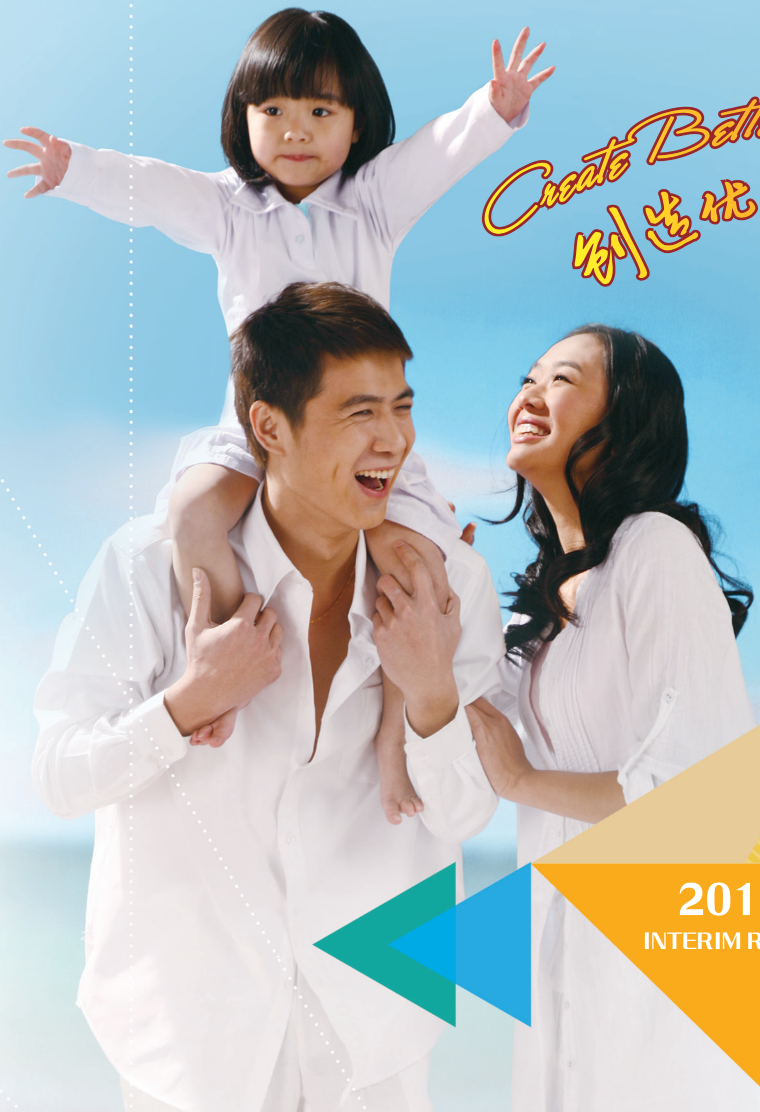
LISI GROUP (HOLDINGS) LIMITED
利時集團(控股)有限公司

(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



Create Better Living
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2013/2014
INTERIM REPORT
中期報告

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr LI Li Xin *(Chairman)*
Mr CHENG Jian He
(Chief Executive Officer)

Non-Executive Directors

Mr XU Jin
Mr LAU Kin Hon

Independent Non-Executive Directors

Mr HE Chengying
Mr SHIN Yick Fabian
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

WEBSITE ADDRESS

http://www.lisigroup.com.hk

PRINCIPAL BANKERS

Bank of Communications, Shenzhen and Ningbo Branches, the People's Republic of China (the "PRC")
Bank of Ningbo, PRC
China Construction Bank, 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

The board of directors (the "Board") of Lisi Group (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 (the "Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	4	**230,153**	183,326
Cost of sales		**(190,636)**	(139,391)
Gross profit		**39,517**	43,935
Other revenue	4	**3,901**	2,333
Other income	5	**473**	1,084
Selling and distribution expenses		**(12,709)**	(11,816)
Administrative and other operating expenses		**(55,756)**	(30,325)
Finance costs		**(11,395)**	(7,186)
Gain on a bargain purchase	12	**73,637**	–
Share of results of an associate		**2,558**	1,275
Profit (loss) before taxation	6	**40,226**	(700)
Income tax expense	7	**(3,236)**	(3,506)
Profit (loss) for the period		**36,990**	(4,206)
Other comprehensive (loss) income			
Exchange differences on translating foreign operations		**(607)**	319
Total comprehensive income (loss) for the period		**36,383**	(3,887)

	Note	Six months ended 30 September 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**37,248**	(4,206)
Non-controlling interests		**(258)**	–
		36,990	(4,206)
Total comprehensive income (loss) for the period attributable to:			
Owners of the Company		**36,641**	(3,887)
Non-controlling interests		**(258)**	–
		36,383	(3,887)
Earnings (loss) per share	9		
Basic		**1.34 cent**	(0.17) cent
Diluted		**1.24 cent**	(0.17) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**893,617**	83,881
Investment properties		**626,260**	175,600
Goodwill		**43,313**	43,313
Intangible assets		**20,436**	7,956
Interest in an associate		**43,234**	40,677
Available-for-sale financial assets		**84,881**	75,481
Prepayment		**11,215**	10,200
		1,722,956	437,108
Current assets			
Inventories		**186,380**	46,581
Trade and other receivables	10	**433,399**	34,165
Tax recoverable		**–**	1,178
Convertible bonds – option derivative	12	**97,786**	–
Bank balances and cash		**308,507**	9,207
		1,026,072	91,131
Current liabilities			
Trade and other payables	11	**531,321**	180,997
Tax payables		**4,485**	–
Current portion of bank borrowings		**500,947**	154,849
Current portion of obligations under finance leases		**8**	24
		1,036,761	335,870
Net current liabilities		**(10,689)**	(244,739)
Total assets less current liabilities		**1,712,267**	192,369
Non-current liabilities			
Long-term portion of bank borrowings		**351,650**	–
Convertible bonds	12	**234,363**	–
Deferred tax liabilities		**281,396**	8,157
		867,409	8,157
NET ASSETS		**844,858**	184,212
Capital and reserves			
Share capital		**36,138**	22,724
Reserves		**736,238**	161,488
Equity attributable to owners of the Company		**772,376**	184,212
Non-controlling interests		**72,482**	–
TOTAL EQUITY		**844,858**	184,212

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Equity attributable to owners of the Company											
	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Convertible bonds reserve	Translation reserve	Contributed surplus	Property revaluation reserve	Accumulated profit (loss)	Total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2012	22,724	145,494	4,060	1,341	–	(16,891)	56,236	–	(1,310)	211,654	–	211,654
Exchange differences on translating foreign operations	–	–	–	–	–	319	–	–	–	319	–	319
Loss for the period	–	–	–	–	–	–	–	–	(4,206)	(4,206)	–	(4,206)
Total comprehensive income (loss) for the period	–	–	–	–	–	319	–	–	(4,206)	(3,887)	–	(3,887)
At 30 September 2012 (unaudited)	22,724	145,494	4,060	1,341	–	(16,572)	56,236	–	(5,516)	207,767	–	207,767
At 1 April 2013	22,724	145,494	4,543	1,341	–	(16,921)	56,236	8,594	(37,799)	184,212	–	184,212
Exchange differences on translating foreign operations	–	–	–	–	–	(607)	–	–	–	(607)	–	(607)
Profit for the period	–	–	–	–	–	–	–	–	37,248	37,248	(258)	36,990
Total comprehensive (loss) income for the period	–	–	–	–	–	(607)	–	–	37,248	36,641	(258)	36,383
Transfer to statutory reserve	–	–	1,469	–	–	–	–	–	(1,469)	–	–	–
Acquisition of subsidiaries	13,414	395,734	–	–	142,375	–	–	–	–	551,523	72,740	624,263
At 30 September 2013 (unaudited)	**36,138**	**541,228**	**6,012**	**1,341**	**142,375**	**(17,528)**	**56,236**	**8,594**	**(2,020)**	**772,376**	**72,482**	**844,858**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash from(used in) operating activities	**27,772**	(62,891)
Net cash from(used in) investing activities	**269,893**	(2,248)
Net cash from financing activities	**1,513**	65,551
Net increase in cash and cash equivalents	**299,178**	412
Cash and cash equivalents as at 1 April	**9,207**	11,073
Effect of foreign exchange rate changes, net	**122**	45
Cash and cash equivalent as at 30 September	**308,507**	11,530

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's net current liabilities of RMB10,689 as at 30 September 2013. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations. The Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the Group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

Change 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.

3. SEGMENT INFORMATION

The directors of the Company 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, retail business, wholesale business and investment holding business segments 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.

Operating segments of the Group comprise the following:

Manufacturing and trading business:	Manufacturing and trading of plastic and metal household products
Retail business:	Managing the supermarket and department store operations
Wholesale business:	Managing the wholesale of wine and beverages and electrical appliances operations
Investment holding business:	Holding investments for dividend and investment income and capital appreciation

(a) Segment revenue and results

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

For the six months ended 30 September (unaudited)

	2013						2012			
	Manufacturing and trading business	**Retail business**	**Wholesale business**	**Investment holding business**	**Unallocated**	**Consolidated**	Manufacturing and trading business	Investment holding business	Unallocated	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue										
Revenue and net income from external customers	**167,486**	**37,833**	**22,544**	**-**	**-**	**227,863**	181,036	–	–	181,036
Investment and other income	**1,247**	**2,597**	**57**	**2,290**	**-**	**6,191**	2,333	2,290	–	4,623
Consolidated total revenue	**168,733**	**40,430**	**22,601**	**2,290**	**-**	**234,054**	183,369	2,290	–	185,659
Segment results	**(20,855)**	**(324)**	**3,396**	**2,290**	**(9,081)**	**(24,574)**	5,576	2,290	(2,655)	5,211
Finance costs	**(6,527)**	**(3,636)**	**(119)**	**(1)**	**(1,112)**	**(11,395)**	(5,783)	(1,167)	(236)	(7,186)
Gain on a bargain purchase	**-**	**-**	**-**	**-**	**73,637**	**73,637**	–	–	–	–
Share of results of an associate	**-**	**-**	**-**	**2,558**	**-**	**2,558**	–	1,275	–	1,275
Profit (Loss) before taxation	**(27,382)**	**(3,960)**	**3,277**	**4,847**	**63,444**	**40,226**	(207)	2,398	(2,891)	(700)
Income tax expense	**(2,812)**	**(324)**	**(100)**	**-**	**-**	**(3,236)**	(3,506)	–	–	(3,506)
Profit (Loss) for the period	**(30,194)**	**(4,284)**	**3,177**	**4,847**	**63,444**	**36,990**	(3,713)	2,398	(2,891)	(4,206)

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.

(b) Segment assets and liabilities

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

	At 30 September 2013 (Unaudited)					At 31 March 2013 (Audited)		
	Manufacturing and trading business	Retail business	Wholesale business	Investment holding business	Consolidated	Manufacturing and trading business	Investment holding business	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Restated)	*RMB'000*	*RMB'000*
Segment assets	1,223,410	1,184,073	113,983	8	2,521,474	409,026	–	409,026
Available-for-sale financial assets	-	-	4,000	80,881	84,881	–	75,481	75,481
Interest in an associate	-	-	-	43,234	43,234	–	40,677	40,677
Unallocated assets	-	-	-	-	99,439	–	–	3,055
Consolidated total assets					2,749,028			528,239
Segment liabilities	302,334	1,245,851	109,565	-	1,657,750	323,226	–	323,226
Unallocated liabilities	-	-	-	-	246,420	–	–	20,801
Consolidated total liabilities					1,904,170			344,027

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, convertible bonds - option derivative 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, convertible bonds and corporate liabilities as these liabilities are managed on a group basis.

(c) 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:

	Revenue		Non-current assets *	
	30 September		**30 September**	31 March
	2013	2012	**2013**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
United States of America	**113,323**	124,780	**–**	–
Canada	**1,456**	2,996	**–**	–
Hong Kong	**633**	5,480	**408**	498
PRC	**85,985**	11,455	**1,637,667**	361,129
Europe	**6,955**	16,334	**–**	–
Others	**25,702**	24,614	**–**	–
	234,054	185,659	**1,638,075**	361,627

* Non-current assets are other than financial instrument.

(d) Information about major customers

For the period ended 30 September 2013, there were two *(2012: two)* customers which contributed over 10% of total revenue to the Group's operating segment of manufacturing and trading of household products with revenue of RMB62,961,000 *(2012: RMB63,087,000)*.

4. TURNOVER AND REVENUE

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

	Six months ended 30 September	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Turnover		
Sale of goods	**220,310**	181,036
Net income from concession sales	**1,901**	–
Rental income	**3,064**	–
Dividend income	**2,290**	2,290
Other service fee income	**2,588**	–
	230,153	183,326
Other revenue		
Rental income from operating leases on land and buildings	**–**	2,139
Interest income	**2,247**	41
Others	**1,654**	153
	3,901	2,333
Total revenue	**234,054**	185,659

5. OTHER INCOME

	Six months ended 30 September	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	**–**	769
Sundry income	**473**	315
	473	1,084

6. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs		
Interest on bank borrowings wholly repayable within five years including an entrusted loan from a related company	**10,282**	6,952
Interest on loan from a shareholder wholly repayable within five years	**130**	50
Interest on loan from a related company wholly repayable within five years	**178**	182
Interest on convertible bonds	**804**	–
Finance charges on obligations under finance leases	**1**	2
	11,395	7,186
Other items		
Staff costs (excluding directors' emoluments)	**40,389**	42,794
Auditor's remuneration	**1,000**	421
Amortisation of intangible assets	**1,520**	1,264
Cost of inventories	**190,636**	139,391
Exchange (gain) losses, net	**(76)**	155
Depreciation of property, plant and equipment	**10,784**	8,692
Impairment loss provided on mould, property, plant and equipment	**20,047**	–
Operating lease charges on premises	**9,530**	2,977

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes in respect of operations in Hong Kong for the period *(2012: Nil)*. The PRC Enterprise Income Tax in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profit for the period based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend *(2012: Nil)* in respect of the Period.

9. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings per share for the Period is based on the net profit for the Period attributable to owners of the Company as follow:

	Six months ended 30 September	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share:		
Profit (loss) for the period attributable to owners of the Company	**37,248**	(4,206)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,774,231,554**	2,476,963,794
Effect of dilutive potential ordinary shares in respect of convertible bonds	**223,125,683**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**2,997,357,237**	2,476,963,794

10. TRADE AND BILLS AND OTHER RECEIVABLES

	Note	30 September 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Audited)
Trade and bills receivables from:			
Third parties		**61,943**	2,420
Related companies		**84,781**	23,351
Allowance for bad and doubtful debts		**(148)**	(170)
	(i)	**146,576**	25,601
Prepayments, deposits and other receivables		**176,425**	8,564
Due from related companies	(ii)	**110,398**	–
		286,823	8,564
		433,399	34,165

(i) Trade and bills receivables

Trade receivables from related companies, including trade receivable from a related company of RMB84,715,000 *(31 March 2013: RMB23,125,000)* 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 interest.

The Group allows an average credit period ranging from 30 days to 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	30 September 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Audited)
0 – 30 days	**126,413**	18,208
31 – 60 days	**2,448**	5,846
61 – 90 days	**13,444**	904
Over 90 days	**4,271**	643
	146,576	25,601

(ii) Due from related companies

The amount due from related companies was related to business operations and banking facilities arranged already before the acquisition of New JoySun Corp. ("New JoySun"). It was unsecured but interest-borne and would be settled after the expiry of the related banking facilities.

11. TRADE AND OTHER PAYABLES

	Note	30 September 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Audited)
Trade and bills payables from:			
Third parties		**294,166**	30,676
A related company		**5**	22
	(i)	**294,171**	30,698
Other payables and accruals		**161,823**	23,415
Due to related companies	(ii)	**69,968**	109,518
Loan from a third party	(iii)	**5,088**	5,088
Loan from/due to a shareholder	(iv)	**271**	12,278
		237,150	150,299
		531,321	180,997

(i) Trade payables

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

	30 September 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Audited)
Less than 3 months	**172,939**	21,756
3 months to 6 months	**118,130**	5,778
6 months to 1 year	**934**	2,050
Over 1 year	**2,168**	1,114
	294,171	30,698

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 the Company's director, Mr. Li Li Xin has beneficial interest, are unsecured and have no fixed repayment term.

(iii) Loan from a third party company

Loan from a third party was unsecured, interest-bearing at 7% per annum and repayable on 30 June 2014.

(iv) Loan from/due to a shareholder

The loan from a shareholder brought forward from previous years of HK$1,440,000 (equivalent to RMB1,166,000) is unsecured, interest-bearing at 3-month HIBOR plus 3% per annum at the date of drawdown and repayable in June 2013, of which HK$1,130,000 (equivalent to RMB918,000) were repaid during the year. The shareholder agreed to extend the due date of the remaining loan of HK$310,000 (equivalent to RMB251,000) to June 2014 with the other terms unchanged.

The remaining balance of HK$26,000 (equivalent to RMB20,000) represents amount due to a shareholder, which is unsecured, interest-free and has no fixed repayment term.

12. ACQUISITION OF SUBSIDIARIES

The acquisition was completed on 30 August 2013. Upon completion of the acquisition and pursuant to the Sale & Purchase Agreement, the Company allotted and issued 1,700,000,000 consideration shares and issued the consideration bonds in the principal amount of HK$382,800,000 to Shi Hui Holdings Limited ("Shi Hui").

Gain on a bargain purchase arising from the acquisition	*RMB'000* (Unaudited)
Consideration transferred *(note i)*	747,915
Plus: non-controlling interest	72,740
Less: fair value of identifiable net assets acquired *(note ii)*	(894,292)
Gain on a bargain purchase arising from the acquisition	(73,637)

A gain on a bargain purchase of approximately RMB73,637,000 being the excess amount of the fair value of the net identifiable assets of the Wealthy Honor Holdings Limited ("The Target Group") as at 30 August 2013 over the consideration paid as the acquisition had been completed on 30 August 2013.

notes:

(i) *Consideration transferred*

The consideration for the acquisition:	*RMB'000* (Unaudited)
Cash consideration *(note a)*	31,665
Consideration shares *(note b)*	409,148
Consideration convertible bonds *(note c)*	307,102
Total consideration	747,915

notes:

(a) In June 2013, the Group entered into a sale and purchase agreement with a third party to acquire the remaining 5% of New JoySun at at aggregate consideration of RMB31,665,000. Upon the completion of this acquisition, the Group will hold 100% equity interest in New JoySun.

(b) Based on the closing price of Shares HK$0.305 at 30 August 2013, the value of the Consideration Shares would be HK$518,500,000 (equivalent to approximately RMB409,148,000).

(c) The consideration convertible bonds with an aggregate principal amount of HK$382,800,000 was issued by the Company as part of the consideration for the acquisition. The fair values of the liability portion and option derivative of the consideration convertible bonds were approximately HK$297,001,000 (equivalent to approximately RMB234,363,000) and approximately HK$123,921,000 (equivalent to approximately RMB97,786,000). The fair values of the liability portion and option derivative of the consideration convertible bonds were calculated based on the valuation report issued by Roma Appraisals Limited, an independent professional valuer. The residual amount of approximately HK$216,100,000 (equivalent to approximately RMB170,525,000, representing the value of the equity conversion component, is included in the convertible bonds equity reserve of the owner's equity.

The fair values of the liability portion and option derivative of the consideration convertible bonds were calculated using the binomial option pricing model after considering the terms and conditions of the consideration convertible bonds. The inputs into the model were as follow:

Stock price (HK$)	0.305
Exercise price (HK$)	0.300
Discount rate (%)	12.403
Risk-fee rate (%)	0.613
Expected bond period (years)	3.001
Expected volatility (%)	65.296
Expected dividend yield (%)	0.000

The transaction cost directly attributable to the issue of consideration convertible bonds amounted to approximately HK$19,000 (equivalent to approximately RMB15,000). The equity portion of the consideration convertible bonds net of the transaction cost was approximately HK$216,081,000 (equivalent to approximately RMB170,510,000).

The adjustment of approximately RMB28,135,000 represents the deferred tax liability arising from the issue of the consideration convertible bonds at the Hong Kong profits tax rate of 16.5%.

(ii) *Assets acquired and liabilities recognized at the date of acquisition (fair values based on the valuation report issued by DTZ Debenham Tie Leung Limited, an independent professional valuer)*

	RMB'000 (Unaudited)
Property, plant and equipment	830,648
Investment properties	450,660
Intangible assets	14,000
Other assets	5,015
Inventories	123,329
Trade and other receivables	414,088
Bank balances and cash	312,647
Trade and other payables	(313,407)
Taxation payable	(3,781)
Bank borrowings	(694,300)
Deferred tax liabilities	(244,607)
	894,292

(iii) Net cash inflow arising on acquisition

	RMB'000 (Unaudited)
Cash and cash equivalent balances acquired	312,647
Less: consideration paid in cash	(31,677)
	280,970

The Target Group contributed one month of net loss attributable to owners of the Company and revenue of RMB995,000 and RMB63,031,000 respectively for the Period. As the acquisition of Target Group was completed on 30 August 2013, such revenue and profit have been consolidated in full in the condensed consolidated statement of comprehensive income.

13. COMMITMENTS

(a) Capital commitments

	30 September 2013 ***RMB'000*** **(Unaudited)**	31 March 2013 *RMB'000* (Audited)
Contracted but not provided for net of deposit paid for		
Capital injection to a subsidiary	**–**	–
Acquisition of machinery and moulds	**1,489**	2,159
	1,489	2,159

(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:

	30 September 2013 *RMB'000* (Unaudited)	31 March 2013 *RMB'000* (Audited)
Within one year	**36,071**	14,931
In the second to fifth years inclusive	**79,368**	20,204
After 5 years	**42,076**	–
	157,515	35,135

As lessor

At the end of the reporting period, the Group had total future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	30 September 2013 *RMB'000* (Unaudited)	31 March 2013 *RMB'000* (Audited)
Within one year	**28,073**	1,052
In the second to fifth years inclusive	**60,125**	875
After 5 years	**10,748**	–
	98,946	1,927

14. COMPARATIVE FIGURES

As a result of the application of HKAS 1, "Presentation of Financial Statements", and HKFRS 8, "Operating Segments", certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time for the period ended 31 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the period ended 30 September 2013 ("the Period"), the Group recorded a turnover of approximately RMB230.2 million, representing an increase of 25.6% when compared with the turnover of approximately RMB183.3 million reported for the corresponding period last year. Net profit for the Period was approximately RMB37.0 million, compared to a net loss of RMB4.2 million for the corresponding period last year. The Group's basic and diluted earnings per share were RMB1.34 cent and RMB1.24 cent respectively.

Liquidity and Financial Resources

As at 30 September 2013, the Group's net assets increased to RMB844.9 million, rendering net asset value per share at RMB20.23 cents. The Group's total assets at that date were valued at RMB2,749.0 million, including cash and bank deposits totaling approximately RMB308.5 million. Consolidated bank borrowings and other borrowings amounted to RMB500.9 and 75.3 million. Its debt-to-equity ratio (bank and other borrowings over total equity) has been decreased from 152.9% as at 31 March 2013 to 68.2% as at 30 September 2013.

Most of the Group business transactions were conducted in Renminbi ("RMB"), United States dollar ("USD") and Hong Kong dollar ("HKD"). As at 30 September 2013, the Group's borrowings were also denominated in RMB, USD and HKD.

Capital Structure

On 30 August 2013, the Company allotted and issued 1,700,000,000 consideration shares at the issue price of HK$0.30 per share and issued the consideration convertible bonds in the principal amount of HK$382,800,000 at the initial conversion price of HK$0.30 per share to Shi Hui, which is wholly owned by Big-Max Manufacturing Co., Limited, the majority shareholder of the Company. For details of this major change in the capital structure of the Company, please refer to the circular of the Company dated 22 May 2013.

As at 30 September 2013, the Group's major borrowings included loans provided by Bank of Communications, Shenzhen and Ningbo Branches, which had an outstanding balance of RMB500.9 million, other borrowings from a shareholder, related companies and a third party totaling RMB75.3 million. All of the Group's borrowings have been denominated in RMB, USD and HKD made on floating-rate and fixed-rate bases, of which borrowings of approximately RMB5.1 million were made on fixed rate.

Pledge of Assets

The Group's investment properties are with a carrying value of approximately RMB626.3 million as at 30 September 2013 and all investment properties 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 to improve operations efficiency and to meet customer needs and market demand. Sources of funding are expected to come primarily from trading revenue that the Group will generate from operations and alternative debt and equity financing.

Exposure to Foreign-Exchange Fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, HKD and USD. The Group considers the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation of RMB. Given that RMB is not yet an international hard currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group. However, as most of the Group's raw materials procurement for manufacturing business were settled in USD and HKD, and most of the Group's customers accepted the passing-on of the rising costs, to various extent, due to the appreciation of RMB, the effect arising from the relevant risk can be reduced. Looking forward, as the Chinese Government is driving RMB to get more internationalized and towards free floating in the coming years, we expect more hedging tools will be available in the currency market. The Group will monitor closely the development of currency policy of the Chinese Government and the availability of the hedging tools which are appropriate for the business operations of the Group in this respect.

Besides, with the recent acquisition of the domestic retail and wholesale business in Ningbo, China, the Group will have a relatively substantial portion of business which has both revenues and expenditures essentially in RMB. From this perspective, the currency exposure of the Group will be relatively diluted.

Segment Information

North America remained the Group's primary market, which accounted for 49.0% of total revenue. The remaining comprised of revenue from Europe 3.0%, Hong Kong 0.3%, China 36.7%, Taiwan 4.1% and others 6.9%.

Contingent Liabilities

As at 30 September 2013, the Company had no material contingent liabilities.

Investments in New Businesses

During the Period, our equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") remained at 24.76%. VMCL is an associate company of the Group. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

Another investment in new business in recent years is QL Electronics Co., Ltd. ("QLEC"). During the Period, our equity interest in QLEC was maintained at 8.54%. The core business of QLEC is in the development and manufacturing of semiconductor materials. As an investor, the Company is satisfied with the business performance and the dividend policy of QLEC.

The latest investment of the Company is the acquisition of 95% beneficiary interest in certain department stores and supermarket chain in Ningbo from substantial Shareholder which was approved by the Shareholders of the Company on 7 June 2013 and completed on 30 August 2013. Furthermore, on 21 June 2013, the Company also announced the acquisition of the remaining 5% beneficiary interest in those department stores and supermarket chain mentioned above from an independent party so that, upon completion of these two acquisitions, the department stores and supermarket chain became wholly owned by the Group. For details of this investment, please refer to announcement dated 5 March 2013, the circular dated 22 May 2013 and the announcement dated 21 June 2013 released by the Company.

The Directors consider the new businesses have good business prospects and growth potential. We are optimistic on the values of these investments and contribution of financial results brought to the Group in the future.

Employee Information

As at 30 September 2013, the Group employed a workforce of 2,605 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share-option scheme in force but no share option was granted during the Period.

Review of Operations

For the Period, the Group recorded a net profit of RMB37.0 million, compared to the net loss of RMB4.2 million for the corresponding period last year. This increase was primarily attributable to the acquisition of Target Group. Excluding the gain on a bargain purchase of subsidiaries of RMB73.6 million and the professional fees of RMB6.1 million spent for this acquisition, the Group recorded a net loss of RMB30.5 million.

Revenue

Total revenue increased by 26.1% to RMB234.1 million for the Period as compared with the same period of last year. Excluding one-month contribution by the newly acquired retail and wholesale business, the Group's total revenue for the Period would have been RMB171.1 million, representing a decrease of 7.9% as compared with the same period of last year.

Manufacturing and trading business

During the Period, the manufacturing and trading business contributed approximately RMB168.7 million to the total revenue of the Group, but the revenue of this segment decreased by RMB14.7 million when compared with the corresponding period last year of approximately RMB183.4 million. The loss of the Group for the Period was mainly caused by the termination of the manufacturing facilities in Shenzhen plant and relocation to Ningbo plus additional provision provided for moulds and equipment. This relocation had caused some disruption in the normal production scheduling and product delivery, some loss in orders from customers and higher administrative expenses such as increasing relocation expenses. The manufacturing business is still in the process of recovery from the adverse impact of plant relocation. While we are pleased with the positive development from the consolidation of the manufacturing facilities of the Group in one location, the management team of the manufacturing business is still working to rectify the slow pace of the recovery of the orders of some individual customers.

Retail and Wholesale Business

The recent acquisition of retail and wholesale businesses in Ningbo, PRC, managed to contribute only one month's revenue RMB40.4 million and RMB22.6 million respectively during the Period.

Investment holding Business

Dividend income has been RMB2.3 million during the Period.

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 exploration of relocation of its production facilities (or part of them) to lower cost areas, the Group will step up its efforts to explore new products. Besides, the Group will also enlarge our customer base in both existing and emerging markets.

We shall also monitor closely the volatility of global financial markets, the extension or withdrawal of quantitative easing measures and anti-inflation actions in the 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

Relocation of the Group's manufacturing plant in Shenzhen to Ningbo, PRC, was completed in October 2012. The manufacturing facilities of household products of the Group is now consolidated in one location in Ningbo and this will benefit the business operations in terms of efficiency improvement in management resources and synergies in scale procurement and production operations. Regarding the vacant site in Shenzhen ("Shenzhen Site") after the relocation, the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC has approved the change of primary use of the Shenzhen Site to residential and commercial use. The Company is negotiating with the government to finalize the floor area ratio and the land premium. The Company is also considering further development of the Shenzhen Site in accordance with the relevant laws and regulations in order to better utilize 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 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

Further to the investments in QLEC and VMCL, the acquisition of retail and wholesale business in Ningbo has been completed on 30 August 2013. The consideration of HK$892,800,000 was settled by the issuance of new shares and convertible bonds. The acquisition of the remaining 5% beneficiary interest from an independent party was completed at the consideration of RMB31,665,000 settled by internal financial resources of the Group. As disclosed in the accountants' report in the circular dated 22 May 2013 released by the Company, in 2012 this retail and wholesale business achieved over RMB844 millions sales turnover and over RMB40 millions profit after tax and generated RMB116 millions net cash from operations with net assets of RMB428 millions. After completion of this acquisition, the management expects the retail business of department stores and supermarkets and wholesale business will bring very positive impact on the financial results, the asset base and the cash flow generation of the Group and thus the market capitalization of the Company.

In the future 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.

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

As at 30 September 2013, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name 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*	3,050,493,014	73.03%
Mr Xu Jin	Personal	253,837,198	6.08%

Note 1: Mr Li Li Xin's interest in 3,050,493,014 shares is held as to 5,892,000 shares personally, 15,620,000 shares through his spouse Jin Ya Er, 1,328,981,014 shares through Big-Max Manufacturing Co., Limited ("Big-Max") and 1,700,000,000 shares through Shi Hui Holdings Limited which is wholly-owned by Big-Max. The issued share capital of Big-Max is beneficially owned as to 90% by Mr Li Li Xin and as to 10% by his spouse, Jin Ya Er.

All interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, as at 30 September 2013, none of the directors of chief executives of the Company had any interests or short position in the shares, underlying shares of 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.

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

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the directors and chief executives of the Company as at 30 September 2013, the register of substantial shareholders maintained under Section 336 of Part XV of the SFO by the Company recorded no other interests of short positions in shares of the Company being 5% or more of the Company's issued share capital.

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group and discussed internal controls, auditing and financial reporting matters including a review of the unaudited consolidated financial statements for the period ended 30 September 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the period ended 30 September 2013 saved for the following:

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

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the period ended 30 September 2013.

PUBLICATION OF THE FURTHER INFORMATION

The 2013/2014 interim report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
Li Li Xin
Chairman

Hong Kong, 29 November 2013

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