RMB4,608,846)* during the year.

(iv) Ningbo Lisi Household Products entered into a value-added processing co-operation agreement with a company owned by Mr Li Li Xin to provide processing services to Ningbo Lisi Household Products. The related company would charge the prevailing market price for the provision of such services. No processing services had been provided to the Group for both years and therefore no service fees were incurred for both years.

Relevant disclosures about the above transactions which constitute continuing connected transactions have been made in the Directors' Report of this annual report.

Other related party transactions

Related party relationship	Nature of transaction	Group 2012 RMB'000	Group 2011 RMB'000
Key management personnel, including directors *	Salaries and allowances	2,361	2,510
	Contribution to defined retirement contribution scheme	50	40
		2,411	2,550
Companies owned by Mr Li Li Xin, a director of the Company and beneficial owner of the Company	Purchases	151	1,924
	Interest expenses on entrusted loan	2,443	1,192
	Other income	426	99
	Sales	4,766	1,952
	Guarantee for short-term bank borrowing granted to the Group	30,000	–
	Guarantee for long-term bank borrowing granted to the Group	135,000	135,000
A shareholder	Interest expenses on loans granted	126	402
A firm in which Mr Lau Kin Hon, a director of the Company is a partner	Company secretarial service fee	272	322

* *The remuneration of directors and key executives is reviewed by the Board having regard to the performance of individuals and market trends.*

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32. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions (Continued)

In November 2006, the Group entered into two agency agreements with its related companies, companies owned by Mr Xu Jin, a director and shareholder of the Company, and Mr Li Li Xin, a director and beneficial owner of the Company's shareholder, respectively for providing trade finance assistance in relation to the procurement of the Group's raw materials. The related companies would recover the charges and expenses incurred for the provision of such services from the Group.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, finance leases and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	Group			Company		
	Loans and receivables	Available-for-sale financial assets	Total	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2012						
Assets per statement of financial position						
Available-for-sale financial assets	–	75,481	75,481	–	–	–
Trade and other receivables	56,627	–	56,627	9,766	–	9,766
Bank balances and cash	11,073	–	11,073	139	–	139
	67,700	75,481	143,181	9,905	–	9,905

	Group Other financial liabilities	Company Other financial liabilities
	RMB'000	RMB'000
At 31 March 2012		
Liabilities as per statement of financial position		
Trade and other payables	157,306	9,636
Bank borrowings	167,035	–
Obligations under finance leases	56	–
	324,397	9,636

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

	Group			Company		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 31 March 2011						
Assets per statement of financial position						
Available-for-sale financial assets	–	82,690	82,690	–	–	–
Trade and other receivables	57,491	–	57,491	510	–	510
Pledged deposits	907	–	907	–	–	–
Bank balances and cash	14,592	–	14,592	14	–	14
	72,990	82,690	155,680	524	–	524

	Group	Company
	Other financial liabilities RMB'000	Other financial liabilities RMB'000
At 31 March 2011		
Liabilities as per statement of financial position		
Trade and other payables	158,544	10,445
Bank borrowings	142,542	–
Obligations under finance leases	89	–
	301,175	10,445

The main risks arising from the Group's financial instruments are credit risk, market risk (including interest rate risk and foreign currency risk) and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum. Management reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group resulting in a loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and bank balances.

A detailed discussion of the Group's credit risk in respect of trade and other receivables is set out in note 22 to the consolidated financial statements. The Group trades only with recognised, creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers the Group has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectability of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 66% *(2011: 54%)* and 97% *(2011: 96%)* of the total trade and bills receivables were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

At the end of the reporting period, the Company had a concentration risk of the amount due from subsidiaries of which 96% *(2011: 92%)* was due from a subsidiary.

The Group's bank balances are placed with credit-worthy banks in Hong Kong and in the PRC.

Market risk

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates at the end of the reporting period. The interest rates and terms of repayment of these borrowings have been disclosed in notes 24 and 25 to the consolidated financial statements.

Sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net profit would be decreased/increased by RMB2,050,000 *(2011: RMB1,842,000)*, but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all variable rate interest-bearing financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2011.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market risk (Continued)

(b) Foreign currency risk

Most of the Group business transactions were conducted in Hong Kong dollar, Renminbi and United States dollar. As at 31 March 2012, the Group's borrowings were denominated in Renminbi and United States dollar.

The Group considers the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation of Renminbi. Given that Renminbi is not an international currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group. However, as most of the Group's raw materials procurement were settled in United States dollar and Hong Kong dollar, and most of the Group's customers accepted the passing-on of the rising costs, to various extent, due to the appreciation of Renminbi, the effect arising from the relevant risk can be reduced.

Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at the date denominated in a currency other than the functional currencies of the group entities, and that all other variables, in particular interest rates, remain constant.

At the end of the reporting period, if an increase/a decrease of 5% *(2011: 10%)* of the foreign exchange rates was applied with all other variables held constant, the Group's net profit for the year would be decreased/increased by approximately RMB957,000 *(2011: RMB15,431,000)*.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next reporting period.

Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. For cash flows denominated in currencies other than Renminbi, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into Renminbi.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Group

	2012					2011				
	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000	1-3 years RMB'000	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000	1-3 years RMB'000
Trade and other payables	157,306	158,430	82,438	75,992	–	158,544	159,689	74,906	84,783	–
Bank borrowings	167,035	183,339	–	88,295	95,044	142,542	167,794	–	45,435	122,359
Obligations under finance leases	56	59	–	34	25	89	97	–	35	62
	324,397	341,828	82,438	164,321	95,069	301,175	327,580	74,906	130,253	122,421

Company

	2012				2011			
	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000
Other payables	9,636	9,750	3,322	6,428	10,445	10,574	3,427	7,147

Fair value

No financial assets or liabilities are stated at fair value. The directors consider that the carrying amount of financial assets and liabilities in the consolidated financial statements approximate their fair value.

34. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2012 and 2011.

Notes to the Consolidated Financial Statements

Year ended 31 March 2012

35. COMMITMENTS

(a) Capital expenditure commitments

	Group	
	2012 RMB'000	2011 RMB'000
Contracted but not provided for net of deposit paid for		
Capital injection to a subsidiary	12,150	12,600
Capital injection to an investee company	–	25,397
Acquisition of machinery and moulds	5,665	3,200
	17,815	41,197

(b) Commitments under operating leases

As lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Within one year	3,790	6,551
In the second to fifth years inclusive	–	3,925
	3,790	10,476

As lessor

The Group leases out a portion of its leasehold land and buildings under operating leases with average terms of two years. At the end of the reporting period, the future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Within one year	1,266	2,027
In the second to fifth years inclusive	352	150
	1,618	2,177

36. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has entered into a tenancy agreement with a company owned by Mr Li Li Xin, a director and beneficial owner of the Company, for leasing certain factory space and office premises to Ningbo Lisi Household Products for a term of three years commencing from 1 June 2012 to 31 May 2015. The related company would charge a monthly rent of RMB635,100. The transaction constitutes continuing connected transaction of the Group.

5-year Financial Summary

Year ended 31 March 2012

GENERAL INFORMATION

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

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	393,890	384,461	252,125	221,875	206,277
Profit before taxation	17,692	19,303	7,442	(9,578)	(15,568)
Income tax (charge) credit	(7,769)	(8,836)	165	–	10
Net profit (loss) for the year	9,923	10,467	7,607	(9,578)	(15,558)
Assets and liabilities					
Total assets	544,914	512,901	305,545	261,190	268,295
Total liabilities	(333,260)	(309,114)	(236,954)	(200,004)	(212,842)
Net assets	211,654	203,787	68,591	61,186	55,453

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

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