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

(formerly known as Magician Industries (Holdings) Limited) (前稱通達工業(集團)有限公司)
(incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)
Stock Code 股份代號：526

ANNUAL REPORT 2011 年報

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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

Flat A, 2/F, Yeung Yiu Chung (No.6)
Industrial Building, 19 Cheung Shun Street
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 43, 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 20 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" promotional programme by the People's Government of Ningbo City. He was appointed as non-executive Director and chairman of the Group in September 2008.

EXECUTIVE DIRECTOR

Mr CHENG Jian He, aged 45, is the Chief Executive Officer of the Group. Mr Cheng has over 22 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. 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 45, 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 43, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 19 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 48, 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 37, 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. Currently Mr Chan is working in an investment bank. Prior to his current occupation, he was a chief financial officer of a listed company. Mr Chan has over 13 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 35, 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 director of an international corporate valuation and advisory company. Mr Cheung has over 14 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 41, is currently the General Manager of 寧波利時日用品有限公司 (Ningbo Lisi Houseware Co. Limited), which was acquired by the Group in 2010. Ms. Jin is responsible for sales and operations management. She holds an Executive Master of Business Administration degree from Fudan University. She has over 15 years experience in development and sales of household products and sundries. She joined Ningbo Lisi Houseware Co. Limited in 1998.

Mr PUN Kam Wai Peter, aged 49, is the Chief Financial Officer of the Group. Mr Pun possesses over 21 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 48, 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 27 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 37, 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 12 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 47, is currently the Senior Sales and Marketing Manager of the Group. Mr. Lam is responsible for the international marketing and sales of products manufactured in Ningbo plant since September 2005. He has over 20 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 historical 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 under review.

Despite the high inflation and downtrend economy in our major markets, the Group recorded an increased turnover with an improved gross and net profitability 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 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.

The board of Directors (the "Board") has resolved not to recommend any final dividend for the year ended 31 March 2011.

CLEAR BUSINESS STRATEGIES

The Group kept on adopting effective sales and cost management measures throughout the year, which resulted in increasing the net 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 newly acquired Ningbo plant 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 Shareholders' return.

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 under review, the number of employees increased from 1334 to 2038 to cope with increased turnover.

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 futures 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, 24 June 2011

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 Manufacturing Co., Limited ("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 the 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.

Management Discussion And Analysis

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).

Management Discussion And Analysis

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.

Management Discussion And Analysis

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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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)*	2/7
Cheng Jian He	7/7
Non-Executive Directors	
Xu Jin	2/7
Lau Kin Hon	5/7
Independent non-executive Directors	
He Chengying	4/7
Chan Man Sum Ivan	4/7
Cheung Kiu Cho Vincent	5/7

During the year, 8 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 review period, 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 OF DIRECTORS

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 under review.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. All appointments of Directors were determined by the Board as a whole based on considerations including the vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

AUDITOR'S REMUNERATION

During the year under review, 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 HK$770,000 and HK$30,000 respectively.

AUDIT COMMITTEE

The audit committee is currently comprised of three independent non-executive Directors. Two audit committee meetings were held during the year under review. 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	2/2

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 under review, the audit committee reviewed the Group's annual results for the year ended on 31 March 2010 and the interim results for the six months ended on 30 September 2010.

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 HK$62,914,000. 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 ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out on page 21 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 24 of this annual report and in note 26 to the consolidated financial statements respectively .

FIXED ASSETS

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2011 are set out in note 15 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 25 and 28 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2011, 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 HK$77,753,000 (2010: HK$77,753,000) is available for distribution, subject to certain conditions as described in note 26 to the consolidated financial statements. The Company's share premium account of HK$164,982,000 (2010: HK$25,352,000) as at 31 March 2011 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 76 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)*
(redesignated from non-executive Director to executive Director on 1 April 2011)
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

In accordance with bye-law 87 of the Company's bye-laws, Mr Li Li Xin, Mr Xu Jin and Mr Lau Kin Hon 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 8 and 9 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 notes 31 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 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 31 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 ended 31 March 2011 are disclosed in note 31 to the consolidated financial statements.

To the extent of the related party transactions as disclosed in note 31 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 2011, 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)*	Through controlled corporation	1,314,747,014	53.1%
Mr Xu Jin	Personal	253,837,198	10.2%

Note 1: Mr Li Li Xin's interest in 1,314,747,014 shares is held 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.

Save as disclosed herein, as at 31 March 2011, 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 2011 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 2011, 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	11.3%
– five largest suppliers	35.3%
Sales	
– the largest customer	38.9%
– five largest customers	63.3%

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 29 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 years ended 31 March 2009, 2010 and 2011 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, 24 June 2011

Independent Auditor's Report

MAZARS

To the shareholders of
Lisi Group (Holdings) Limited
(formerly known as Magician Industries (Holdings) Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited *(formerly known as Magician Industries (Holdings) Limited)* (the "Company") and its subsidiaries (together the "Group") set out on pages 21 to 75, which comprise the consolidated and the Company's statements of financial position as at 31 March 2011, 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 audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2011, 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 24 June 2011

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	5	457,691	287,224
Cost of sales		(355,006)	(223,724)
Gross profit		102,685	63,500
Other revenue	5	2,916	1,785
Other income	6	11,293	2,782
Selling and distribution expenses		(23,561)	(11,398)
Administrative and other operating expenses		(58,433)	(39,976)
Finance costs	7	(11,921)	(8,215)
Profit before taxation	7	22,979	8,478
Income tax (expense) credit	10	(10,520)	188
Profit for the year	11	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	13	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	14	267,097	232,213
Goodwill	16	51,563	–
Available-for-sale financial assets	17	98,441	–
Intangible assets	18	15,600	–
		432,701	232,213
Current assets			
Inventories	19	91,004	39,866
Trade and bills and other receivables	20	68,441	63,589
Pledged deposits	23	1,079	–
Bank balances and cash	21	17,371	12,412
		177,895	115,867
Current liabilities			
Trade and other payables	22	188,743	129,014
Tax payables		3,765	–
Current portion of bank borrowings, secured	23	48,265	140,786
Current portion of obligations under finance leases	24	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	24	69	106
Long-term portion of bank borrowings, secured	23	121,429	–
Deferred tax liabilities	27	5,686	–
		127,184	106
NET ASSETS		242,603	78,140
Capital and reserves			
Share capital	25	24,770	15,395
Reserves		217,833	62,745
TOTAL EQUITY		242,603	78,140

Approved and authorised for issue by the Board of Directors on 24 June 2011

Li Li Xin	**Cheng Jian He**
Chairman	*Director*

Statement of Financial Position

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	15	250,573	91,820
Current assets			
Other receivables	20	608	2,490
Bank balances and cash		17	7
		625	2,497
Current liabilities			
Other payables	22	12,435	25,193
Net current liabilities		(11,810)	(22,696)
NET ASSETS		238,763	69,124
Capital and reserves			
Share capital	25	24,770	15,395
Reserves	26	213,993	53,729
TOTAL EQUITY		238,763	69,124

Approved and authorised for issue by the Board of Directors on 24 June 2011

Li Li Xin
Chairman

Cheng Jian He
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

		Reserves							
	Share capital HK$'000	Share premium HK$'000 (note 26(i))	Statutory reserve HK$'000 (note 26(ii))	Capital redemption reserve HK$'000	Translation reserve HK$'000 (note 26(iv)	Contributed surplus HK$'000 (note 26(iii))	Accumulated (losses) profit HK$'000	Total reserves HK$'000	Total HK$'000
At 1 April 2009	15,395	25,352	–	1,265	139	54,477	(27,154)	54,079	69,474
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	8,666	8,666	8,666
At 31 March 2010	15,395	25,352	–	1,265	139	54,477	(18,488)	62,745	78,140
At 1 April 2010	15,395	25,352	–	1,265	139	54,477	(18,488)	62,745	78,140
Profit for the year	–	–	–	–	–	–	12,459	12,459	12,459
Other comprehensive income									
Exchange differences on translating foreign operations	–	–	–	–	2,999	–	–	2,999	2,999
Total comprehensive income for the year	–	–	–	–	2,999	–	12,459	15,458	15,458
Transactions with owners									
Issue of new shares	9,375	139,630	–	–	–	–	–	139,630	149,005
Transfer to statutory reserve	–	–	2,868	–	–	–	(2,868)	–	–
At 31 March 2011	**24,770**	**164,982**	**2,868**	**1,265**	**3,138**	**54,477**	**(8,897)**	**217,833**	**242,603**

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		22,979	8,478
Allowance for inventory obsolescence		596	456
Amortisation		2,800	–
Depreciation		20,022	13,397
Exchange differences, net		2,431	(41)
Gain on disposal of property, plant and equipment		(1,593)	(2,379)
Interest income		(298)	(162)
Interest expense		11,921	8,215
(Reversal of) Impairment loss on property, plant and equipment		(6,500)	5,173
Write-off of other payables		(2,703)	–
Changes in working capital:			
Inventories		(42,885)	(22,089)
Trade and bills and other receivables		(489)	(34,308)
Trade and other payables		4,950	17,593
Cash generated from (used in) operating activities		11,231	(5,667)
Income tax paid		(5,998)	–
Interest paid		(11,913)	(8,130)
Net cash used in operating activities		(6,680)	(13,797)
INVESTING ACTIVITIES			
Interest received		298	162
Net cash inflow from acquisition of subsidiaries	30	(67,167)	–
Increase in pledged deposits		(1,079)	–
Purchase of property, plant and equipment		(35,982)	(13,064)
Proceeds on disposal of property, plant and equipment		2,873	2,379
Acquisition of available-for-sale financial assets		(98,441)	–
Net cash used in investing activities		(199,498)	(10,523)

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Issue of new shares		149,005	–
(Repayment) Advance from related companies		(3,439)	3,409
Repayment to a director		–	170
Loans from a shareholder		–	8,000
Repayment of loans from a shareholder		(12,000)	–
Loan from a related company		47,619	–
New short-term bank borrowings		135,105	135,719
Repayment of short-term bank borrowings		(144,401)	(102,774)
New long-term bank borrowing		250,000	–
Repayment of long-term bank borrowing		(211,796)	(17,045)
Repayment of capital elements of obligation under finance leases		(35)	(1,830)
Interest paid on obligation under finance leases		(8)	(85)
Net cash from financing activities		210,050	25,564
Net increase in cash and cash equivalents		3,872	1,244
Cash and cash equivalents at beginning of year		12,412	11,168
Effect of foreign exchange rate changes, net		1,087	–
Cash and cash equivalents at end of year, represented by bank balances and cash	21	17,371	12,412

Notes to the Consolidated Financial Statements

Year ended 31 March 2011

1. CORPORATE INFORMATION

Lisi Group (Holdings) Limited *(formerly known as Magician Industries (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 Flat A, 2/F, Yeung Yiu Chung (No. 6) Industrial Building, 19 Cheung Shun Street, 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 15 to the consolidated financial statements.

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 engages the suppliers to negotiate for more favourable credit terms. Meanwhile, credits periods granted to customers are 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 facility 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., Limited ("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.

2. BASIS OF PREPARATION (CONTINUED)

vi) Since the change of the management of the Company in March 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 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies adopted by the Group is set out below.

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;

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised HKFRSs (Continued)

- 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 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 owners of the parent. For each business combination occurs on or after 1 April 2010, the non-controlling interests in the acquiree are measured initially either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. For each business combination occurred prior to 1 April 2010, the non-controlling interests in the acquiree were measured at the non-controlling interests' proportionate share of the acquiree's net assets.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. From 1 April 2010, total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of their interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

Changes in ownership interest

From 1 April 2010, 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 owners of the parent.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in ownership interest (Continued)

Prior to 1 April 2010, the Group applied a policy of treating transactions with non-controlling interests as transactions with parties external to the Group and thus the excess amount of any consideration paid over the carrying value of the non-controlling interests acquired was recognised as goodwill. For decreases in the Group's ownership interest in a subsidiary, regardless of whether the disposals would result in a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Subsidiaries

A subsidiary is an entity in which the Company 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, investments 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.

Goodwill

From 1 April 2010, 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. Prior to 1 April 2010, goodwill represented the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. 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.

From 1 April 2010, 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 or a jointly controlled entity, 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. Prior to 1 April 2010, any excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the related cost of acquisition, after reassessment, was recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 March 2011

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations 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 relationship of 6 years.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

Financial instruments

Financial assets and financial liabilities are recognised 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 the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Loans and receivables

Loans and receivables including trade and bills receivables 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 equity is transferred to profit or loss. 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to profit or loss. 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.

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 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.

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.

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.

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 Hong Kong dollar, which is the Company's functional and presentation currency.

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 periods;

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

- 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, the cumulative amount of the exchange differences deferred in separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

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 income in the period in which the reversal occurs.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether its property, plant and equipment and investment in subsidiaries have suffered an impairment loss 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 immediately.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, 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 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term employee benefits

Salaries, annual bonuses and paid annual leave 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.

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, 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive director, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

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. Management 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 investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from those 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 entities 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.

Fair value of identifiable assets and liabilities on business combinations

As described in note 30 to the consolidated financial statements, the valuation techniques applied by the external valuer for the fair value of the identifiable assets and liabilities on business combination have been agreed with the directors. The directors use their judgement to determine whether valuation techniques applied are appropriate to the circumstances of the Group.

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 16 to the consolidated financial statements.

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)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
Amendments to HK(IFRIC) – Int 14	*Prepayments of a Minimum Funding Requirement* [2]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010* [3]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [4]
Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [5]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements (mainly to change the definition of control)* [6]
HKFRS 11	*Joint Arrangements (mainly to eliminate proportionate consolidation)* [6]
HKFRS 12	*Disclosure of Interests in Other Entities (mainly to add disclosure for unconsolidated structured entities)* [6]
HKAS 27 (2011)	*Separate Financial Statements* [6]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [6]
HKFRS 13	*Fair Value Measurement (mainly to add guidance on fair value measurement)* [6]

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

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

4. 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 operating 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:

	Group			
	Revenue		Non-current assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'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)*.

Notes to the Consolidated Financial Statements

Year ended 31 March 2011

5. TURNOVER AND REVENUE

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

	Group	
	2011 HK$'000	2010 HK$'000
Turnover		
Sale of goods	457,691	287,224
Other revenue		
Rental income	2,345	1,466
Interest income	298	162
Others	273	157
	2,916	1,785
Total revenue	460,607	289,009

6. OTHER INCOME

	Group	
	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	6,500	–
Write-off of other payables	2,703	403
Others	497	–
	11,293	2,782

7. PROFIT BEFORE TAXATION

	Group	
	2011	2010
	HK$'000	HK$'000
This is stated after charging:		
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

8. DIRECTORS' EMOLUMENTS

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

	2011			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement schemes HK$'000	Total HK$'000
Executive director				
Cheng Jian He	–	–	–	–
Non-executive directors				
Li Li Xin (redesignated as executive director on 1 April 2011)	–	–	–	–
Xu Jin	–	–	–	–
Lau Kin Hon	–	–	–	–
Independent non-executive directors				
Chan Man Sum Ivan	144	–	–	144
Cheung Kiu Cho Vincent	120	–	–	120
He Chengying	120	–	–	120
	384	–	–	384

8. DIRECTORS' EMOLUMENTS (CONTINUED)

	2010			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement schemes HK$'000	Total HK$'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	144	–	–	144
Cheung Kiu Cho Vincent	120	–	–	120
He Chengying	120	–	–	120
	384	–	–	384

There was no arrangement under which a director waived or agreed to waive any remuneration during the year 2011 and 2010. 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 during the year *(2010: Nil)*.

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

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

	Group	
	2011 HK$'000	2010 HK$'000
Salaries and allowances	3,358	3,470
Contributions to retirement schemes	57	48
	3,415	3,518

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

The emoluments fell within the following bands:

	Group Number of individuals	
	2011	2010
Nil to HK$1,000,000	5	4
HK$1,000,001 – HK$2,000,000	–	1
	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 during the year.

There was no arrangement under which any of the five highest paid individuals waived or agreed to waiver any remuneration during the years ended 31 March 2011 and 2010.

10. 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.

	Group	
	2011 HK$'000	2010 HK$'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)

10. TAXATION (CONTINUED)

Reconciliation of effective tax rate

	Group	
	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 of the tax rates prevailing in the territories in which the Group entities operate that apply to the results of the operation in the same territories during the year. The increase is caused by a change in profitability of the Group's subsidiaries in the respective territories.

11. PROFIT FOR THE YEAR

The profit attributable to owners of the Company for the year ended 31 March 2011 includes a profit of HK$20,634,000 *(2010: a loss of HK$17,047,000)*, which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

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

13. 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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2011

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Group								
Reconciliation of carrying amount – year ended 31 March 2010								
At beginning of reporting period	205,768	2,433	7,333	558	312	20,863	452	237,719
Additions	2,911	53	1,579	214	6	5,397	2,904	13,064
Depreciation	(6,837)	(633)	(1,724)	(303)	(95)	(3,805)	–	(13,397)
Impairment loss	–	–	–	–	–	(5,173)	–	(5,173)
Transferred from construction-in-progress	–	1,925	284	–	–	–	(2,209)	–
At end of reporting period	201,842	3,778	7,472	469	223	17,282	1,147	232,213
Reconciliation of carrying amount – year ended 31 March 2011								
At beginning of reporting period	201,842	3,778	7,472	469	223	17,282	1,147	232,213
Arising on acquisition of subsidiaries	–	–	10,106	227	–	3,005	–	13,338
Additions	–	270	10,065	908	484	17,435	6,820	35,982
Depreciation	(6,829)	(930)	(3,690)	(470)	(175)	(7,928)	–	(20,022)
Reversal of impairment loss	2,800	–	–	–	–	3,700	–	6,500
Transferred from construction-in-progress	–	867	156	–	–	–	(1,023)	–
Disposals	–	–	(1,265)	(51)	–	(165)	–	(1,481)
Exchange difference	–	–	437	8	–	122	–	567
At end of reporting period	**197,813**	**3,985**	**23,281**	**1,091**	**532**	**33,451**	**6,944**	**267,097**
At 1 April 2010								
Cost	271,297	19,153	70,465	32,982	5,997	209,204	1,147	610,245
Accumulated depreciation and impairment losses	(69,455)	(15,375)	(62,993)	(32,513)	(5,774)	(191,922)	–	(378,032)
	201,842	3,778	7,472	469	223	17,282	1,147	232,213
At 31 March 2011								
Cost	271,297	20,290	85,047	34,065	6,257	229,597	6,944	653,497
Accumulated depreciation and impairment losses	(73,484)	(16,305)	(61,766)	(32,974)	(5,725)	(196,146)	–	(386,400)
	197,813	**3,985**	**23,281**	**1,091**	**532**	**33,451**	**6,944**	**267,097**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

In light of the continued improvement in the efficiency and effectiveness of the Group's productivity and anticipated increase in sales orders in 2011 and beyond, management considers that there is an indication that the impairment loss previously recognised no longer exists or may be reduced. Therefore management has assessed the carrying value of the property, plant and equipment. Based on this assessment, management considered that the recoverable amount of the leasehold land and buildings located in the PRC has exceeded its carrying amount by HK$2,800,000 *(2010: Nil)*. Accordingly, the carrying amount of these leasehold land and buildings has been increased by the same amount. The recoverable amount of these land and buildings is determined by reference to the value in use of the relevant assets, using the discount rate of 17.5% *(2010: 18.5%)* per annum.

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 HK$3,700,000 *(2010: provision of HK$5,173,000)*, 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 HK$105,000 *(2010: HK$141,000)* in respect of assets held under finance leases.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	158,598	158,598
Provision for impairment loss	(158,598)	(158,598)
	–	–
Due from subsidiaries	238,573	91,820
Loan to a subsidiary	12,000	–
	250,573	91,820

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. The loan to a subsidiary is unsecured, interest-free and repayable in July 2012. The carrying value of the loan and amounts due approximates their fair value.

15. INTERESTS 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/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Treasure Trend Development Limited	British Virgin Islands/ limited liability company	US$1 ordinary	100%	–	Investment holding
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") *(note 2)*	The PRC/foreign wholly-owned enterprise	HK$80,000,000 registered capital *(2010: HK$180,000,00)*	–	100%	Manufacturing and trading of plastic and metal products
Lisi Household Products (Shenzhen) Company Limited* 利時日用品（深圳）有限公司 ("Shenzhen Lisi") *(note 2)*	The PRC/foreign wholly-owned enterprise	HK$100,000,000 registered capital	–	100%	Inactive

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ kind of legal entity	Nominal value of issued ordinary share/registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
Magician Strategic Limited	British Virgin Islands/ limited liability company	US$1 ordinary	100%	–	Investment holding
Wealthy Glory Holdings Limited *(note 1)*	British Virgin Islands/ limited liability company	US$50,000	–	100%	Investment holding
Golden Time Group Holdings Limited *(note 1)*	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 *(note 1)*	The PRC/foreign wholly-owned enterprise	HK$35,000,000	–	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 *(note 1)*	The PRC/foreign wholly-owned enterprise	RMB20,000,000 registered capital	–	100%	Investment holding

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

Note 1: On 30 April 2010, the Group acquired 100% equity interest in Wealthy Glory Holdings Limited and its subsidiaries at an aggregate consideration of HK$90,000,000, details of which has been set out in note 30 to the consolidated financial statements.

Note 2: In August 2010, the relevant PRC authority approved the split-off of Jinda to Jinda and Shenzhen Lisi with operation period of 50 years. Upon the completion of the split-off, the registered capitals of Jinda and Shenzhen Lisi are HK$80,000,000 and HK$100,000,000 respectively. 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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16. 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	
	2011 HK$'000	2010 HK$'000
Acquisition of subsidiaries during the year and at end of reporting period, at cost	51,563	–

Goodwill acquired through business combination is attributable to an individual cash-generating unit ("CGU") of manufacturing and trading of household products in Ningbo, the PRC (the "Ningbo business").

Goodwill arose in the acquisitions because the cost of the combinations included a control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group appointed an independent professional valuer to perform an appraisal of the market value of the Ningbo business as at 31 March 2011. 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:

Gross profit margin	32%-36%
Average growth rate	2%-15%
Long-term growth rate	2%
Discount rate	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 made during the year.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Unlisted investments, at cost	98,441	–

(a) Included in the unlisted investment is a long-term investment in unlisted equity securities issued by a private entity amounted to HK$81,056,000. Pursuant to an agreement dated 6 August 2010, the Group acquired 8.826% of the registered capital of QL Electronics Co., Ltd. ("QLEC"), a company established in the PRC and engaged in manufacturing of semiconductor materials, at an aggregate consideration of RMB68,086,690 (equivalent to approximately HK$81,056,000) from various third parties. The cost of the Group's investment in QLEC exceeds 10% of the total assets of the Group.

(b) The remaining balance represents the acquisition of 12.06% equity interest in 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, at an aggregate consideration of RMB14,603,175 (equivalent to approximately HK$17,385,000) (the "Share Transfer"), details of which has been set out in the Company's announcement dated 25 October 2010.

On the same day of the Share Transfer agreement, the Group entered into a capital increase agreement, pursuant to which the registered capital of the PRC company will, conditional upon the completion of the Share Transfer, increase from USD1,100,000 to USD1,375,000. The Group has agreed to subscribe for partial of the increased registered capital of USD275,000 at a consideration of RMB25,396,825. Following the completion of the Share Transfer and the subscription of increased registered capital, the Group will hold 24.76% equity interest in the PRC company.

The Group has fully paid the consideration of the Share Transfer and the Share Transfer was completed in December 2010. The subscription of the increased registered capital has not yet been completed at the date of authorisation of these consolidated financial statements.

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.

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18. INTANGIBLE ASSETS

	Group Customer relationship	
	2011 HK$'000	2010 HK$'000
Reconciliation of carrying amount – year ended 31 March 2011		
Arising on acquisition of subsidiaries	18,400	–
Amortisation	(2,800)	–
At end of reporting period	15,600	–
At end of reporting period		
Cost	18,400	–
Accumulated amortisation	(2,800)	–
	15,600	–

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

19. INVENTORIES

	Group	
	2011 HK$'000	2010 HK$'000
Raw materials	48,628	20,507
Work-in-progress	24,926	14,384
Finished goods	17,450	4,975
	91,004	39,866

20. TRADE AND BILLS AND OTHER RECEIVABLES

		Group		Company	
		2011	2010	2011	2010
	Note	HK$'000	HK$'000	HK$'000	HK$'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	608	2,490
Due from a related company	(ii)	1,614	–	–	–
		10,183	6,921	608	2,490
		68,441	63,589	608	2,490

(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 Company's director, Mr. Li Li Xin, has beneficial interest.

During the year, the Group discounted bills receivables 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 receivables and has recognised the cash received as secured bank borrowings and included in note 23 to the consolidated financial statements. At the end of the reporting period, the carrying amount of discounted bills receivables is HK$29,425,000 *(2010: HK$35,519,000)*. The carrying amount of the associated liabilities 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:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	34,185	27,483
31 – 60 days	14,565	17,021
61 – 90 days	8,893	11,058
Over 90 days	615	1,106
	58,258	56,668

20. TRADE AND BILLS AND OTHER RECEIVABLES (CONTINUED)

(i) Trade and bills receivables (Continued)

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	
	2011 HK$'000	2010 HK$'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:

	Group	
	2011 HK$'000	2010 HK$'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.

20. TRADE AND BILLS AND OTHER RECEIVABLES (CONTINUED)

(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 HK$'000	At 31 March 2011 HK$'000	At 1 April 2010 HK$'000
Ningbo Lisi Import and Export Company Limited	Li Li Xin	**2,554**	**1,614**	–

The amount due represents the advances to the related company in respect of the import and export arrangements, details of which has been set out in notes 31(i) and 31(ii) to the consolidated financial statements. At the end of the reporting period, there was no provision made for non-repayment of the advances.

21. BANK BALANCES AND CASH

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

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade payables to:					
Third parties		61,549	47,655	–	–
A related company		9,180	10,404	–	–
	(i)	70,729	58,059	–	–
Other payables and accruals		33,368	43,782	4,080	4,838
Due to/advance from related companies	(ii)	28,646	6,818	–	–
Loan from a third party/a related company	(iii)	6,355	6,355	6,355	6,355
Loan from a related company	(iv)	47,619	–	–	–
Loan from/due to a shareholder	(v)	2,026	14,000	2,000	14,000
		118,014	70,955	12,435	25,193
		188,743	129,014	12,435	25,193

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22. TRADE AND OTHER PAYABLES (CONTINUED)

(i) Trade payables

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

	Group	
	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 Company's 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 the Company's 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, are 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 Company's director, Mr. Xu Jin has beneficial interest, was unsecured, interest-bearing at 7% per annum and repayable in May 2010.

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 the 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 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 (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.

22. TRADE AND OTHER PAYABLES (CONTINUED)

(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 due to a shareholder, which is unsecured, interest-free and has no fixed repayment term.

23. BANK BORROWINGS, SECURED

	Group	
	2011	2010
	HK$'000	HK$'000
Term loans	140,477	114,148
Trade finance loans	29,217	26,638
	169,694	140,786
Current portion	(48,265)	(140,786)
Non-current portion	121,429	–

At 31 March 2011, the amounts due based on the scheduled repayment dates set out in the loan agreements would be as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	48,265	140,786
After one year but within 2 years	23,810	–
After 2 years but within 5 years	97,619	–
	169,694	140,786

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

	Group	
	2011	2010
Effective interest rate per annum		
Term loans	5.0%-6.5%	5.0%-5.9%
Trade finance loans	2.3%-4.8%	0.8%-1.3%

23. BANK BORROWINGS, SECURED (CONTINUED)

Bank borrowings are dominated in the following currencies:

	Group	
	2011 HK$'000	2010 HK$'000
Renminbi	140,477	114,148
US dollar	29,217	26,638
	169,694	140,786

The bank borrowings are secured by:

(a) the Group's leasehold land and buildings with a carrying value of approximately HK$153,435,000 *(2010: HK$164,944,000)*;

(b) the Group's deposits with a carrying value of HK$1,079,000 *(2010: Nil)*; and

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

24. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease Payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Amounts payable:				
Within one year	42	42	36	34
In the second to fifth years inclusive	73	116	69	106
	115	158	105	140
Future finance charges	(10)	(18)	–	–
Present value of lease obligations	105	140	105	140

The lease term is five years. All lease agreements are on a fixed repayment basis.

25. SHARE CAPITAL

	2011		2010	
	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:				
At beginning of reporting period and **end of reporting period, ordinary shares of HK$0.01 each**	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
At beginning of reporting period, ordinary shares of HK$0.01 each	1,539,463,794	15,395	1,539,463,794	15,395
Issue of new shares	937,500,000	9,375	–	–
At end of reporting period, ordinary shares of HK$0.01 each	2,476,963,794	24,770	1,539,463,794	15,395

In October 2009, the Company entered into a share subscription agreement with a shareholder of the Company, Big-Max to issue and allot 937,500,000 ordinary shares of HK$0.01 each at a subscription price of HK$0.16 each for a total consideration of HK$150,000,000 in cash. The net proceeds from the share subscription were to be used to finance the acquisition of Wealthy Glory Group Limited and its subsidiaries as mentioned in note 30 to the consolidated financial statements and for general working capital purposes. The share subscription was completed on 30 April 2010. These shares rank pari passu with the existing shares in all respects.

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26. RESERVES

	Share premium HK$'000 *(note 26(i))*	Capital redemption reserve HK$'000	Contributed surplus HK$'000 *(note 26(iii))*	Accumulated losses HK$'000	Total HK$'000
Company					
At 1 April 2009	25,352	1,265	77,753	(33,594)	70,776
Loss for the year and total comprehensive loss for the year	–	–	–	(17,047)	(17,047)
At 31 March 2010	25,352	1,265	77,753	(50,641)	53,729
At 1 April 2010	25,352	1,265	77,753	(50,641)	53,729
Issue of new shares	139,630	–	–	–	139,630
Profit for the year and total comprehensive income for the year	–	–	–	20,634	20,634
At 31 March 2011	**164,982**	**1,265**	**77,753**	**(30,007)**	**213,993**

Note:

(i) Share premium of the Company is available for distribution to shareholders subject to the requirements of the Companies Act 1981 of Bermuda (as amended).

(ii) The laws and regulations of the PRC require wholly foreign-owned enterprises in the PRC ("WFOE") 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 year ended 31 March 2011. No appropriation of the profit of a subsidiary in the PRC had been made for the year ended 31 March 2010 as the PRC subsidiaries' profit for the year was wholly absorbed by the accumulated losses brought forward from the previous years.

26. RESERVES (CONTINUED)

Note: (Continued)

(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 comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(v) At 31 March 2011, the aggregate amount of reserves available for distribution to the equity holders of the Company comprising the contributed surplus and accumulated losses amounted to HK$47,746,000 *(2010: HK$27,112,000)*.

27. DEFERRED TAXATION

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

	Group			
	Assets		Liabilities	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Depreciation allowances	–	–	(10,053)	(2,394)
Tax losses	4,392	2,394	–	–
Deferred tax assets (liabilities)	4,392	2,394	(10,053)	(2,394)
Offsetting	(4,392)	(2,394)	4,392	2,394
Exchange difference	–	–	(25)	–
Net deferred tax assets (liabilities) at end of reporting period	–	–	(5,686)	–

27. DEFERRED TAXATION (CONTINUED)

Unrecognised deferred tax assets arising from

	Group	
	2011 HK$'000	2010 HK$'000
Deductible temporary differences	3,592	916
Tax losses	207,822	319,283
At end of reporting period	211,414	320,199

The tax losses of HK$150,220,000 *(2010: HK$135,283,000)* and deductible temporary differences of HK$3,592,000 *(2010: HK$916,000)* arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK$57,602,000 *(2010: HK$184,000,000)* 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.

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

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	33,769	126,398
In the second to third years	17,926	33,769
In the third to fourth years	5,907	17,926
In the fourth to fifth years	–	5,907
At end of reporting period	57,602	184,000

28. 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, 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.

29. 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 plans was approximately HK$2,045,000 *(2010: HK$1,080,000)*.

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Year ended 31 March 2011

30. ACQUISITION OF SUBSIDIARIES

In October 2009, Magician Strategic Limited, a wholly-owned subsidiary of the Company, entered into an agreement with, Big-Max, to acquire the entire issued and outstanding shares capital of Wealthy Glory Holdings Limited ("Wealthy Glory"), a company incorporated in the British Virgin Islands with limited liability and was wholly-owned by Big-Max, at a consideration of HK$90,000,000.

Wealthy Glory holds the entire issued shares of Golden Time Group Holdings Limited ("Golden Time"), a limited liability company incorporated in Hong Kong, which in turn holds the entire registered capital of Ningbo Lisi Household Products Company Limited ("Lisi Household Products"). Lisi Household Products was established in the PRC and is engaged in manufacturing and trading of household products.

The consideration of HK$90,000,000 was settled in cash and the acquisition was completed on 30 April 2010. The amounts of the assets acquired and liabilities assumed as at the date of acquisition are as follows:

	2011 HK$'000	2010 HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment	13,338	–
Intangible assets – customer relationship	18,400	–
Other receivables	2,624	–
Inventories	8,447	–
Bank balances and cash	22,833	–
Other payables and accruals	(22,605)	–
Deferred tax liabilities	(4,600)	–
Total identifiable net assets	38,437	–
Goodwill on acquisition	51,563	–
	90,000	–
Satisfied by:		
Cash consideration	90,000	–

30. ACQUISITION OF SUBSIDIARIES (CONTINUED)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follow:

	2011 HK$'000	2010 HK$'000
Cash consideration	90,000	–
Bank balances and cash acquired	(22,833)	–
Net outflow of cash and cash equivalents	67,167	–

The transaction costs of HK$1,593,000 have been excluded from the consideration transferred and included in administrative expenses in the consolidated statement of comprehensive income.

In respect of the acquired subsidiary, the fair value of other receivables acquired includes other receivables with a fair value of HK$2,624,000. The gross contractual amount of the receivables is HK$2,624,000, none of which is expected to be uncollectible.

The goodwill arising from the acquisition is attributable to the synergies and economies of scale expected to arise from the business combinations. It also includes certain intangible assets that cannot be separately recognised due to their nature. Assets included in this balance consist of assembled workforce.

The Group appointed an independent professional valuer to perform an appraisal of the purchase cost allocation for the acquisition of Ningbo business at the date of acquisition according to HKFRS 3: *Business Combination*. The fair value of the identifiable assets acquired and liabilities assumed has been determined based on the valuation approach as determined by the valuer. The fair value of the customer relationship is determined by the discounted cash flow method using the discount rate of 38% per annum *(2010: Nil)*.

Since acquisition, the acquired business has contributed HK$184,331,000 and HK$23,130,000 to the revenue and results of the Group respectively.

If the business combination effected during the year had been taken place at the beginning of the year, the revenue and profit for the Group would have been HK$184,331,000 and HK$22,767,000 respectively.

31. 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 Lisi Household Products in November 2009 have constituted continuing connected transactions of the Group since completion of the acquisition in April 2010 as mentioned in note 30 to these consolidated financial statements:

(i) 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 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 30 April 2010 (date of completion of acquisition of Lisi Household Products) to 31 March 2011 is RMB63,000,000. The Group purchased raw materials with gross amount of RMB51,223,494 (equivalent to approximately HK$59,562,000) and incurred import agency fee of HK$344,000 *(2010: Nil)* during the period.

(ii) Lisi Household Products entered into an export agency agreement with a company owned by Mr. Li Li Xin, a director and beneficial owner of the Company, for providing export agency services to 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 transaction amount for each of the transaction handled. The Annual Cap of the export agency service fee for the provision of export agency services from 30 April 2010 (date of completion of acquisition of Lisi Household Products) to 31 March 2011 is RMB3,000,000 (equivalent to approximately HK$3,488,000). The Group incurred export agency fee of HK$1,861,000 *(2010: Nil)* during the period.

(iii) Lisi Household Products 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 Lisi Household Products. The related company would charge a monthly rent of RMB418,986. The Annual Cap of the rental expenses for leasing the factory space and office premises from 30 April 2010 (date of completion of acquisition of Lisi Household Products) to 31 March 2011 is RMB5,027,826 (equivalent to approximately HK$5,846,000). The Group incurred rental expenses of HK$5,359,000 *(2010: Nil)* during the period.

(iv) Lisi Household Products entered into a value-added processing co-operation agreement with a company owned by Mr. Li Li Xin, a director and beneficial owner of the Company, to provide processing services to 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 during the period and therefore no service fees were incurred.

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

31. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions

		Group	
		2011	2010
Related party relationship	**Nature of transaction**	HK$'000	HK$'000
Key management personnel, including directors *	Salaries and allowances	2,988	2,623
	Contribution to defined retirement contribution scheme	48	49
		3,036	2,672
A company owned by Mr. Li Li Xin, a director of the Company and beneficial owner of the Company	Guarantee for long-term bank borrowing granted to the Group	160,714	136,364
A shareholder	Interest expenses on loans granted	479	603
A firm in which Mr. Lau Kin Hon, a director of the Company is a partner	Company secretarial service fee	384	330
Companies owned by Mr. Li Li Xin	Interest expenses on advance to the Group	50	102
	Utilities expenses	4,190	–
	Sales	2,324	–
	Purchases	2,290	–

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

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.

Notes to the Consolidated Financial Statements

Year ended 31 March 2011

32. 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 bill 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	Total	Loans and receivables	Available-for-sale	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2011						
Assets per statement of financial position						
Available-for-sale financial assets	–	98,441	98,441	–	–	–
Trade and bills and other receivables	68,441	–	68,441	608	–	608
Pledged deposits	1,079	–	1,079	–	–	–
Bank balances and cash	17,371	–	17,371	17	–	17
	86,891	98,441	185,332	625	–	625

	Group	Company
	Other financial liabilities	Other financial liabilities
	HK$'000	HK$'000
As at 31 March 2011		
Liabilities as per statement of financial position		
Trade and other payables	188,743	12,435
Bank borrowings, secured	169,694	–
Obligations under finance leases	105	–
	358,542	12,435

32. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

	Loans and receivables	
	Group	**Company**
	HK$'000	HK$'000
As at 31 March 2010		
Assets per statement of financial position		
Trade and bills and other receivables	63,589	2,490
Bank balances and cash	12,412	7
	76,001	2,497

	Other financial liabilities	
	Group	**Company**
	HK$'000	HK$'000
As at 31 March 2010		
Liabilities per statement of financial position		
Trade and other payables	129,014	25,193
Bank borrowings, secured	140,786	–
Obligations under finance leases	140	–
	269,940	25,193

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.

32. 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 bills receivables and bank balances.

A detailed discussion of the Group's credit risk in respect of trade and bills receivables is set out in note 20 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 54% *(2010: 83%)* and 91% *(2010: 95%)* 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.

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 22 and 23 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 HK$2,193,000 *(2010: HK$1,548,000)*, 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 2010.

32. 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 2011, the Group's borrowings were denominated in Hong Kong dollar, 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 as long as the Hong Kong dollar remains pegged to the United States dollar and the PRC government takes prudent and gradual measures against the 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

At the end of the reporting period, if Renminbi had weakened/strengthened by 10% with all other variables held constant, the Group's net profit for the year would be increased/decreased by HK$24,584,000 *(2010: HK$16,708,000)*, but there would be no impact on the other equity reserves.

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, and that all other variables, in particular interest rates, remain constant.

It is assumed that the pegged rate between Hong Kong dollar and United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

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. The analysis is performed on the same basis for 2010.

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 Hong Kong dollar, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into Hong Kong dollar.

32. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Group

	2011					2010				
	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 1 year HK$'000	1-3 years HK$'000	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 1 year HK$'000	1-3 years HK$'000
Trade and other payables	188,743	190,106	89,174	100,932	–	129,014	129,578	78,114	51,464	–
Bank borrowings	169,694	195,370	–	49,705	145,665	140,786	144,702	–	144,702	–
Obligations under finance leases	105	116	–	42	74	140	158	–	42	116
	358,542	385,592	89,174	150,679	145,739	269,940	274,438	78,114	196,208	116

Company

	2011				2010			
	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 1 year HK$'000	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 1 year HK$'000
Other payables	12,435	12,588	4,080	8,508	25,193	25,346	4,838	20,508

Fair value

The directors consider that the carrying amount of financial assets and liabilities in the financial statements approximate their fair value.

33. 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 2011 and 2010.

34. COMMITMENTS

(a) Capital commitments

As at the end of the reporting period, the Group had commitment of HK$30,234,000 *(2010: Nil)* and HK$3,810,000 *(2010: HK$1,545,000)* in respect of subscription of the increased registered capital of a PRC company and acquisition of machinery and moulds for production respectively.

(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	
	2011 HK$'000	2010 HK$'000
Within one year	7,799	268
In the second to fifth years inclusive	4,673	–
	12,472	268

As lessor

The Group leases out a portion of its leasehold land and buildings under operating leases with average terms of 2 years. At the end of the reporting period, the future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	2,414	1,100
In the second to fifth years inclusive	178	–
	2,592	1,100

5-year Financial Summary

Year ended 31 March 2011

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:

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Turnover	457,691	287,224	251,605	215,997	219,508
Profit (Loss) before taxation	22,979	8,478	(10,861)	(16,303)	(22,766)
Income tax (charge) credit	(10,520)	188	–	10	(56)
Net profit (loss) for the year	12,459	8,666	(10,861)	(16,293)	(22,822)
Assets and liabilities					
Total assets	610,596	348,080	296,571	298,205	296,165
Total liabilities	(367,993)	(269,940)	(227,097)	(236,570)	(268,529)
Net assets	242,603	78,140	69,474	61,635	27,636

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

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