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

(Incorporated in Bermuda with limited liability)

(Stock code: 526)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2013

AUDITED RESULTS

The board of directors (the "Directors") of Lisi Group (Holdings) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013 together with comparative figures of the previous corresponding year are as follows:

Consolidated Statement of Comprehensive Income

		Year ended 31 March	
		2013	2012
	Note	***RMB'000***	*RMB'000*
			(Restated)
Turnover	5	**299,142**	393,890
Cost of sales		**(240,953)**	(297,431)
Gross profit		**58,189**	96,459
Other revenue	5	**2,921**	3,571
Other income	6	**2,285**	6,064
Selling and distribution expenses		**(19,399)**	(18,884)
Administrative and other operating expenses		**(62,769)**	(56,995)
Finance costs		**(12,945)**	(14,378)
Share of results of an associate		**2,307**	(2,120)
(Loss) Profit before taxation	7	**(29,411)**	13,717
Income tax expense	8	**(2,620)**	(7,769)
(Loss) Profit for the year		**(32,031)**	5,948

	Note	Year ended 31 March **2013** *RMB'000*	2012 *RMB'000* (Restated)
Other comprehensive income (loss)			
Surplus on revaluation of properties upon reclassification from leasehold land and buildings held for own use to investment properties			
– before tax amount		**11,459**	–
– tax expense		**(2,865)**	–
Net of tax amount		**8,594**	–
Exchange differences on translating financial statements of foreign operations		**(30)**	2,561
Exchange differences on translating inter-company balances with foreign operations		**–**	(4,617)
		8,564	(2,056)
Total comprehensive (loss) income for the year attributable to equity holders of the Company		**(23,467)**	3,892
		RMB	*RMB* (Restated)
(Loss) Earnings per share			
Basic and diluted	10	**(1.29) cent**	0.24 cent

Consolidated Statement of Financial Position

		At 31 March	
		2013	2012
	Note	***RMB'000***	*RMB'000*
			(Restated)
Non-current assets			
Property, plant and equipment		**83,881**	232,315
Investment properties		**175,600**	–
Goodwill		**43,313**	43,313
Intangible assets		**7,956**	10,530
Interest in an associate		**40,677**	38,370
Available-for-sale financial assets		**75,481**	75,481
Prepayment		**10,200**	–
		437,108	400,009
Current assets			
Inventories		**46,581**	52,585
Trade and other receivables	11	**34,165**	77,272
Tax recoverable		**1,178**	–
Bank balances and cash		**9,207**	11,073
		91,131	140,930
Current liabilities			
Trade and other payables	12	**180,997**	158,973
Tax payables		**–**	2,474
Current portion of bank borrowings		**154,849**	85,035
Current portion of obligations under finance leases		**24**	31
		335,870	246,513
Net current liabilities		**(244,739)**	(105,583)
Total assets less current liabilities		**192,369**	294,426

		At 31 March	
		2013	2012
	Note	***RMB'000***	*RMB'000*
			(Restated)
Non-current liabilities			
Long-term portion of bank borrowings		**–**	82,000
Obligations under finance leases		**–**	25
Deferred tax liabilities		**8,157**	4,722
		8,157	86,747
NET ASSETS		**184,212**	207,679
Capital and reserves			
Share capital		**22,724**	22,724
Reserves		**161,488**	184,955
TOTAL EQUITY		**184,212**	207,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements except for the adoption of certain new/revised HKFRSs effective from the current year that are relevant to the Group.

2. BASIS OF PREPARATION

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group's profitable operation or the continued availability of adequate finance in view of the excess of current liabilities over current assets as at 31 March 2013.

In preparing the consolidated financial statements for the year ended 31 March 2013, the directors have adopted a going concern basis as the following actions and measures have been taken by the Group to improve the financial position and performance of the Group:

i) The Group has secured continuing support from its banks. Loans from Bank of Communications Shenzhen Branch (RMB92,000,000), Industrial & Commercial Bank of China Shenzhen Branch (RMB30,000,000) and Ping An Bank Ningbo Branch (RMB30,000,000) have been renewed in December 2012 and January 2013.

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

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

iv) The management is confident that the good business and financial performance of the Ningbo plant (acquired in 2010) will continue to provide steady positive cash flows to the Group. In 2012/13 the Ningbo plant successfully financed the relocation and consolidation of the Shenzhen plant into Ningbo.

v) The relocation of Shenzhen plant to Ningbo has been completed in 2012/13. The tight financial position as a result of the one-time burden from plant relocation will be alleviated in 2013/14. Besides, the temporary adverse impact on the sales orders due to the relocation will be turned around with the stabilisation of new operations in Ningbo. Cash flow contribution from the relocated operations will resume and benefit the Group.

vi) From time to time, the Group negotiates with 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 necessary.

vii) 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.

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

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

x) As announced on 7 June 2013, the shareholders of the Company approved the acquisition of department stores and supermarket chain from the Shareholder. The consideration of this acquisition will be settled by issuance of new shares and convertible bonds. As further disclosed in the accountants' report of the target group of this acquisition in the circular of the Company dated 22 May 2013, net cash generated from operating activities of the target group is over RMB100 millions in each of the years from 2010 to 2012. This acquisition is expected to be completed before end of 2013 and will bring positive cash flows to the Group.

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Amendments to HKAS 12 – *Deferred Tax: Recovery of Underlying Assets*

The Amendments introduce a rebuttable presumption that, if a deferred tax liability or asset arises from investment property carried at fair value under HKAS 40: *Investment Property*, the carrying amount of the investment property will be recovered through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all economic benefits embodied in the investment property over time, rather than through sale. In addition, the Amendments incorporate the guidance in HK(SIC) – Int 21: *Income Taxes – Recovery of Revalued Non-Depreciable Assets* in the standard. The adoption of these amendments do not have significant effect on these consolidated financial statements.

Amendments to HKFRS 7: *Disclosures – Transfers of Financial Assets*

The Amendments enhance the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The Group has transferred its financial assets during the year and disclosed the information in relation to those assets and the assumed liabilities, if any. The Group is not required to provide the disclosure required by the Amendments for the period begins before the date of initial application. The adoption of these amendments do not have significant effect on these consolidated financial statements.

Correction of prior period errors

In late November 2011, Veritas-Msi (China) Company Limited ("Veritas-Msi") became an associate of the Group. The Group applies the equity accounting method to account for its investment in Veritas-Msi, based on the unaudited financial information contained in Veritas-Msi's management accounts in respect of the period from 1 December 2011 to 31 March 2012.

During the year, PRC statutory financial statements of Veritas-Msi for the year ended 31 December 2011 have been restated due to the correction of error in revenue recognition. The restatement has an impact on the unaudited financial information used by the Group for equity accounting purpose for the year ended 31 March 2012. As a result, the Group's share of the results and net assets of Veritas-Msi for the year ended 31 March 2012 was decreased by RMB3,975,000.

The effect of the restatement is summarised below:

Consolidated statement of comprehensive income for the year ended 31 March 2012

	RMB'000
Decrease in share of results of an associate	3,975

	RMB
Decrease in earnings per share – basic and diluted	0.20 cent

Consolidated statement of financial position at 31 March 2012

	RMB'000
Decrease in interest in an associate:	
Decrease in share of net assets	3,188
Decrease in goodwill	787
	3,975

4. SEGMENT INFORMATION

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

Operating segments of the Group comprise the following:

Manufacturing and trading:	Manufacturing and trading of plastic and metal household products
Property investment:	Holding properties for rental and capital appreciation
Investment holding:	Holding investments for dividend and investment income and capital appreciation

(a) Segment revenue and results

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

	2013					2012			
	Manufacturing and trading *RMB'000*	**Property investment** *RMB'000*	**Investment holding** *RMB'000*	**Unallocated** *RMB'000*	**Consolidated** *RMB'000*	Manufacturing and trading *RMB'000*	Investment holding *RMB'000* (Restated)	Unallocated *RMB'000*	Consolidated *RMB'000* (Restated)
Segment revenue									
Sale to external customers	**295,852**	**–**	**–**	**–**	**295,852**	384,731	–	–	384,731
Investment and other income	**2,921**	**1,000**	**2,290**	**–**	**6,211**	3,571	9,159	–	12,730
Consolidated total revenue	**298,773**	**1,000**	**2,290**	**–**	**302,063**	388,302	9,159	–	397,461
Segment results	**(16,567)**	**373**	**2,283**	**(4,862)**	**(18,773)**	23,057	9,159	(2,001)	30,215
Finance costs	**(11,280)**	**–**	**(1,167)**	**(498)**	**(12,945)**	(11,400)	(2,483)	(495)	(14,378)
Share of results of an associate	**–**	**–**	**2,307**	**–**	**2,307**	–	(2,120)	–	(2,120)
(Loss) Profit before taxation	**(27,847)**	**373**	**3,423**	**(5,360)**	**(29,411)**	11,657	4,556	(2,496)	13,717
Income tax expense	**(2,620)**	**–**	**–**	**–**	**(2,620)**	(7,769)	–	–	(7,769)
(Loss) Profit for the year	**(30,467)**	**373**	**3,423**	**(5,360)**	**(32,031)**	3,888	4,556	(2,496)	5,948

There were no inter-segment sales in both years.

Segment results represent the results achieved by each segment without allocation of central administration costs including directors' emoluments. This is the measurement method reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

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

	2013				2012		
	Manufacturing and trading	**Property investment**	**Investment holding**	**Consolidated**	Manufacturing and trading	Investment holding	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000* (Restated)	*RMB'000* (Restated)
Segment assets	**223,226**	**185,800**	**–**	**409,026**	424,256	2,044	426,300
Available-for-sale financial assets	**–**	**–**	**75,481**	**75,481**	–	75,481	75,481
Interest in an associate	**–**	**–**	**40,677**	**40,677**	–	38,370	38,370
Unallocated assets	**–**	**–**	**–**	**3,055**	–	–	788
Consolidated total assets				**528,239**			540,939
Segment liabilities	**320,361**	**2,865**	**–**	**323,226**	283,623	40,000	323,623
Unallocated liabilities				**20,801**			9,637
Consolidated total liabilities				**344,027**			333,260

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

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

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

(c) Other segment information

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

	2013				2012		
	Manufacturing and trading *RMB'000*	**Property investment** *RMB'000*	**Investment holding** *RMB'000*	**Consolidated** *RMB'000*	Manufacturing and trading *RMB'000*	Investment holding *RMB'000*	Consolidated *RMB'000*
Other segment information							
Amortisation of intangible assets	**2,574**	**–**	**–**	**2,574**	2,574	–	2,574
Depreciation of property, plant and equipment	**14,179**	**–**	**–**	**14,179**	19,183	–	19,183
Capital expenditure	**34,064**	**–**	**–**	**34,064**	27,911	33,281	61,192
Gain on disposal of property, plant and equipment	**1,479**	**–**	**–**	**1,479**	1,687	–	1,687
Reversal of impairment loss of property, plant and equipment	**–**	**–**	**–**	**–**	770	–	770
Written off of property, plant and equipment	**2,294**	**–**	**–**	**2,294**	–	–	–
Interest income	**63**	**–**	**2**	**65**	158	4	162

(d) Geographic information

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

	Revenue		**Non-current assets**	
	2013 *RMB'000*	2012 *RMB'000*	**2013** *RMB'000*	2012 *RMB'000* (Restated)
United States of America	**217,832**	270,872	**–**	–
Europe	**21,857**	31,532	**–**	–
PRC	**14,343**	21,759	**361,129**	323,858
Hong Kong	**9,292**	18,704	**498**	670
Taiwan	**8,683**	8,158	**–**	–
Canada	**7,856**	11,696	**–**	–
Others	**22,200**	34,740	**–**	–
	302,063	397,461	**361,627**	324,528

(e) **Information about major customers**

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

	2013	2012
	RMB'000	*RMB'000*
Customer A	**74,119**	100,880
Customer B	**51,224**	47,494
Customer C	**–**	45,327
	125,343	193,701

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

5. TURNOVER AND REVENUE

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

	2013	2012
	RMB'000	*RMB'000*
Turnover		
Sale of goods	**295,852**	384,731
Dividend income	**2,290**	9,159
Gross rental income from investment properties (before net of outgoings of RMB67,000 *(2012: Nil)*)	**1,000**	–
	299,142	393,890
Other revenue		
Gross rental income from operating leases on land and buildings (before net of outgoings of RMB1,437,000 *(2012: RMB1,320,000)*)	**2,063**	2,841
Interest income	**65**	162
Others	**793**	568
	2,921	3,571
Total revenue	**302,063**	397,461

6. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment, net	**1,479**	1,687
Reversal of impairment loss on property, plant and equipment	**–**	770
Write-back of other payables	**–**	2,737
Exchange gain, net	**–**	192
Sundry income	**806**	678
	2,285	6,064

7. (LOSS) PROFIT BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
This is stated after charging (crediting):		
Finance costs		
Interest on bank borrowings wholly repayable within five years including an entrusted loan from a related company	**12,448**	13,879
Interest on loan from a shareholder wholly repayable within five years	**132**	126
Interest on loan from a third party wholly repayable within five years	**362**	368
Finance charges on obligations under finance leases	**3**	5
	12,945	14,378
Other items		
Staff costs (excluding directors' emoluments):		
Wages, salaries and allowances	**67,635**	72,510
Termination benefits	**7,222**	1,431
Contributions to defined contribution retirement schemes	**1,067**	2,453
	75,924	76,394
Auditor's remuneration	**627**	635
(Reversal of) Allowance for inventory obsolescence	**(346)**	141
Amortisation of intangible assets	**2,574**	2,574
Cost of inventories	**240,953**	297,431
Depreciation of property, plant and equipment	**14,179**	19,183
Exchange losses, net	**213**	–
Operating lease charges on premises	**12,685**	6,225
Written off of property, plant and equipment	**2,294**	–

8. TAXATION

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

PRC Enterprise Income Tax is calculated at the applicable tax rates of 25% *(2012: 25%)* on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	2013	2012
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax		
Current year	**2,036**	7,696
Underprovision in prior year	**–**	127
	2,036	7,823
Deferred taxation		
Reversal and origination of temporary differences	**584**	(54)
Total income tax expense for the year	**2,620**	7,769

	2013	2012
	RMB'000	*RMB'000*
Taxation recognised directly in other comprehensive income		
Deferred tax relating to revaluation surplus of properties upon reclassification of leasehold land and buildings held for own use to investment properties	**2,865**	–

9. DIVIDENDS

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

10. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the net loss of RMB32,031,000 *(2012 (restated): net profit of RMB5,948,000)* attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares of 2,476,964,000 *(2012: 2,476,964,000)* shares in issue during the year.

Diluted (loss) earnings per share for 2013 and 2012 are the same as basic loss earnings per share as the Company had no dilutive potential ordinary shares for both years.

11. TRADE AND OTHER RECEIVABLES

	Note	2013 RMB'000	2012 RMB'000
Trade and bills receivables from:			
Third parties		**2,420**	18,018
Related companies		**23,351**	34,725
Allowance for bad and doubtful debts		**(170)**	(172)
	(i)	**25,601**	52,571
Prepayments, deposits and other receivables		**8,564**	21,095
Due from an associate		**–**	2,000
Due from a related company		**–**	1,606
		8,564	24,701
		34,165	77,272

(i) Trade and bills receivables

As at 31 March 2013, the ageing analysis of trade and bills receivables (net of allowance for bad and doubtful debts) by invoice date is as follows:

	2013 RMB'000	2012 RMB'000
0 – 30 days	**18,208**	34,722
31 – 60 days	**5,846**	14,728
61 – 90 days	**904**	2,517
Over 90 days	**643**	604
	25,601	52,571

As at 31 March 2013, the ageing analysis of trade and bills receivables (net of allowance for bad and doubtful debts) by overdue date is as follows:

	2013	2012
	RMB'000	*RMB'000*
Current	**23,899**	48,100
Less than 1 month past due	**997**	4,420
1 month to 2 months past due	**201**	38
Over 2 months past due	**504**	13
	1,702	4,471
	25,601	52,571

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 RMB1,702,000 *(2012: RMB4,471,000)*, which were past due as at 31 March 2013 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. The Group does not hold any collateral over these assets.

12. TRADE AND OTHER PAYABLES

		2013	2012
	Note	*RMB'000*	*RMB'000*
Trade payables to:			
Third parties		**30,676**	36,456
A related company		**22**	4,485
	(i)	**30,698**	40,941
Accruals and other payables		**23,415**	36,114
Due to related companies		**109,518**	35,583
Loan from a third party		**5,088**	5,148
Loan from a related company		**–**	40,000
Loan from/due to a shareholder		**12,278**	1,187
		150,299	118,032
		180,997	158,973

(i) Trade payables

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

	2013	2012
	RMB'000	*RMB'000*
Less than 3 months	**21,756**	31,756
3 months to 6 months	**5,778**	7,138
6 months to 1 year	**2,050**	1,474
Over 1 year	**1,114**	573
	30,698	40,941

13. EVENTS AFTER THE REPORTING PERIOD

(i) Very substantial acquisition

In March 2013, the board of directors announced that the Company (as purchaser) entered into a conditional sale and purchase agreement with Shi Hui Holdings Limited ("Shi Hui") (as vendor) and the guarantors (i.e. Mr. Li Li Xin and his spouse, Ms. Jin Ya Er), pursuant to which the Company conditionally agreed to purchase and Shi Hui conditionally agreed to sell the Wealthy Honor Holdings Limited ("Wealthy Honor" or "Target Group") sale share, being the entire issued share capital of Wealthy Honor, at a consideration of HK$892,800,000, out of which HK$510,000,000 will be satisfied by way of allotment and issue of 1,700,000,000 consideration shares of the Company at the issue price of HK$0.3 per consideration share whilst HK$382,800,000 will be satisfied by way of issue of the consideration convertible bonds in the principal amount of HK$382,800,000 at the initial conversion price of HK$0.3 per conversion share. The principal activities of the Target Group are the operation of department stores and supermarkets, the wholesale of wine and beverages and electrical appliances and properties leasing. Such acquisition constitutes a very substantial acquisition under the Listing Rules.

Upon completion of the acquisition, the Company will hold the entire issued share capital of Wealthy Honor which will in turn hold 95% of the issued share capital of 寧波新江廈股份有限公司 (New JoySun Corp.) ("New JoySun") via Treasure Time Holdings Limited and 達美（寧波）電器有限公司 (Da Mei (Ningbo) Electrical Appliance Limited). 寧波華盛實業總公司 (Ningbo Hua Sheng Industrial Company) and an independent third party will continue to hold the remaining 5% of the issued share capital of New JoySun after completion of the acquisition.

In June 2013, resolutions were duly passed by the independent shareholders at the special general meeting to approve, confirm and ratify the sale and purchase agreement and the transactions contemplated thereunder, the allotment and issue of the consideration shares, the issue of the consideration convertible bonds and the allotment and issue of the conversion shares. The acquisition will be completed upon the fulfillment of the conditions as stipulated in the sale and purchase agreement. It is not practicable to reliably estimate the financial effect of the acquisition at the date of these consolidated financial statements.

(ii) **Continuing Connected Transactions**

In March 2013, New JoySun and a company controlled by the substantial Shareholder entered into a leasing framework agreement and a mutual supply framework agreement. Upon completion of the acquisition as mentioned in (i) above, members of the Target Group will become subsidiaries of the Company and thus the above two agreements will constitute continuing connected transactions of the Group. For details, please refer to the announcement dated 5 March 2013 and the circular dated 22 May 2013 released by the Company.

As of the date of this annual results announcement, the acquisition as mentioned in (i) has not yet been completed.

(iii) **Further acquisition of 5% equity interest in New JoySun**

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

14. COMPARATIVE FIGURES

Comparative figures of consolidated statements of comprehensive income, financial position and relevant notes to the consolidated financial statements have been restated as a result of the retrospective restatements of errors as disclosed in note 3 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year, the Group recorded a turnover of approximately RMB299.1 million, representing a decrease of 24.1% when compared with the turnover of approximately RMB393.9 million reported for the last year. Net loss for the year was approximately RMB32.0 million, compared to a net profit of RMB5.9 million for the last year. The Group's basic and diluted loss per share was RMB1.29 cent.

Liquidity and Financial Resources

As at 31 March 2013, the Group's net assets decreased to RMB184.2 million, rendering net asset value per share at RMB7.4 cents. The Group's total assets at that date were valued at RMB528.2 million, including cash and bank deposits totaling approximately RMB9.2 million. Consolidated bank borrowings and other borrowings amounted to RMB154.8 and RMB126.9 million. Its debt-to-equity ratio (bank and other borrowings over total equity) has been increased from 119.9% as at 31 March 2012 to 152.9% as at 31 March 2013.

Capital Structure

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

As at 31 March 2013, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of RMB82.0 million, other bank borrowings of RMB72.8 million and due to and borrowings from a Shareholder, related companies and a third party totaling RMB126.9 million. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis, of which borrowings of approximately RMB5.1 million were made on fixed rate.

Pledge of Assets

The Group's investment properties with a carrying value of approximately RMB175.6 million as at 31 March 2013 were pledged to secure banking facilities of the Group.

Capital Expenditure and Commitments

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

Segment Information

North America remained the Group's primary market, which accounted for 74.7% of total revenue. The remaining comprised of revenue from Europe 7.2%, Hong Kong 3.1%, PRC 4.7%, Taiwan 2.9% and others 7.4%.

Contingent Liabilities

As at 31 March 2013, the Company had no material contingent liabilities.

Investments in New Businesses

Pursuant to the share transfer agreement and the capital increase agreement entered into between Ningbo Lisi Information Technology Ltd. ("Ningbo IT"), being a wholly owned subsidiary of the Company, and various independent third parties in October 2010, Ningbo IT owned 24.76% equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") as at 31 March 2012, the registration of which was completed on 26 April 2012. VMCL is an associate company of the Group. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

Another investment in new business in recent years is QL Electronics Co., Ltd. ("QLEC"). During the year, our equity interest in QLEC was maintained at 8.538%. The core business of QLEC is in the development and manufacturing of semiconductor materials.

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

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

Employee Information

As at 31 March 2013, the Group employed a workforce of 1,343 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.

Review of Operations

For the year, the Group recorded a net loss of RMB32.0 million, compared to the net profit of RMB5.9 million for the corresponding last year.

During the year, the manufacturing and trading business contributed approximately RMB298.8 million to the total revenue of the Group, but the turnover of this segment decreased by RMB89.5 million when compared with the corresponding last year of approximately RMB388.3 million. The loss of the Group for the year was mainly caused by the termination of the production operations in Shenzhen plant and relocation of its manufacturing facilities to Ningbo. This relocation had caused some disruption in the normal production scheduling and product delivery, some loss in orders from customers and higher administrative expenses such as increasing severance payment for terminated employees and relocation expenses. The tight financial position as a result of the one-off burden from plant relocation will be alleviated in 2013-2014. Besides, the temporary adverse impact on the sales orders due to the relocation will be turned around with the stabilisation of new operations in Ningbo.

Besides, another factor of weaker performance for the year is the receipt of dividend income having been decreased to approximately RMB2.3 million from approximately RMB9.2 million recorded for the corresponding last year.

Following the Group successfully changed the usage of the leasehold land and buildings in Shenzhen (the "Properties") from industrial use to residential-commercial use in December 2011 and the relocation of manufacturing plant from Shenzhen to Ningbo at the end of October 2012, the Properties have been reclassified from property, plant and equipment to investment properties at the end of October 2012. During the year, rental income derived from this property investment business segment amounted to approximately RMB1 million to the total revenue of the Group.

PROSPECTS

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

The Group will continue its cost control measures and business strategy of focusing on higher margin products and customers that have been improving the Group's business and financial performance. Apart from the continuing effort in cost control measures such as integration and realignment of management and sales resources, structural changes in procurement and manufacturing planning and exploration of relocation of its production facilities (or part of them) to lower cost areas, the Group will step up its effort to explore new businesses. The Group took initiative and continues 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 bakewares and silicone bakewares. In the short to medium term, we will diversify new product lines to optimize the production capacity and to get hold of the market opportunities.

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

Relocation of Manufacturing Plant

Relocation of the Group's manufacturing plant in Shenzhen to Ningbo, PRC, was completed in October 2012. The manufacturing facilities of household products of the Group is now consolidated in one location in Ningbo and this will benefit the business operations in terms of efficiency improvement in management resources and synergies in scale procurement and production operations. Regarding the vacant site in Shenzhen ("Shenzhen Site") after the relocation, the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC has approved the change of primary usage of the Shenzhen Site to residential-commercial use. The Company is considering further development of the Shenzhen Site in accordance with the relevant laws and regulations in order to better utilise the land resources. No decision has been made regarding the future development of the Shenzhen Site. The Company will make further announcement when appropriate in compliance with the Listing Rules.

Expanding into New Businesses with High Growth Potential

Further to the investments in QLEC and VMCL, the acquisition of 95% beneficiary interest in certain department stores and supermarket chain in Ningbo from substantial Shareholder has just been approved by the shareholders of the Company. The consideration of HK$892.8 million will be settled by the issuance of new shares and convertible bonds. The acquisition of the remaining 5% beneficiary interest from an independent third party has been done at the consideration of RMB31.7 million settled by internal financial resources of the Group. As disclosed in the accountants' report of the target group in the circular dated 22 May 2013 released by the Company, in 2012 the target group achieved over RMB844 million sales turnover and over RMB40 million profit after tax and generated RMB116 million net cash from operations with net assets of RMB428 million. After completion of the acquisition, the management expects the retail business of department stores and supermarkets will bring very positive impact on the financial results, the asset base and the cash flow generation of the Group and thus the market capitalisation of the Company.

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

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

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group and discussed internal controls, auditing and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 March 2013, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to code provision E.1.2 of the Corporate Governance Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held during the year due to his business commitments. Save as aforesaid, in the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the year ended 31 March 2013.

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2013.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Group's auditor, Mazars CPA Limited, (the "Auditor") to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2013. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The Auditor has qualified the Group's consolidated financial statements for the year ended 31 March 2013, an extract of which is as follows:

Basis for qualified opinion

Included in the consolidated statement of financial position is an interest in an associate, Veritas-Msi (China) Company Limited ("Veritas-Msi"). The Group's share of the results and net assets of Veritas-Msi for the period/year ended 31 March 2012 and 2013 and as at those dates included in the Group's consolidated financial statements for the years ended 31 March 2012 and 2013 are set out in the consolidated financial statements.

As stated in the independent auditor's report contained in the 2012 annual report, our opinion was qualified as we were unable to arrange an audit on the management accounts of Veritas-Msi for the period ended 31 March 2012. In the current year's audit, we have arranged to conduct audit procedures on the management accounts of Veritas-Msi for the period/year ended 31 March 2012 and 2013. However, the evidence available to us was limited. We have not been provided with adequate and persuasive audit evidences to substantiate that revenue of Veritas-Msi had been recognised in the appropriate accounting period. We were therefore unable to ascertain whether the carrying amount of the Group's interest in Veritas-Msi as at 31 March 2012 and 2013 and the Group's share of Veritas-Msi's results for the period/year ended 31 March 2012 and 2013 were fairly stated. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the amounts referred to above were free from material misstatement. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the Group's loss 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.

The Auditor also modified its report by adding emphasis of matter which the Auditor draws attention to the following uncertainty:

Emphasis of matter

We draw attention to note 2 to the consolidated financial statements which explains the measures that the directors are currently undertaking and intend to take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the consolidated financial statements on a going concern basis. At the end of the reporting period, the Group had net current liabilities of RMB244,739,000. The validity of the going concern basis depends on the Group's future profitable operation or the effectiveness of the measures as detailed in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that would result from a failure of these measures to accomplish successful outcome. We consider that appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

PUBLICATION OF THE FURTHER INFORMATION

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

By Order of the Board
Li Li Xin
Chairman

Hong Kong, 28 June 2013

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