LISI GROUP (HOLDINGS) LIMITED
利 時 集 團（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 526)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2011

AUDITED RESULTS

The board of directors (the "Director(s)") of Lisi Group (Holdings) Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011 with comparative figures of the previous corresponding year are as follows:

Consolidated Statement of Comprehensive Income
Year ended 31 March 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	3	**457,691**	287,224
Cost of sales		**(355,006)**	(223,724)
Gross profit		**102,685**	63,500
Other revenue	3	**2,916**	1,785
Other income	4	**11,293**	2,782
Selling and distribution expenses		**(23,561)**	(11,398)
Administrative and other operating expenses		**(58,433)**	(39,976)
Finance costs	5	**(11,921)**	(8,215)
Profit before taxation	5	**22,979**	8,478
Income tax (expense) credit	6	**(10,520)**	188
Profit for the year		**12,459**	8,666
Other comprehensive income, net of tax			
Exchange differences on translating foreign operations		**2,999**	–
Total comprehensive income for the year attributable to owners of the Company		**15,458**	8,666
Earnings per share			
Basic and diluted	7	**HK0.52 cent**	HK0.56 cent

Consolidated Statement of Financial Position
At 31 March 2011

	Note	**2011** ***HK$'000***	2010 *HK$'000*
Non-current assets			
Property, plant and equipment		**267,097**	232,213
Goodwill		**51,563**	–
Available-for-sale financial assets		**98,441**	–
Intangible assets		**15,600**	–
		432,701	232,213
Current assets			
Inventories		**91,004**	39,866
Trade and bills and other receivables	8	**68,441**	63,589
Pledged deposits		**1,079**	–
Bank balances and cash		**17,371**	12,412
		177,895	115,867
Current liabilities			
Trade and other payables	9	**188,743**	129,014
Tax payables		**3,765**	–
Current portion of bank borrowing, secured		**48,265**	140,786
Current portion of obligations under finance leases		**36**	34
		240,809	269,834
Net current liabilities		**(62,914)**	(153,967)
Total assets less current liabilities		**369,787**	78,246
Non-current liabilities			
Obligations under finance leases		**69**	106
Long-term portion of bank borrowing, secured		**121,429**	–
Deferred tax liabilities		**5,686**	–
		127,184	106
NET ASSETS		**242,603**	78,140
Capital and reserves			
Share capital		**24,770**	15,395
Reserves		**217,833**	62,745
TOTAL EQUITY		**242,603**	78,140

1. PRINCIPAL ACCOUNTING POLICIES

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 individual 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 2010 consolidated financial statements except for the adoption of the following new/revised HKFRSs effective from the current year that are relevant to the Group.

Adoption of new/revised HKFRSs

HKFRS 3 (Revised): *Business Combinations/Improvements* to HKFRSs 2009 with amendments to HKFRS 3 (Revised)

The revised standard introduces a number of major changes including the following:

- acquisition-related transaction costs, other than share and debt issue costs, to be expensed as incurred;
- existing interest in the acquiree to be remeasured at fair value, with the gain or loss recognised in profit or loss, upon subsequent changes in ownership interests;
- non-controlling interest in the acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree;
- contingent consideration to be recognised at fair value at the acquisition date; and
- goodwill to be measured at the excess of the aggregate of the acquisition-date fair value of the acquirer's interest in the acquiree and the amount of any non-controlling interest over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed from the acquisition.

The Improvements to HKFRSs 2009 contains amendments to clarify the measurement of the fair value of an intangible asset acquired in a business combination and to permit the grouping of intangible assets as a single asset if each asset has a similar useful economic life.

The Group amended its accounting policies in relation to business combinations in order to bring them in line with the requirements under HKFRS 3 (Revised). The new accounting policies are set out in the notes below. In accordance with the relevant transitional provisions in HKFRS 3 (Revised), the Group has applied these new policies prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The adoption of the improvements/revised standards did not have significant impact on the consolidated financial statements for the year ended 31 March 2011.

HKAS27 (Revised): *Consolidated and Separate Financial Statements*

The revised standard requires accounting for changes in the ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the Group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in profit or loss. This principle is also extended to a disposal of an associate through the consequential amendments to HKAS 28 *Investment in Associates*. The adoption of the revised standard did not have material impact on the consolidated financial statements of the Group for the year ended 31 March 2011.

HK – Int 5: *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The interpretation concludes that, if a term loan (i.e. a loan that is repayable on a specified date or in installments over a specified period, usually in excess of one year) has a demand clause (i.e. a clause that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion) in its term, the loan shall be classified by the borrower as a current liability in the statement of financial position. Similarly, the amounts repayable under such a term loan shall be classified in the earliest time bracket in the contractual maturity analysis as required to be disclosed under HKFRS 7: *Financial Instruments: Disclosures.* The adoption of this interpretation has no impact on the financial position of the Group as the Group's term loans do not have a demand clause.

2. BASIS OF PREPARATION

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 2011.

In preparing the consolidated financial statements for the year ended 31 March 2011, the Directors 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, including obtaining continuing support from its banks and the shareholders of the Company (the "Shareholder(s)"). The majority Shareholders are ready to extend those loans/advances to the Group if the Group continues to have such funding requirements.

ii) From time to time, the Group negotiates with their suppliers for more favourable credit terms. Meanwhile, credits period granted to customers is reviewed regularly in order to determine if any revision is needed.

iii) Credit limits of export credit insurance had been granted by China Export & Credit Insurance Corporation in May 2009 for facilitating a trade finance facilities of USD5,000,000 from a PRC bank in August 2009.

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

v) In April 2010, the Group completed the issue of 937,500,000 shares to Big-Max Manufacturing Co. Ltd ("Big Max"). at a consideration of HK$150,000,000 in cash. The issue of share capital strengthened the Group's financial resources to pursue good investment opportunities that will benefit the Group with good financial results and/or appreciation of investment value in the long run.

vi) Since the change of the management of the Company (the "Management") in March 2006, the Group has committed substantial efforts in improving the production efficiency, cost effectiveness and sales impetus and the readiness to lesson the challenges of escalating material price 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 reductions in both direct input and overheads, improved margin management and sales turnover.

vii) 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. With the newly established outsourcing unit and other continuous improvement in organisation, controls and productivity, any substantial sales increment could be comfortably accommodated without further substantial capital investment.

viii) The Management expects that the good business and financial performance of a plant in Ningbo (acquisition completed only on 30 April 2010) will provide steady positive cashflow to the Group in the medium and long term.

3. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has only one operating segment of manufacturing and trading of household products. Therefore, no segmental revenue, results, assets and liabilities are presented.

(a) Geographic information

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location of revenue and the non-current assets respectively are detailed below:

	Revenue		**Non-current Assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**337,772**	231,035	**–**	–
Canada	**10,253**	6,671	**–**	–
Hong Kong	**37,009**	20,468	**680**	551
PRC	**5,499**	2,103	**432,021**	231,662
Europe	**33,130**	8,256	**–**	–
Others	**36,944**	20,476	**–**	–
	460,607	289,009	**432,701**	232,213

(b) Information about major customers

For the year ended 31 March 2011, there were two *(2010: one)* customers which contributed over 10% of total revenue to the Group's sole operating segment of manufacturing and trading of household products with revenue of HK$245,967,000 *(2010: HK$207,278,000)*.

4. OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Gain on disposal of property, plant and equipment, net	**1,593**	2,379
Reversal of impairment loss on property, plant and equipment, net	**6,500**	–
Write-off of other payables	**2,703**	403
Others	**497**	–
	11,293	2,782

5. PROFIT BEFORE TAXATION

This is stated after charging:	2011 *HK$'000*	2010 *HK$'000*
Finance costs		
Interest on bank borrowings wholly repayable within five years	**10,953**	6,939
Interest on loan from a shareholder wholly repayable within five years	**479**	603
Interest on loan from a third party/a related company wholly repayable within five years	**431**	446
Interest on advance from related companies wholly repayable within five years	**50**	102
Finance charges on obligations under finance leases	**8**	85
Other interest expenses	**–**	40
	11,921	8,215
Other items		
Staff costs (excluding directors' emoluments):		
Wages and salaries	**71,574**	46,958
Termination benefits	**1,002**	182
Contributions to retirement schemes	**2,045**	1,080
	74,621	48,220
Auditor's remuneration	**770**	550
Allowance for inventory obsolescence	**596**	456
Amortisation of intangible assets	**2,800**	–
Cost of inventories	**355,006**	223,724
Depreciation of property, plant and equipment	**20,022**	13,397
Exchange losses, net	**8,957**	444
Operating lease charges on premises	**7,237**	997
Impairment loss of property, plant and equipment	**–**	5,173

6. 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% on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. PRC Enterprise Income Tax has not been provided in 2010 as the PRC subsidiaries' estimated assessable profit are wholly absorbed by unrelieved tax losses brought forward from previous years.

	2011	2010
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax		
Current year	**9,459**	–
Overprovision in prior year	**–**	(188)
	9,459	(188)
Deferred taxation		
Origination of temporary difference	**1,061**	–
Total tax charge (credit) for the year	**10,520**	(188)

Reconciliation of effective tax rate

	2011	2010
	%	*%*
Applicable tax rate	**32**	17
Non-deductible expenses	**13**	9
Tax exempt revenue	**(1)**	–
Unrecognised temporary differences	**1**	9
Unrecognised tax losses	**13**	35
Utilisation of previously unrecognised tax loss	**(9)**	(73)
Recognition of previously unrecognised deferred tax assets	**(3)**	(10)
Differences in overseas tax rates	**–**	13
Overprovision in prior years	**–**	(2)
Others	**(1)**	–
Effective tax rate for the year	**45**	(2)

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

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit of HK$12,459,000 *(2010: HK$8,666,000)* attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares of 2,402,477,000 *(2010: 1,539,464,000)* shares in issue during the year.

Diluted earnings per share for 2011 and 2010 is the same as basic earnings per share as the Company had no dilutive potential ordinary shares for 2011 and 2010.

8. TRADE AND BILLS AND OTHER RECEIVABLES

	Note	**2011** **HK$'000**	2010 *HK$'000*
Trade and bills receivables from:			
Third parties		**81,510**	96,702
Related companies		**18,679**	–
Allowance for bad and doubtful debts		**(41,931)**	(40,034)
	(i)	**58,258**	56,668
Prepayments, deposits and other receivables		**8,569**	6,921
Due from a related company	(ii)	**1,614**	–
		10,183	6,921
		68,441	63,589

(i) Trade and bills receivables

The trade receivables from related companies, including trade receivable from a related company of HK$18,538,000 in respect of export arrangement, are unsecured and interest free. The related companies are companies in which the Director, Mr. Li Li Xin, has beneficial interest.

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. At the end of the reporting period, the carrying amount of discounted bills receivable is HK$29,425,000 *(2010: HK$35,519,000)*. The carrying amount of the associated liability is HK$22,588,000 *(2010: HK$26,639,000)*.

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:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**34,185**	27,483
30 – 60 days	**14,565**	17,021
61 – 90 days	**8,893**	11,058
Over 90 days	**615**	1,106
	58,258	56,668

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:

	2011	2010
	HK$'000	*HK$'000*
Current	**51,228**	48,370
Less than 1 month past due	**6,131**	8,173
1 month to 2 months past due	**302**	4
Over 2 months past due	**597**	121
	7,030	8,298
	58,258	56,668

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 HK$7,030,000 *(2010: HK$8,298,000)*, 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

As at 31 March 2011, trade receivables of HK$41,931,000 *(2010: HK$40,034,000)* were impaired. The impaired receivables mainly related to unsuccessful collection of receivables from the customers of the Group's sales division in the PRC, which were impaired in 2005 and were not expected to be recovered.

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

	2011	2010
	HK$'000	*HK$'000*
At beginning of reporting period	**(40,034)**	(41,928)
Amount written-off	**–**	1,894
Exchange difference	**(1,897)**	–
At end of reporting period	**(41,931)**	(40,034)

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) Due from a related company

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

Name of related company	**Connected director**	**Maximum amount outstanding during the year**	**At 31 March 2011**	**At 31 March 2010**
		HK$'000	*HK$'000*	*HK$'000*
Ningbo Lisi Import and Export Company Limited	Li Li Xin	2,554	1,614	–

The amount due represents the advances to a related company in respect of import and export arrangements. At the end of the reporting period, there was no provision made for non-repayment of the advances.

9. TRADE AND OTHER PAYABLES

	Note	2011 HK$'000	2010 HK$'000
Trade payables to:			
Third parties		**62,695**	47,655
A related company		**8,034**	10,404
	(i)	**70,729**	58,059
Other payables and accruals		**33,368**	43,782
Due to/advance from related companies	(ii)	**28,646**	6,818
Loan from a third party/a related company	(iii)	**6,355**	6,355
Loan from a related company	(iv)	**47,619**	–
Loan from/due to a shareholder	(v)	**2,026**	14,000
		118,014	70,955
		188,743	129,014

(i) Trade payables

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

	2011 HK$'000	2010 HK$'000
Less than 3 months	**55,867**	36,171
3 months to 6 months	**11,114**	10,918
6 months to 1 year	**312**	1,788
Over 1 year	**3,436**	9,182
	70,729	58,059

The trade payable to a related company is unsecured, interest-free and has no fixed repayment term. The Director, Mr. Li Li Xin has beneficial interest in the related company as at 31 March 2011 and 2010.

(ii) Due to/advance from related companies

HK$6,818,000 advance from related companies, in which Director, Mr. Li Li Xin has beneficial interest, was unsecured, interest-bearing at 6% p.a. and was fully repaid during the year. The amounts due to related companies, in which Mr. Li Li Xin has beneficial interest, were unsecured, interest-free and have no fixed repayment term.

(iii) Loan from a third party/a related company

As at 31 March 2010, the loan from a related company, in which the Director, Mr. Xu Jin has beneficial interest, was unsecured, interest-bearing at 7% per annum and repayable in May 2010.

During the year ended 31 March 2011, the related company transferred the title of the loan of US$820,000 (equivalent to approximately HK$6,355,000) to a third party upon the maturity of the loan in May 2010. The third party has agreed to extend its loan with the same terms as the previous loan to 30 June 2011.

(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 Director, Mr. Li Li Xin, has beneficial interest. Pursuant to the entrusted loan agreement, the related company entrusted an amount of RMB40,000,000 (equivalent to approximately HK$47,619,000 (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 repayable in August 2011.

(v) Loan from/due to a Shareholder

The loan from a Shareholder brought forward from previous years of HK$14,000,000 are unsecured, interest-bearing at HIBOR plus 2 to 3% per annum at the date of drawdown and repayable in August 2010, of which HK$12,000,000 were repaid during the year. Upon the maturity of the loan in August 2010, the Shareholder has agreed to extend the remaining HK$2,000,000 with the same terms as the previous loan to 30 June 2011. The remaining balance of HK$26,000 represents amount to the Shareholder, which is unsecured, interest-free and have no fixed repayment term.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK$457.7 million, representing an increase of 59.3% when compared with the turnover of HK$287.2 million reported for last year. Net profit for the year increased by 43.7% to HK$12.5 million, compared to a net profit of HK$8.7 million for last year. The Group's basic earnings per share was HK$0.52 cents.

Acquisitions

On 30 April 2010, the Group completed the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo from Big-Max, a substantial Shareholder, for a consideration of HK$90 million. For details of this acquisition, please refer to the circular of the Company dated 31 March 2010.

On 28 December 2010, Ningbo Lisi Information Technology Ltd. ("Ningbo I.T.") a wholly owned subsidiary of the Company, completed the acquisition of an aggregate of 8.826% equity interest in QL Electronics Co., Ltd. ("QLEC") at an aggregate consideration of approximately RMB68.1 million. QLEC is one of the leading semiconductor suppliers in China. For details of this acquisition, please refer to the announcements of the Company dated 13 August 2010 and 7 January 2011.

On 25 October 2010, Ningbo I.T. entered into a share transfer agreement and a capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, will have 24.76% interest in the registered capital of Veritas-Msi (China) Co., Ltd. ("VMCL") at a total consideration of RMB40 million. On 15 December 2010, the share transfer agreement was executed and the acquisition of 12.06% equity interest in VMCL was completed. As of the date of this annual results announcement, the capital increase of VMCL (which will increase the equity interest of Ningbo I.T. in VMCL further to 24.76%) is still in the process of handling the necessary legal procedures. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry. For details of this acquisition, please refer to the announcement of the Company dated 25 October 2010.

Liquidity and Financial Resources

As at 31 March 2011, the Group's net assets increased to HK$242.6 million, rendering net asset value per share at HK9.8 cents. The Group's total assets at that date were valued at HK$610.6 million, including cash and bank deposits totaling approximately HK$17.4 million. Consolidated borrowings amounted to HK$169.7 million. The Company had increased share capital during the period and its debt-to-equity ratio (bank and other borrowings over total equity) has been decreased from 215.1% as at 31 March 2010 to 104.9% as at 31 March 2011.

Capital Structure

On 30 April 2010, the Company completed the share subscription and 937,500,000 new shares at the subscription price of HK$0.16 per share were issued and alloted to Big-Max, a substantial Shareholder, at a total cash consideration of HK$150,000,000. For details of the share subscription, please refer to the circular of the Company dated 31 March 2010.

As at 31 March 2011, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of HK$140.5 million, other bank borrowings of HK$29.2 million and advance and borrowings from a Shareholder, related companies and a third party totalling HK$84.6 million. All of the Group's borrowings have been denominated in Hong Kong dollar, U.S. dollar and PRC Renminbi made on a floating-rate and fixed rate basis.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK$153.4 million as at 31 March 2011 (31 March 2010: HK$164.9 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 utilisation 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.

Exposure to Foreign-Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollar, PRC Renminbi and U.S. dollar. As far as the Hong Kong dollar remains pegged to the U.S. dollar and the PRC government takes prudent and gradual measures against the appreciation of Renminbi, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of Renminbi widely expected in the foreign exchange market. 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.

As at 31 March 2011, the Group had no financial instrument for foreign exchange hedging purposes. However, the Group would continue to monitor closely the Renminbi currency fluctuation and adopt appropriate measures available in the market to address the business needs and to manage the impact of exchange rate risk.

Segment Information

North America remained the Group's primary market, which accounted for 75.6% of total revenue. The remaining comprised of revenue from Europe (7.2%), Hong Kong (8.0%) and others (9.2%).

Contingent Liabilities

As at 31 March 2011, the Company had no material contingent liabilities.

Employee Information

As at 31 March 2011, the Group employed a workforce of 2,038 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 year ended 31 March 2011.

Review of Operations

During the year ended 31 March 2011, the Group recorded a net profit of HK$12.5 million. Driven by increase in sales and contribution from newly acquired business, the results have been improved as compared to the net profit of HK$8.7 million last year. However, there are challenges in managing the costs due to the price increase of raw materials in the global market and the rise of the local production costs in our China factories (as a result of both RMB appreciation and local cost increases).

The Group has taken actions to manage local purchase costs and improve production efficiency on the one hand and negotiate with our customers for price increase on the other hand. Besides, the Group continues to focus on selling products of higher margin and exploring new markets and segments with growth potential.

The increase in finance costs by HK$3.7 million as compared with last year was mainly due to increase in bank borrowings and rise in the interest rate in the market.

PROSPECTS

The Group will continue its cost control measures and business strategy of focusing on higher margin products and customers that have successfully improved the Group's business and financial performance in recent years even given the challenging and volatile market environment after the outbreak of financial tsunami in 2008 and the subsequent quantitative easing measures adopted by major global economies. 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 businesses. The Group took initiative and will 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 in the global economic recovery.

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

Further Strengthening the Leading Role in the Market of Household Products

With the completion of the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo on 30 April 2010, this has contributed important immediate growth in the existing household product business of the Group and further strengthened the leading role of the Company in the market. The synergies from larger customer base, increased production efficiency and more comprehensive range of household products will further improve the financial performance of the Group.

Expanding into New Businesses with High Growth Potential

In the year ended 31 March 2011, the Group also had good progress in diversifying its business into new areas with high growth potential.

On 28 December 2010, Ningbo I.T. completed the acquisition of an aggregate of 8.826% equity interest in QLEC. QLEC is one of the leading semiconductor suppliers in China and strong in the research and development of single crystal silicon ingot, polished wafer, epiwafer and new type semiconductor material. The Directors are optimistic about the prospect of QLEC and consider this acquisition as the commencement of the business diversification of the Group and the business expansion into high growth and high value-creation businesses.

On 25 October 2010, Ningbo I.T. entered into a share transfer agreement and a capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, will have 24.76% interest in the registered capital of VMCL. On 15 December 2010, the share transfer agreement was executed and the acquisition of 12.06% equity interest in VMCL was completed. The subsequent capital increase of VMCL (which will increase our equity interest in VMCL further to 24.76%) is still in the process of handling the necessary legal procedures. VMCL is a technology development company specialised in separation technology and multiphase measurement sciences for the oil and gas industry. Its core business is to support their customers in prospecting oil and natural gas well and provide accurate, reliable and instant measuring methodology in oil and gas for the purpose of productivity improvement and cost reduction in oil and gas exploration. The Directors consider VMCL is a good fit to the business strategy of the Group to drive for business growth and profit generation.

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.

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed 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 audited consolidated financial statements for the year ended 31 March 2011, in conjunction with the Company's external auditor.

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

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the year ended 31 March 2011.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditor, Mazars CPA Limited ("the Auditor") to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2011. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF THE FURTHER INFORMATION

The 2011 annual 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, 24 June 2011

As at the date of this announcement, the Board comprises Mr. Li Li Xin (Chairman), Mr. Cheng Jian He being executive Directors, Mr. Xu Jin and Mr. Lau Kin Hon being non-executive Directors, Mr. He Chengying, Mr. Chan Man Sum Ivan and Mr. Cheung Kiu Cho Vincent being independent non-executive Directors.