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

(incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)
Stock Code 股份代號：526

Create Better Living
創造優質生活

2013 年報
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-Executive Directors
Mr XU Jin
Mr LAU Kin Hon

Independent Non-Executive Directors
Mr HE Chengying
Mr CHAN Man Sum Ivan
(resigned on 1 January 2013)
Mr SHIN Yick Fabian
(appointed on 1 January 2013)
Mr CHEUNG Kiu Cho Vincent

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit A, 5/F, Garment Centre
No. 576-586 Castle Peak Road
Cheung Sha Wan, Kowloon, Hong Kong

SECURITIES CODE

Hong Kong Stock Code: 526

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications, Shenzhen and Ningbo Branches, the People's Republic of China (the "PRC")
Bank of Ningbo, PRC
China Construction Bank, Ningbo Branch, PRC
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre, 11 Bermudiana Road, Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

CHAIRMAN

Mr LI Li Xin, aged 45, 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 retail business, real property development and investment holding. 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, printing business and local bank in the PRC. Mr Li has 22 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

Mr Li is currently a committee member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the China Plastics Processing Industry Association, an executive committee member of National Industrial and Commercial Union, the vice chairman of Ningbo City Industrial and Commercial Union.

Mr Li was awarded the title of model worker in Ningbo City for the years 2001 to 2003. He was awarded the titles of "Outstanding Builder of Socialist Undertakings of Chinese Characteristics" in 2003 and 2006 by the People's Governments of Ningbo City and Zhejiang Province respectively and was renowned for his contribution to the "Honourable Undertakings" and "Shining Star" promotional programme by the People's Government of Zhejiang Province. He was appointed as non-executive Director and chairman of the Group in September 2008.

EXECUTIVE DIRECTOR

Mr CHENG Jian He, aged 47, is the Chief Executive Officer of the Group. Mr Cheng has over 24 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. Mr Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. He holds an Executive Master of Business Administration degree from Renmin University of China. By profession, Mr Cheng is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

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

NON-EXECUTIVE DIRECTORS

Mr XU Jin, aged 47, is the founder and currently the chairman of a private enterprise incorporated in the PRC 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 45, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 21 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 SHIN Yick Fabian, aged 44, is the Deputy Chief Executive Officer of CMB International Capital Limited. Mr Shin has over 22 years of experience in investment banking and financial management. Prior to joining CMB International Capital Limited, he worked in several investment banks in Hong Kong.

Mr Shin was independent non-executive director of Little Sheep Group Limited (968.HK), a company listed in Hong Kong and C&O Pharmaceutical Technology (Holdings) Limited (E92.SI), a company listed in Singapore till 2011.

Mr Shin graduated from the University of Birmingham in England with a bachelor's degree in commerce. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu. He had also worked in a listed company in Hong Kong as group financial controller and company secretary. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. He was appointed as independent non-executive Director in January 2013.

Mr HE Chengying, aged 50, 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 CHEUNG Kiu Cho Vincent, aged 37, is a Registered Professional Surveyor in the General Practice Division and member of both The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors, UK. Mr Cheung holds a Master of Business Administration degree in International Management granted by University of London in association with Royal Holloway and Bedford New College and a Bachelor of Science (Honours) degree in Real Estate granted by The Hong Kong Polytechnic University. Mr Cheung is a National Director, Greater China of an international corporate valuation and advisory company. Mr Cheung has over 16 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 43, is the General Manager of household products business of the Group. Ms Jin has been responsible for sales and operations management of Ningbo plant since 1998. She holds an Executive Master of Business Administration degree from Fudan University. She has over 17 years experience in development and sales of household products and sundries. She joined the Group when the Ningbo plant was acquired by the Group in 2010.

Mr PUN Kam Wai Peter, aged 51, is the Chief Financial Officer of the Group. Mr Pun possesses over 23 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 initial public offering on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. 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.

Mr LAM Wai Wah, Alan, aged 49, is the Senior Sales and Marketing Manager of household products business of the Group. Mr Lam has been responsible for the international marketing and sales of products manufactured in Ningbo plant since September 2005. He has over 22 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.

Mr CHEN Tao Li, aged 39, is the Production Deputy General Manager of household products business of the Group. He is responsible for the daily production operations, production management, planning, quality control, logistics and plant operation. He has over 14 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 holds a Master of Business Administration degree from Lanzhou University. He joined the Group in January 2007.

Mr NG Chun Ki, aged 35, is the Technical Deputy General Manager for household products business of the Group. Mr Ng has been responsible for the product development and production management of Ningbo plant since June 2003 and has over 18 years experience in product development and manufacturing of plastic moulds. He joined Group when the Ningbo plant was acquired by the Group in 2010.

Chairman's Statement

Dear Shareholders,

We had a challenging year in 2012/2013. For the year ended 31 March 2013 (the "Year"), our turnover reduced to RMB299.1 million and the Group recorded a loss of RMB32.0 million. This essentially reflected the short term adverse impact of the relocation of our manufacturing facilities from Shenzhen to Ningbo including delay of sales orders from customers, temporary disruption in production capacity and operations, and higher administrative expenses for one-off plant relocation and termination compensation to employees. We decided to absorb all such short-term negative impact in 2012/2013 but lay the building blocks for the business development of the Group in the upcoming future.

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

STRENGTHENING THE FOUNDATION OF HOUSEHOLD PRODUCTS BUSINESS

The Group took a major step in 2012/2013 to relocate our manufacturing facilities in Shenzhen to Ningbo and consolidate all our production and operations resources in household products business into one location. The relocation was a process in which we encountered inevitably disruption in normal operations, loss of some sales orders, termination of our workforce in Shenzhen and some time for the relocated team and facilities to resume productivity in new location. Though all these effects were unfavorable for our annual results for the Year, the management considered that the relocation was the right and necessary business decision for the long-term success of our household products business. We expect that this business segment will benefit from the efficiency improvement in resource management and the synergies in scale procurement and production operations.

Besides, the management team of household products business kept on adopting effective sales and cost management measures throughout the Year. In order to cope with the environment of fierce competition and uncertain market outlook, the Group continues to align our client base with higher-margin products and customers. Being one of the leading household products suppliers with multi-product categories in Asia, we shall capitalize on this competitive edge to develop and offer sophisticated range of household products with room for margin improvement.

With respect to cost management, the Group made use of the opportunity of plant relocation to invest in machinery replacement to raise production efficiency and lower reliance on manual workers. The Group will also continue to manage its raw material cost through bulk procurement and future delivery to hedge against the cost fluctuation in raw materials when and where appropriate and negotiate more favorable terms with key raw material suppliers and logistic service providers.

The plant relocation, together with other sales and cost management measures, is a very important action to strengthen our overall capability to boost our sales and market share as well as our drive for margin improvement in household products business.

REVITALIZING KEY ASSET OF THE GROUP

With the relocation of our manufacturing facilities completed in the Year, we vacated already our site in Shenzhen ("Shenzhen Site"). The Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC approved the change of primary usage of Shenzhen Site from industrial to residential-commercial use. This is a good result of the effort devoted in recent years to revitalize the value of Shenzhen Site which is one of the key assets of the Group. We are considering various alternatives to make the best use of the site but no decision has been made. The Company will make further announcement when appropriate in compliance with the Listing Rules.

DEVELOPING INTO RETAIL BUSINESS

Another major business action of the Group in 2012/2013 was the announcement of the acquisition of two department stores and a supermarket chain in Ningbo. The acquisition was approved in the special general meeting on 12 June 2013 and will be completed in the second half of 2013 upon fulfillment of conditions precedent. As disclosed in the accountants' report of the target group included in the circular of the Company dated 22 May 2013, the target group achieved over RMB844 million sales turnover and over RMB40 million profit after tax and generated RMB116 million net cash from operations in 2012 with net assets of RMB428 million. After completion of this acquisition, the retail business of department stores and supermarkets will bring very positive contribution on the financial results, the asset base and the cash flow generation to the Group.

APPRECIATION

With building blocks in strengthening the foundation of household products business, revitalizing key asset and developing into retail business, the Group is well positioned with a diversified and balanced business portfolio to grasp the business opportunities and deliver business growth and financial results with sustainable improvement. I am confident and optimistic with the prospect of the business development of the Group.

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 heartiest gratitude to all the employees of the Group for their industrious devotion and achievements in the challenging but exciting 2012/2013. We shall continue to target for long term business growth of the Group and strive for improving financial results and returns to the shareholders.

Li Li Xin
Chairman

Hong Kong, 28 June 2013

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 Hong Kong dollar ("HKD"), United States dollar ("USD") and Renminbi ("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.

Exposure to Foreign-Exchange Fluctuations

The functional currency of the Company is RMB and the Group's monetary assets and liabilities were principally denominated in RMB, HKD and USD. Our exposure to currency exchange fluctuation risk will be in line with the gradual appreciation of RMB which is widely expected in the foreign exchange market. As RMB is not yet an international currency, the hedging tools available in the market are very limited. During the Year, the Group had not done any hedge against foreign currency exposure. But the management considered that, given the PRC government takes prudent and gradual measures against the appreciation of RMB, the currency exposure risk is still limited.

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 8.54%. 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. Further details of the investment were disclosed in the 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 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Expanding into New Businesses with High Growth Potential

Further to the investments in QLEC and VMCL, the acquisition of 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.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance for enhancing shareholder's value. The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules for the year save as hereinbelow disclosed.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 chief executive officer and the senior management members are responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group. The Board is currently comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Li Li Xin *(Chairman)*
Cheng Jian He *(Chief Executive Officer)*

Non-Executive Directors

Xu Jin
Lau Kin Hon

Independent non-executive Directors

He Chengying
Shin Yick Fabian
Cheung Kiu Cho Vincent

During the Year, 9 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.

During the Year, all Directors were provided with reading materials and briefings to refresh their knowledge on Listing Rules and other relevant laws and regulations. Mr Li Li Xin, Mr Cheng Jian He, Mr Lau Kin Hon, Mr Shin Yick Fabian and Mr Cheung Kiu Cho Vincent have attended courses and/or seminars relevant to the roles and duties as directors of listed companies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

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

The remuneration committee is currently comprised of two independent non-executive Directors, Mr Shin Yick Fabian and Mr Cheung Kiu Cho Vincent and one non-executive Director, Mr Xu Jin (chairman). One meeting was held during the Year.

During the Year the remuneration committee has reviewed and made recommendations to the Board on the remuneration packages of individual Directors and senior management and the overall remuneration policy of the Group and assessed performance of the Directors.

NOMINATION COMMITTEE

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

The nomination committee is currently comprised of two independent non-executive Directors, Mr Cheung Kiu Cho Vincent (chairman) and Mr Shin Yick Fabian and one non-executive Director, Mr Lau Kin Hon. One meeting was held during the Year.

During the Year, the nomination committee has monitored and reviewed the nomination procedures and process for the nomination of Directors, reviewed the composition of the Board and made recommendation to the Board on matters related to election and retirement of the Directors.

AUDIT COMMITTEE

The audit committee is currently comprised of three independent non-executive Directors Mr Shin Yick Fabian (chairman), Mr Cheung Kiu Cho Vincent and Mr He Chengying. Two audit committee meetings were held during the Year.

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

During the Year, the audit committee reviewed the Group's annual results for the year ended 31 March 2012 and the interim results for the six months ended 30 September 2012. The audit committee also reviewed the Group's financial controls, internal control and risk management systems and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board meetings (BM), audit committee meetings (ACM), remuneration committee meetings (RCM), nomination committee meetings (NCM) and annual general meeting (AGM) held during the year are set out below:

	Number of meetings attended/held during the year				
	BM	**ACM**	**RCM**	**NCM**	**AGM**
Executive directors					
Li Li Xin	0/9	NA	NA	NA	0/1
Cheng Jian He	8/9	NA	NA	NA	1/1
Non-executive directors					
Xu Jin	5/9	NA	1/1	NA	0/1
Lau Kin Hon	9/9	NA	NA	1/1	1/1
Independent non-executive directors					
He Chengying	4/9	2/2	NA	NA	0/1
Chan Man Sum Ivan (resigned on 1 January 2013)	3/6	2/2	0/1	0/1	1/1
Shin Yick Fabian (appointed on 1 January 2013)	1/3	0/0	0/0	0/0	0/0
Cheung Kiu Cho Vincent	5/9	2/2	1/1	1/1	1/1

Pursuant to code E.1.2 of the CG Code, the chairman of the Board, the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee should attend the annual general meeting. During the Year, the chairman of the Board, the chairman of the audit committee and the chairman of the remuneration committee were unable to attend the annual general meeting due to other commitments.

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 RMB244,739,000. 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.

AUDITOR'S REMUNERATION

During the Year, the auditor's remuneration paid and payable in respect of the audit services and non-audit services, provided by the auditor of the Company to the Group amounted to RMB627,000 and RMB25,000 respectively.

SHAREHOLDERS' RIGHTS

Shareholders may send their direct enquiries to the Board in writing by mail through the company secretary of the Company to the Company's principal place of business in Hong Kong for the time being.

Pursuant the Company's bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of the Companies Act 1981 of Bermuda.

To put forward a proposal at a shareholders' meeting, shareholder should comply with all provisions of the Companies Act 1981 of Bermuda. In addition, shareholders are requested to submit a written request stating the resolution intended to be moved at the general meeting; or a statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office and principal place of business in Hong Kong, for the attention of the company secretary of the Company.

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out on page 22 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 25 of this annual report and in note 28 to the consolidated financial statements respectively .

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in notes 14 and 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2013 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

DISTRIBUTABLE RESERVES

As at 31 March 2013, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of approximately RMB80,583,000 *(2012: RMB80,583,000)* is available for distribution, subject to certain conditions as described in note 28 to the consolidated financial statements. The Company's share premium account of RMB145,494,000 *(2012: RMB145,494,000)* as at 31 March 2013 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 90 of this annual report.

DIRECTORS

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

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

Non-executive Directors:
Xu Jin
Lau Kin Hon

Independent non-executive Directors:
He Chengying
Chan Man Sum Ivan (resigned on 1 January 2013)
Shin Yick Fabian (appointed on 1 January 2013)
Cheung Kiu Cho, Vincent

In accordance with bye-laws 86 and 87 of the Company's bye-laws, Mr Cheng Jian He, Mr Shin Yick Fabian and Mr Lau Kin Hon will retire 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 emoluments of the Directors and 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 note 32 of the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

The following agreements entered into by Ningbo Lisi Household Products Company Limited ("Ningbo Lisi") with companies owned by Mr Li Li Xin, a Director and beneficial owner of the Company 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 ending on 31 December 2012 since completion of the acquisition on 30 April 2010 as mentioned in note 32 to the consolidated financial statements:

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

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

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

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

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

Agreements of (i) and (ii) was renewed on 31 December 2012 on the same terms as previous agreements for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015. Agreement of (iii) was renewed on 31 December 2012 for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015 and Ningbo Lisi would be charged a monthly rent of RMB537,930.

The renewal of the continuing connected transactions of (i), (ii) and (iii) was approved by the independent shareholders at the special general meeting on 26 February 2013.

Besides, another tenancy agreement for leasing certain factory space and quarters entered into by Ningbo Lisi with a company owned by Mr Li Li Xin on 30 May 2012 also constituted continuing connected transaction of the Company and is subject to reporting and announcement requirements and annual review requirements but is exempted from independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules. This tenancy agreement has a term of 3 years commencing from 1 June 2012 and ending on 31 May 2015 as mentioned in note 32 to the consolidated financial statements. Ningbo Lisi would be charged a monthly rent of RMB635,100.

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.

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 Transactions:

(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 Transactions; and

(4) had not exceeded the cap disclosed in the previous circulars made on 31 March 2010 and 6 February 2013 and the announcement dated 30 May 2012 in respect of the disclosed continuing connected transactions.

Save as mentioned above, there were no other discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the Year.

Related party transactions, including the Continuing Connected Transactions, entered into by the Group for the Year are disclosed in note 32 to the consolidated financial statements.

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

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

As at 31 March 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code were as follows:

Name of Director	Nature of interests	Number of issued ordinary shares of HK$0.01 each in the Company	Percentage of total issued ordinary shares
Mr Li Li Xin *(note 1)*	*(note 1)*	1,350,493,014	54.52%
Mr Xu Jin	Personal	253,837,198	10.25%

Note 1: Mr Li Li Xin's interest in 1,350,493,014 shares is held as to 5,892,000 shares personally, 15,620,000 shares through his spouse Jin Ya Er and 1,328,981,014 shares through Big-Max, which 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 2013, 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 31 August 2012, the particulars of the Scheme are as follows:

Purpose of the Scheme:

To reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Company.

Participants:

(a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider 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 31 August 2022.

No share options had been granted under the Scheme up to 31 March 2013 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the Directors and chief executives, as at 31 March 2013, 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	18.5%
– five largest suppliers	54.2%
Sales	
– the largest customer	25.1%
– five largest customers	54.6%

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

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

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

RETIREMENT SCHEME

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

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float at all times during the Year.

AUDITOR

The consolidated financial statements for the Year 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, 28 June 2013

Independent Auditor's Report

MAZARS

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

We have audited the consolidated financial statements of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 22 to 89, which comprise the consolidated and the Company's statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 note 19 to 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.

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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2013

Fung Shiu Hang
Practising Certificate number: P04793

Consolidated Statement of Comprehensive Income

Year ended 31 March 2013

	Note	2013 RMB'000	2012 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	7	(12,945)	(14,378)
Share of results of an associate	19	2,307	(2,120)
(Loss) Profit before taxation	7	(29,411)	13,717
Income tax expense	10	(2,620)	(7,769)
(Loss) Profit for the year	11	(32,031)	5,948
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	15	11,459	–
– tax expense	10	(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	13	(1.29) cent	0.24 cent

Consolidated Statement of Financial Position

At 31 March 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	14	83,881	232,315
Investment properties	15	175,600	–
Goodwill	17	43,313	43,313
Intangible assets	18	7,956	10,530
Interest in an associate	19	40,677	38,370
Available-for-sale financial assets	20	75,481	75,481
Prepayment	22(v)	10,200	–
		437,108	400,009
Current assets			
Inventories	21	46,581	52,585
Trade and other receivables	22	34,165	77,272
Tax recoverable		1,178	–
Bank balances and cash	23	9,207	11,073
		91,131	140,930
Current liabilities			
Trade and other payables	24	180,997	158,973
Tax payables		–	2,474
Current portion of bank borrowings	25	154,849	85,035
Current portion of obligations under finance leases	26	24	31
		335,870	246,513
Net current liabilities		(244,739)	(105,583)
Total assets less current liabilities		192,369	294,426
Non-current liabilities			
Long-term portion of bank borrowings	25	–	82,000
Obligations under finance leases	26	–	25
Deferred tax liabilities	29	8,157	4,722
		8,157	86,747
NET ASSETS		184,212	207,679
Capital and reserves			
Share capital	27	22,724	22,724
Reserves		161,488	184,955
TOTAL EQUITY		184,212	207,679

Approved and authorised for issue by the Board of Directors on 28 June 2013

Li Li Xin
Chairman

Cheng Jian He
Director

Statement of Financial Position

At 31 March 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	14	329	–
Interest in subsidiaries	16	186,092	188,010
Loan to a subsidiary	22(ii)	9,607	–
		196,028	188,010
Current assets			
Other receivables	22	2,183	10,369
Bank balances and cash	23	543	139
		2,726	10,508
Current liabilities			
Other payables	24	20,802	9,636
Net current (liabilities) assets		(18,076)	872
NET ASSETS		177,952	188,882
Capital and reserves			
Share capital	27	22,724	22,724
Reserves	28	155,228	166,158
TOTAL EQUITY		177,952	188,882

Approved and authorised for issue by the Board of Directors on 28 June 2013

Li Li Xin
Chairman

Cheng Jian He
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2013

	Share capital RMB'000	Reserves: Share premium RMB'000 (note 28(i))	Statutory reserve RMB'000 (note 28(ii))	Capital redemption reserve RMB'000	Translation reserve RMB'000 (note 28(iv))	Contributed surplus RMB'000 (note 28(iii))	Property revaluation reserve RMB'000 (note 28(v))	Accumulated (losses) profit RMB'000 (Restated)	Total reserves RMB'000	Total RMB'000
At 1 April 2011	22,724	145,494	2,409	1,341	(14,835)	56,236	–	(9,582)	181,063	203,787
Profit for the year, as restated	–	–	–	–	–	–	–	5,948	5,948	5,948
Other comprehensive (loss) income										
Exchange differences on translating financial statements of foreign operations	–	–	–	–	2,561	–	–	–	2,561	2,561
Exchange differences on translating inter-company balances with foreign operations	–	–	–	–	(4,617)	–	–	–	(4,617)	(4,617)
	–	–	–	–	(2,056)	–	–	–	(2,056)	(2,056)
Total comprehensive (loss) income for the year	–	–	–	–	(2,056)	–	–	5,948	3,892	3,892
Transfer to statutory reserve	–	–	1,651	–	–	–	–	(1,651)	–	–
At 31 March 2012, as restated	22,724	145,494	4,060	1,341	(16,891)	56,236	–	(5,285)	184,955	207,679
At 1 April 2012										
As previously reported	22,724	145,494	4,060	1,341	(16,891)	56,236	–	(1,310)	188,930	211,654
Prior period adjustment										
Correction of prior period error (note 3)	–	–	–	–	–	–	–	(3,975)	(3,975)	(3,975)
As restated	22,724	145,494	4,060	1,341	(16,891)	56,236	–	(5,285)	184,955	207,679
Loss for the year	–	–	–	–	–	–	–	(32,031)	(32,031)	(32,031)
Other comprehensive (loss) income										
Exchange differences on translating financial statements of foreign operations	–	–	–	–	(30)	–	–	–	(30)	(30)
Surplus on revaluation of properties upon reclassification from leasehold land and buildings held for own use to investment properties, net of tax amount	–	–	–	–	–	–	8,594	–	8,594	8,594
	–	–	–	–	(30)	–	8,594	–	8,564	8,564
Total comprehensive (loss) income for the year	–	–	–	–	(30)	–	8,594	(32,031)	(23,467)	(23,467)
Transfer to statutory reserve	–	–	483	–	–	–	–	(483)	–	–
At 31 March 2013	**22,724**	**145,494**	**4,543**	**1,341**	**(16,921)**	**56,236**	**8,594**	**(37,799)**	**161,488**	**184,212**

Consolidated Statement of Cash Flows

Year ended 31 March 2013

	2013 RMB'000	2012 RMB'000 (Restated)
OPERATING ACTIVITIES		
(Loss) Profit before taxation	(29,411)	13,717
(Reversal of) Allowance for inventory obsolescence	(346)	141
Amortisation of intangible assets	2,574	2,574
Depreciation of property, plant and equipment	14,179	19,183
Dividend income	(2,290)	(9,159)
Exchange differences, net	429	(2,494)
Gain on disposal of property, plant and equipment, net	(1,479)	(1,687)
Interest income	(65)	(162)
Interest expenses	12,945	14,378
Reversal of impairment loss on property, plant and equipment	–	(770)
Written off of property, plant and equipment	2,294	–
Write-back of other payables	–	(2,737)
Share of results of an associate	(2,307)	2,120
Changes in working capital:		
Inventories	6,095	22,130
Trade and other receivables	30,253	(17,925)
Trade and other payables	(22,563)	(5,769)
Cash generated from operating activities	10,308	33,540
Income tax paid	(5,688)	(8,512)
Interest paid	(12,880)	(14,373)
Net cash (used in) from operating activities	(8,260)	10,655
INVESTING ACTIVITIES		
Interest received	65	162
Dividend received	2,290	9,159
Repayment from (Advance to) an associate	2,000	(2,000)
Capital injection to an associate	–	(25,887)
Acquisition of available-for-sale financial assets	–	(7,394)
Purchase of property, plant and equipment	(34,064)	(27,911)
Proceeds on disposal of property, plant and equipment	2,926	2,946
Prepayment paid	(1,200)	–
Decrease in pledged deposits	–	875
Net cash used in investing activities	(27,983)	(50,050)

	2013 RMB'000	2012 RMB'000 (Restated)
FINANCING ACTIVITIES		
Advances from related companies	75,540	11,270
Loan from a shareholder	12,009	–
Repayment of loan from a shareholder	(905)	(514)
Repayment of loan from a related company	(40,000)	–
New bank borrowings	124,227	136,066
Repayment of bank borrowings	(136,354)	(110,697)
Repayment of capital elements of obligation under finance leases	(32)	(30)
Finance charge on obligation under finance leases	(3)	(5)
Net cash from financing activities	34,482	36,090
Net decrease in cash and cash equivalents	(1,761)	(3,305)
Cash and cash equivalents at beginning of year	11,073	14,592
Effect of foreign exchange rate changes, net	(105)	(214)
Cash and cash equivalents at end of year, represented by bank balances and cash	9,207	11,073

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION

Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon the Group's profitable operation or the continued availability of adequate finance in view of the excess of current liabilities over current assets as at 31 March 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 2012/2013 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 2012/2013. The tight financial position as a result of the one-time 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. Cash flow contribution from the relocated operations will resume and benefit the Group.

2. BASIS OF PREPARATION (CONTINUED)

Going concern (Continued)

(vi) From time to time, the Group negotiates with the suppliers to negotiate for more favourable credit terms. Meanwhile, credit 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 was over RMB100 million in each of the years from 2010 to 2012. This acquisition is expected to be completed before the 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.

2. BASIS OF PREPARATION (CONTINUED)

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 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 2012 consolidated financial statements except for the adoption of certain new/revised HKFRSs effective from the current year that are relevant to the Group.

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

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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, the 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	0.16 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

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, which is measured at fair value as explained in the principal accounting policies.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 ceased.

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

Allocation of total comprehensive income

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

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the Company 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)

Subsidiaries

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

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

Associates

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill

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

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

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

Intangible assets

Customer relationships

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

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit.

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

Construction-in-progress

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are land and buildings that are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Financial instruments

Recognition and derecognition

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

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

Initial measurement

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

Loans and receivables

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Available-for-sale financial assets

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

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

Financial liabilities

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

Impairment of financial assets

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash equivalents

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

Revenue recognition

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

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

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

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

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

Foreign currency translation

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

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. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recongised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as an increase in the amount of inventories recognised as an income in the period in which the reversal occurs.

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 assess whether there is any indication that its property, plant and equipment, intangible assets and investment in subsidiaries and an associate may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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

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

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

Borrowing costs

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

Provisions

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

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

As lessee

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

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

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

Employee benefits

Short-term employee benefits

Salaries, annual bonuses and paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employee. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

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

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

Related parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

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

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

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

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

Segment reporting

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

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Allowance for bad and doubtful debts

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

Allowance for inventories

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

Impairment of investments and receivables

The Group assesses annually if interest in subsidiaries and associates stated has suffered any impairment in accordance with HKAS 36 and follow the guidance of HKAS 39 in determining whether amounts due from these entities and available-for-sale financial assets measured at cost less impairment are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

For available-for-sale financial assets measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account financial information regarding the issuers/investees.

Impairment of goodwill

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

Useful lives of intangible assets

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

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 HKAS 1	*Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosures of Interests in Other Entities* [2]
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	*Additional Transition Relief - Consolidated Financial Statements, Joint Arrangements, Disclosures of Interests in Other Entities* [2]
HKFRS 13	*Fair Value Measurement* [2]
Amendments to HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards* [2]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Various HKFRSs	*Annual Improvements Project – 2009-2011 Cycle* [2]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests in Other Entities* [3]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* [4]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The directors do not anticipate that the adoption of these new/revised HKFRSs in the future periods will have any material impact on the results of the Group.

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.

4. SEGMENT INFORMATION (CONTINUED)

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.

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

4. SEGMENT INFORMATION (CONTINUED)

(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 RMB'000	Property investment RMB'000	Investment holding RMB'000	Consolidated RMB'000	Manufacturing and trading RMB'000	Investment holding RMB'000 (Restated)	Consolidated 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.

4. SEGMENT INFORMATION (CONTINUED)

(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 on 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:

	Group			
	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

4. SEGMENT INFORMATION (CONTINUED)

(e) Information about major customers

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

	Group	
	2013 RMB'000	2012 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 the Group are analysed as follows:

	Group	
	2013 RMB'000	2012 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

	Group	
	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

	Group	
	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 (gain), net	213	(192)
Operating lease charges on premises	12,685	6,225
Written off of property, plant and equipment	2,294	–

8. DIRECTORS' EMOLUMENTS

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

	2013			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
Executive directors				
Li Li Xin	–	–	–	–
Cheng Jian He	–	–	–	–
Non-executive directors				
Xu Jin	–	–	–	–
Lau Kin Hon	–	–	–	–
Independent non-executive directors				
Chan Man Sum Ivan (resigned on 1 January 2013)	88	–	–	88
Cheung Kiu Cho Vincent	98	–	–	98
He Chengying	98	–	–	98
Shin Yick, Fabian (appointed on 1 January 2013)	29	–	–	29
	313	–	–	313

8. DIRECTORS' EMOLUMENTS (CONTINUED)

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

There were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office for both years.

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

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

	Group	
	2013 RMB'000	2012 RMB'000
Salaries and allowances	2,926	2,970
Contributions to defined contribution retirement schemes	56	51
	2,982	3,021

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

Their emoluments are within the following band:

	Group Number of individuals	
	2013	2012
Nil to RMB1,000,000	5	5

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

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

10. 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.

	Group	
	2013 RMB'000	2012 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

10. TAXATION (CONTINUED)

	Group	
	2013 RMB'000	2012 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	–

Reconciliation of effective tax rate

	Group	
	2013 %	2012 % (Restated)
Applicable tax rate	(29)	31
Share of results of an associate	(2)	4
Non-deductible expenses	3	9
Tax exempt revenue	–	(21)
Unrecognised temporary differences	7	21
Unrecognised tax losses	30	29
Utilisation of previously unrecognised tax loss	–	(9)
Underprovision in prior years	–	1
Others	–	(8)
Effective tax rate for the year	9	57

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

11. (LOSS) PROFIT FOR THE YEAR

The (loss) profit attributable to equity holders of the Company for the year ended 31 March 2013 includes a loss of RMB10,930,000 *(2012: RMB11,678,000)*, 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 both years.

13. (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.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures, office and computer equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group								
Reconciliation of carrying amount – year ended 31 March 2012								
At beginning of reporting period	166,163	3,348	19,555	917	447	28,098	5,833	224,361
Additions	1,651	253	8,890	1,140	1,922	6,148	7,907	27,911
Depreciation	(6,045)	(952)	(3,991)	(442)	(335)	(7,418)	–	(19,183)
Reversal of impairment loss	–	–	–	–	–	770	–	770
Transferred from construction-in-progress	3,909	1,456	(89)	59	–	5,500	(10,835)	–
Disposals	–	(28)	(614)	(30)	(235)	–	(6)	(913)
Effect of foreign currency exchange differences	–	(60)	(15)	(15)	(14)	(517)	(10)	(631)
At end of reporting period	165,678	4,017	23,736	1,629	1,785	32,581	2,889	232,315
Reconciliation of carrying amount – year ended 31 March 2013								
At beginning of reporting period	165,678	4,017	23,736	1,629	1,785	32,581	2,889	232,315
Additions	1,887	2,775	10,473	534	10	3,510	14,875	34,064
Depreciation	(3,424)	(1,022)	(3,342)	(593)	(410)	(5,388)	–	(14,179)
Transferred from construction-in-progress	–	–	–	–	–	9,054	(9,054)	–
Reclassified to investment properties (note 15)	(164,141)	–	–	–	–	–	–	(164,141)
Written off	–	(2,294)	–	–	–	–	–	(2,294)
Disposals	–	–	(734)	(247)	(13)	(1)	(452)	(1,447)
Effect of foreign currency exchange differences	–	–	(296)	13	3	(157)	–	(437)
At end of reporting period	**–**	**3,476**	**29,837**	**1,336**	**1,375**	**39,599**	**8,258**	**83,881**
At 31 March 2012								
Cost	233,381	17,841	71,071	24,073	6,742	198,024	2,889	554,021
Accumulated depreciation and impairment losses	(67,703)	(13,824)	(47,335)	(22,444)	(4,957)	(165,443)	–	(321,706)
	165,678	4,017	23,736	1,629	1,785	32,581	2,889	232,315
At 31 March 2013								
Cost	–	3,718	51,510	11,161	3,320	208,486	8,258	286,453
Accumulated depreciation and impairment losses	–	(242)	(21,673)	(9,825)	(1,945)	(168,887)	–	(202,572)
	–	**3,476**	**29,837**	**1,336**	**1,375**	**39,599**	**8,258**	**83,881**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements RMB'000	Furniture, fixtures, office and computer equipment RMB'000	Total RMB'000
Company			
Reconciliation of carrying amount – years ended 31 March 2012 and 2013			
At 1 April 2012	–	–	–
Additions	–	12	12
Inter-transfer from subsidiaries	120	250	370
Depreciation	(8)	(45)	(53)
At 31 March 2013	**112**	**217**	**329**
At 31 March 2012			
Cost	–	–	–
Accumulated depreciation	–	–	–
	–	–	–
At 31 March 2013			
Cost	120	262	382
Accumulated depreciation	(8)	(45)	(53)
	112	**217**	**329**

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

The net book value of the Group's property, plant and equipment includes an amount of RMB33,000 *(2012: RMB56,000)* in respect of assets held under finance leases.

15. INVESTMENT PROPERTIES

	Group 2013 RMB'000	2012 RMB'000
Reclassified from property, plant and equipment – at carrying value (note 14)	164,141	–
Changes in fair value – credited to property revaluation reserve (before tax amount)	11,459	–
At date of reclassification and end of reporting period, fair value	175,600	–

The Group's investment properties are all situated in the PRC and are held under medium-term leases.

Upon the substantial completion of the relocation of manufacturing plant from Shenzhen to Ningbo in October 2012, the Group reclassified properties in Shenzhen from property, plant and equipment to investment properties. The Group decided to hold these properties to earn rental income and/or for capital appreciation. On the date of transfer, the carrying amount and the fair value of these properties were RMB164,141,000 and RMB175,600,000 respectively. The fair value was determined based on a valuation carried out by Vigers Appraisal and Consulting Limited, an independent professional qualified valuer, on the market value basis using direct comparison approach. The difference between the carrying amount and the fair value of these properties of RMB11,459,000 was credited to property revaluation reserve.

At the end of the reporting period, the investment properties were revalued by Vigers Appraisal and Consulting Limited on the market value basis using direct comparison approach. The fair value at the end of the reporting period is the same as that at the date of transfer to investment properties.

Particulars of investment properties held by the Group at 31 March 2013 are as follows:

	Name/location	Lease Expiry	Type	Effective % held
	The People's Republic of China			
Property 1	An industrial complex located at Shajing Road, Shajing Town, Baoan District, Shenzhen, the PRC	2041	I	100
Property 2	A parcel of land located at Shajing Road, Shajing Town, Baoan District, Shenzhen, the PRC	2042	I	100

Type of properties: I – Industrial

15. INVESTMENT PROPERTIES (CONTINUED)

At the end of the reporting period, the Group has not yet obtained the real estate ownership certificate for three buildings with gross floor area of 20,350 *(2012: 20,350)* square meters out of 117,347 *(2012: 117,347)* square meters of property 1. The valuer has ascribed no commercial value to these three buildings.

At the end of the reporting period, the property 2 as mentioned above is not permitted to be transferred in the open market. The valuer has ascribed no commercial value to this property.

16. INTEREST IN SUBSIDIARIES

		Company	
	Note	At 31 March 2013 RMB'000	At 31 March 2012 RMB'000
Unlisted shares, at cost		133,222	133,222
Allowance for impairment loss		(133,222)	(133,222)
		–	–
Due from subsidiaries	(i)	434,544	434,476
Allowance for impairment loss	(ii)	(248,452)	(246,466)
		186,092	188,010
		186,092	188,010

Notes:

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

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

16. INTEREST IN SUBSIDIARIES (CONTINUED)

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

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

16. INTEREST IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ kind of legal entity	Nominal value of issued ordinary share/paid-up capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
Magician Strategic Limited	British Virgin Islands/ Limited liability company	US$1 ordinary	100%	–	Investment holding
Wealthy Glory Holdings Limited	British Virgin Islands/ Limited liability company	US$50,000 ordinary	–	100%	Investment holding
Golden Time Group Holdings Limited	Hong Kong/ Limited liability company	HK$10,000 ordinary	–	100%	Investment holding and trading and marketing of household products
Ningbo Lisi Household Products Company Limited* 寧波利時日用品有限公司	The PRC/ Foreign wholly-owned enterprise	HK$50,000,000 paid-up capital	–	100%	Manufacturing and of plastic household products
Ningbo Lisi Information Technology Company Limited* 寧波利時信息科技有限公司 ("Ningbo Lisi IT")	The PRC/ Foreign wholly-owned enterprise	RMB20,000,000 paid-up capital	–	100%	Investment holding

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

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 reporting period, or at any time during the reporting period.

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.

17. GOODWILL

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

	Group	
	2013 RMB'000	2012 RMB'000
Reconciliation of carrying amount		
At beginning and **end of reporting period, at cost**	43,313	43,313

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

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

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

	Group	
	2013	2012
Gross profit margin	27%-29%	30%-32%
Average growth rate	2%-25%*	2%-10%
Long-term growth rate	2%	2%
Discount rate	24%	25%

* *After the completion of relocation of manufacturing plant to Ningbo, the management expects the growth rate of sale order will be recovered in the year 2013/2014.*

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.

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

18. INTANGIBLE ASSETS

	Group Customer relationships 2013 RMB'000	2012 RMB'000
Reconciliation of carrying amount		
At beginning of reporting period	10,530	13,104
Amortisation	(2,574)	(2,574)
At end of reporting period	7,956	10,530
At end of reporting period		
Cost	15,456	15,456
Accumulated amortisation	(7,500)	(4,926)
	7,956	10,530

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

19. INTEREST IN AN ASSOCIATE

	Group 2013 RMB'000	2012 RMB'000 (Restated)
Share of net assets	27,964	25,657
Goodwill	12,713	12,713
	40,677	38,370

At the end of the reporting period, interest in an associate represents 24.76% *(2012 (restated): 24.76%)* equity interest in Veritas-Msi, a company established in the PRC, which is a technology development company specialised in separation technology and multi-phase measurement sciences for oil and gas industry.

19. INTEREST IN AN ASSOCIATE (CONTINUED)

The following table illustrates the summarised financial information of the associate as of the year/period ended 31 March 2013 and 2012.

	2013 RMB'000	2012 RMB'000 (Restated)
Financial position at end of reporting period		
Total non-current assets	94,400	93,799
Total current assets	147,139	67,913
Total current liabilities	(124,537)	(58,091)
Total non-current liabilities	(4,063)	–
Net assets	112,939	103,621
Group's share of net assets of an associate	27,964	25,657

	2013 RMB'000	2012 RMB'000 (Restated)
Post-acquisition revenue and operating results		
Revenue	110,971	12,220
Profit (Loss) for the year/period	9,319	(8,566)
Group's share of post-acquisition results of the associate	2,307	(2,120)

Pursuant to the capital increase agreement dated 25 October 2010, Veritas-Msi has guaranteed to Ningbo Lisi IT and an individual subscriber that the average profit after taxation of Veritas-Msi for the years ended 31 December 2010, 2011 and 2012 would not be less than RMB29,810,000. If the average profit after taxation of Veritas-Msi for the years 2010, 2011 and 2012 is less than 80% of RMB29,810,000, Veritas-Msi will issue 10% of its new shares to Ningbo Lisi IT and the individual subscriber at a subscription price, which is calculated based on the actual average profit after taxation multiplied by 6.7 P/E ratio.

According to the PRC statutory audited financial statements of Veritas-Msi for the years ended 31 December 2010, 2011 and 2012, the average profit after taxation of Veritas-Msi for the years ended 31 December 2010, 2011 and 2012 was less than 80% of RMB29,810,000. Accordingly, Veritas-Msi is obliged to issue 10% of its shares and Ningbo Lisi IT and the individual subscriber have the right to subscribe for these new shares. The Group is in the process of negotiation with the management of Veritas-Msi and considering the pros and cons of the subscription of the new shares but is not yet in a position to reach a conclusion with the management of Veritas-Msi.

During the year, the Group became aware that the PRC statutory financial staements of Veritas-Msi for the year ended 31 December 2011 have been restated due to correction of error in revenue recognition. Further details of the restatement are set out in note 3 to the consolidated financial statements.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	RMB'000	RMB'000
Unlisted investments, at cost	75,481	75,481

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 and the probabilities of the various estimates within the range cannot be reasonably assessed that the directors are of the opinion that their fair value cannot be measured reliably.

Included in the unlisted investments as at 31 March 2013 was the Group's 8.54% *(2012: 8.54%)* equity interest in Zhejiang Jin Rui Hong Technology Co., Limited（浙江金瑞泓科技股份有限公司）(formerly known as Ningbo Li Li Electronics Company Limited) ("ZJRHT") with carrying amount of RMB68,087,000 *(2012: RMB68,087,000)*, a company established in the PRC and engaged in manufacturing and trading of semiconductor materials. The cost of the Group's investment in ZJRHT exceeds 10% of the total assets of the Group.

21. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	24,530	23,147
Work-in-progress	13,296	15,256
Finished goods	8,755	14,182
	46,581	52,585

22. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	2013	2012
	Note	RMB'000	RMB'000	RMB'000	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	2,183	649
Loan to a subsidiary	(ii)	–	–	–	9,720
Due from an associate	(iii)	–	2,000	–	–
Due from a related company	(iv)	–	1,606	–	–
		8,564	24,701	2,183	10,369
		34,165	77,272	2,183	10,369

(i) Trade and bills receivables

Trade receivables from related companies, including trade receivable from a related company of RMB23,125,000 *(2012: RMB34,467,000)* in respect of export arrangement, are unsecured and interest free. The related companies are companies in which the Company's director, Mr. Li Li Xin, has beneficial interests.

During the year, the Group discounted bills receivable to a bank in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amounts of bills receivable and has recognised the cash received as secured bank borrowings and included in note 25 to the consolidated financial statements. At the end of the reporting period, the carrying amount of discounted bills receivable was RMBnil *(2012: RMB6,304,000)*. The carrying amount of the associated liabilities was RMBnil *(2012: RMB5,043,000)*.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade and bills receivables (Continued)

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

	Group	
	2013	2012
	RMB'000	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

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	
	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 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. The Group does not hold any collateral over these assets.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Trade and bills receivables (Continued)

Allowance for bad and doubtful debts

At 31 March 2013, trade receivables of RMB170,000 *(2012: RMB172,000)* were impaired.

Movements on the allowance of trade receivables are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
At beginning of reporting period	(172)	(35,221)
Amount written-off	–	33,365
Exchange difference	2	1,684
At end of reporting period	(170)	(172)

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

(ii) Loan to a subsidiary

The loan to a subsidiary is unsecured, interest-free and repayable in July 2012. In January 2013, the Company agreed to extend the due date of the loan of HK$12,000,000 (equivalent to RMB9,607,000) to July 2014 with other terms unchanged.

(iii) Due from an associate

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

(iv) Due from a related company

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

Name of related company	**Connected director**	**Maximum amount outstanding during the year RMB'000**	**Group** At 31 March 2013 RMB'000	At 1 April 2012 RMB'000
Ningbo Lisi Import and Export Company Limited	Li Li Xin	1,606	–	1,606

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(iv) Due from a related company (Continued)

The amount due represented advances to the related company in respect of the import and export arrangements, details of which has been set out in notes 32(i) and 32(ii) to the consolidated financial statements. The amount was fully settled during the year.

(v) Prepayment

Prepayment represented the prepayment of consultancy fee for the property development project.

23. BANK BALANCES AND CASH

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

24. TRADE AND OTHER PAYABLES

		Group		Company	
		2013	2012	2013	2012
	Note	RMB'000	RMB'000	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	3,457	3,322
Due to related companies	(ii)	109,518	35,583	–	–
Loan from a third party	(iii)	5,088	5,148	5,088	5,148
Loan from a related company	(iv)	–	40,000	–	–
Loan from/due to a shareholder	(v)	12,278	1,187	12,257	1,166
		150,299	118,032	20,802	9,636
		180,997	158,973	20,802	9,636

24. 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	
	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

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

(ii) Due to related companies

The amounts due to related companies, in which Mr. Li Li Xin has beneficial interest, are unsecured, interest-free and have no fixed repayment term. Related companies which the Company owes RMB106,972,000 *(2012: RMB35,578,000)* has agreed not to request repayment to maintain the Group's going concern within the next twelve months of the end of the reporting period unless it is in a position to repay the amount due.

(iii) Loan from a third party

Loan from a third party was unsecured, interest-bearing at 7% per annum and repayable on 30 June 2013.

(iv) Loan from a related company

In August 2010, the Group entered into an entrusted loan agreement with a bank and a related company, in which the Company's director, Mr. Li Li Xin, has beneficial interest. Pursuant to the entrusted loan agreement, the related company entrusted an amount of RMB40,000,000 (the "Fund") to the bank, which would arrange for advancement of the Fund to the Group as a short-term loan pursuant to the entrusted loan agreement. The loan was unsecured, interest-bearing at RMB base lending rate per annum and had no fixed repayment term. The loan was fully repaid in August 2012.

24. TRADE AND OTHER PAYABLES (CONTINUED)

(v) Loan from/due to a shareholder

The loan from a shareholder brought forward from previous years of HK$1,440,000 (equivalent to RMB1,166,000) is unsecured, interest-bearing at 3-month HIBOR plus 3% per annum at the date of drawdown and repayable in June 2013, of which HK$1,130,000 (equivalent to RMB918,000) were repaid during the year. Subsequent to the end of the reporting period, the shareholder agreed to extend the due date of the remaining loan of HK$310,000 (equivalent to RMB248,000) to June 2014 with the other terms unchanged.

Another loan of HK$15,000,000 (equivalent to RMB12,009,000) was drawn down in January 2013. It is unsecured, interest-bearing at HIBOR plus 2% per annum at the date of drawdown and repayable in April 2013. Subsequent to the end of the reporting period, the shareholder has agreed to extend the due date of the loan to June 2013 with the other terms unchanged and not to request for repayment to maintain the Group's going concern within the next twelve months of the end of the reporting period unless it is in a position to repay the amount due.

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

25. BANK BORROWINGS

	Group	
	2013 RMB'000	2012 RMB'000
Long-term interest-bearing borrowing, secured	82,000	102,000
Short-term interest-bearing borrowings		
Secured	42,849	30,000
Unsecured	30,000	30,000
Trade finance loans, secured	–	5,035
	154,849	167,035
Current portion	154,849	85,035
Non-current portion	–	82,000

25. BANK BORROWINGS (CONTINUED)

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

	Group	
	2013 RMB'000	2012 RMB'000
Within 1 year	154,849	85,035
After 1 year but within 2 years	–	82,000
	154,849	167,035

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

	Group	
	2013	2012
Effective interest rate per annum		
Interest-bearing borrowings	6.2%-7.3%	6.3%-7.1%
Trade finance loans	5%	2.5%-5.1%

Bank borrowings are dominated in the following currencies:

	Group	
	2013 RMB'000	2012 RMB'000
Renminbi	154,849	162,000
US dollar	–	5,035
	154,849	167,035

The bank borrowings are secured by:

(a) the Group's investment properties with a carrying value of approximately RMB175,600,000 *(2012: leasehold land and buildings with a carrying value of approximately RMB110,346,000); and/or*

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

26. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Amounts payable:				
Within one year	25	34	24	31
In the second to fifth years inclusive	–	25	–	25
	25	59	24	56
Future finance charges	(1)	(3)	–	–
Present value of lease obligations	24	56	24	56

27. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of shares	RMB'000	Number of shares	RMB'000
Authorised:				
At beginning and **end of reporting period, ordinary shares of HK$0.01 each**	10,000,000,000	84,000	10,000,000,000	84,000
Issued and fully paid:				
At beginning and **end of reporting period, ordinary shares of HK$0.01 each**	2,476,963,794	22,724	2,476,963,794	22,724

28. RESERVES

	Share premium RMB'000 *(note 28(i))*	Capital redemption reserve RMB'000	Translation reserve RMB'000 *(note 28(iv))*	Contributed surplus RMB'000 *(note 28(iii))*	Accumulated losses RMB'000	Total RMB'000
Company						
At 1 April 2011	145,494	1,341	(20,648)	80,583	(28,934)	177,836
Loss for the year and total comprehensive loss for the year	–	–	–	–	(11,678)	(11,678)
At 31 March 2012	145,494	1,341	(20,648)	80,583	(40,612)	166,158
At 1 April 2012	145,494	1,341	(20,648)	80,583	(40,612)	166,158
Loss for the year and total comprehensive loss for the year	–	–	–	–	(10,930)	(10,930)
At 31 March 2013	**145,494**	**1,341**	**(20,648)**	**80,583**	**(51,542)**	**155,228**

Notes:

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

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

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

10% of after-tax profit of a subsidiary in the PRC has been allocated to the general reserve for the years ended 31 March 2012 and 2013.

28. RESERVES (CONTINUED)

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

(v) The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the reclassification of properties from leasehold land and buildings held for own use to investment properties as set out in note 15 to the consolidated financial statements.

(vi) At 31 March 2013, the aggregate amount of reserves available for distribution to the equity holders of the Company comprising the contributed surplus and accumulated losses amounted to RMB29,041,000 *(2012: RMB39,971,000)*.

29. DEFERRED TAXATION

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

	Group			
	Assets		Liabilities	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Depreciation allowances	–	–	(8,758)	(8,322)
Fair value adjustment	–	–	(2,865)	–
Tax losses	3,466	3,600	–	–
Deferred tax assets (liabilities)	3,466	3,600	(11,623)	(8,322)
Offsetting	(3,466)	(3,600)	3,466	3,600
Net deferred tax liabilities at end of reporting period	–	–	(8,157)	(4,722)

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

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

Unrecognised deferred tax assets arising from

	Group	
	2013 RMB'000	2012 RMB'000
Deductible temporary differences	8,150	14,971
Tax losses	204,161	161,580
At end of reporting period	212,311	176,551

The tax losses of RMB146,073,000 *(2012: RMB133,160,000)* and deductible temporary differences of RMB1,088,000 *(2012: RMB800,000)* arising in Hong Kong have no expiry date under current tax legislation. The tax losses of RMB58,088,000 *(2012: RMB28,420,000)* and deductible temporary differences of RMB7,062,000 *(2012: RMB14,171,000)* arising in the PRC can be used to offset against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of these tax losses and deductible temporary differences because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

29. DEFERRED TAXATION (CONTINUED)

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

	Group	
	2013 RMB'000	2012 RMB'000
Within one year	4,962	15,058
In the second to third years	–	4,962
In the third to fourth years	–	–
In the fourth to fifth years	8,400	–
In the fifth year	44,726	8,400
At end of reporting period	58,088	28,420

30. SHARE OPTION SCHEME

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

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

(2) the average of closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer,

whichever is higher provided that it shall not be lower than the nominal value of the Company's shares.

In September 2009 and August 2010, the Company refreshed its share option scheme ("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.

30. SHARE OPTION SCHEME (CONTINUED)

During the year, the Old Scheme expired. No share options have ever been granted by the Company under the Old Scheme since its adoption. A new share option scheme ("New Scheme") was approved by the equity holders of the Company and adopted by the Company with effective period of 10 years commencing on the date of adoption in August 2012, under which the directors of the Company may, at their absolute discretion grant options to (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner of service provider of any member of the Group. An option may be exercised during such period as the board of directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant.

The exercise price of the options under the New Scheme will be determined at the discretion of the directors of the Company which will not be less than the higher of:

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

(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; and

(3) the nominal value of the Company's shares.

No share options have been granted by the Company under the New Scheme since adoption.

31. PENSION RETIREMENT OBLIGATIONS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000 before June 2012 and HK$25,000 since June 2012.

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

During the year, the amount of employer's contributions made by the Group to the defined contribution retirement schemes was approximately RMB1,067,000 *(2012: RMB2,453,000)*.

32. CONTINUING 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:

Continuing connected transactions

Ningbo Lisi Household Products Company Limited ("Ningbo Lisi Household Products") had entered into four agreements in November 2009, which constituted continuing connected transactions of the Group since completion of the acquisition of Ningbo business in April 2010. Upon the expiry of these four agreements on 31 December 2012, three of them have been renewed on the same date. In addition, a new lease agreement was entered into by Ningbo Lisi Household Products in May 2012. These agreements have been summarised as follows:

(i) Ningbo Lisi Household Products entered into an import agency agreement with a company owned by Mr. Li Li Xin, a director and beneficial owner of the Company, for providing import agency services to Ningbo Lisi Household Products for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012. Upon the expiry of the agreement, it was renewed for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015 under the same terms with the previous agreement. 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, gross transaction amount and the amount of import agency fee incurred for raw materials purchased is as follows:

	Annual Cap	Gross transaction amount	Import agency fee
	RMB'000	RMB'000	RMB'000
From 1 April 2012 to 31 December 2012	64,800	52,549	315
From 1 January 2013 to 31 March 2013	30,000	9,319	56
From 1 April 2012 to 31 March 2013		**61,868**	**371**
From 1 April 2011 to 31 March 2012	75,600	58,859	353

32. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

(ii) Ningbo Lisi Household Products entered into an export agency agreement with a company owned by Mr. Li Li Xin for providing export agency services to Ningbo Lisi Household Products for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012. Upon the expiry of the agreement, it was renewed for a term of 3 years commencing from 1 January 2013 and ending on 31 December 2015 under the same terms with the previous agreement. The related company would charge approximately 1.2% of the gross transacted amount for each of the transaction handled. The Annual Cap of the export agency service fee and the amount of export agency fee incurred for the provision of export agency service is as follows:

	Annual Cap	**Export agency fee**
	RMB'000	RMB'000
From 1 April 2012 to 31 December 2012	3,000	1,502
From 1 January 2013 to 31 March 2013	1,750	680
From 1 April 2012 to 31 March 2013		**2,182**
From 1 April 2011 to 31 March 2012	3,500	2,088

(iii) Ningbo Lisi Household Products entered into a tenancy agreement with a company owned by Mr. Li Li Xin for leasing certain factory space and office premises to Ningbo Lisi Household Products for a period of 3 years commencing from 1 January 2010 and ending on 31 December 2012 with monthly rent of RMB418,986. Upon the expiry of the tenancy agreement, it was renewed for a period of 3 years commencing on 1 January 2013 and ending on 31 December 2015 with monthly rent of RMB537,930.

The Annual Cap of rental expenses and rental expenses incurred for leasing the factory space and office premises is as follows:

	Annual Cap	**Rental expenses**
	RMB'000	RMB'000
From 1 April 2012 to 31 December 2012	3,771	3,771
From 1 January 2013 to 31 March 2013	1,614	1,614
From 1 April 2012 to 31 March 2013		**5,385**
From 1 April 2011 to 31 March 2012	5,028	5,028

32. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

(iv) Ningbo Lisi Household Products entered into a value-added processing co-operation agreement with a company owned by Mr. Li Li Xin to provide processing services to Ningbo Lisi Household Products. The related company would charge the prevailing market price for the provision of such services. Such agreement expired on 31 December 2012. No processing services had been provided to the Group for both years and therefore no service fees were incurred for both years.

(v) In May 2012, Ningbo Lisi Household Products entered into a tenancy agreement with a company owned by Mr. Li Li Xin for leasing certain factory space and office premises for a period of 3 years commencing from 1 June 2012 and ending on 31 May 2015 with a monthly rent of RMB635,100. The Annual Cap of the rental expenses and rental expenses incurred for leasing the factory space and office premises is as follows:

	Annual Cap	**Rental expenses**
	RMB'000	RMB'000
From 1 June 2012 to 31 March 2013	6,351	6,351

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

32. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions

		Group	
		2013	2012
Related party relationship	**Nature of transaction**	RMB'000	RMB'000
Key management personnel *	Salaries and allowances	2,926	2,361
	Contribution to defined retirement contribution scheme	56	50
		2,982	2,411
Companies owned by Mr. Li Li Xin	Purchases	–	151
	Interest expenses on entrusted loan	1,167	2,443
	Other income	345	426
	Sales	4,325	4,766
	Guarantee for short-term bank borrowing granted to the Group	30,000	30,000
	Guarantee for long-term bank borrowing granted to the Group	135,000	135,000
A shareholder	Interest expenses on loans granted	133	126
A firm in which Mr. Lau Kin Hon, a director of the Company is a partner	Company secretarial service fee	269	272

* *The remuneration of key executives is reviewed by the board of directors 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

	Group			Company		
	Loans and receivables	Available-for-sale financial assets	Total	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 March 2013						
Assets per statements of financial position						
Available-for-sale financial assets	–	75,481	75,481	–	–	–
Trade and other receivables	26,292	–	26,292	9,932	–	9,932
Bank balances and cash	9,207	–	9,207	543	–	543
	35,499	75,481	110,980	10,475	–	10,475

	Group Financial liabilities	Company Financial liabilities
	RMB'000	RMB'000
At 31 March 2013		
Liabilities as per statements of financial position		
Trade and other payables	175,238	20,802
Bank borrowings	154,849	–
Obligations under finance leases	24	–
	330,111	20,802

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

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

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

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 limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Credit risk

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

A detailed discussion of the Group's credit risk in respect of trade and other receivables is set out in note 22 to the consolidated financial statements. The Group trades only with recognised, creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers the Group has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectability of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

At the end of the reporting period, the Group had a concentration of credit risk as 90% *(2012: 66%)* and 97% *(2012: 97%)* of the total trade and bills receivables were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

At the end of the reporting period, the Company had a concentration risk of the amount due from subsidiaries of which 96% *(2012: 96%)* was due from a subsidiary.

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

Market risk

(a) Interest rate risk

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

Sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net loss *(2012: net profit)* would be increased/decreased by RMB1,597,000 *(2012: decreased/increased by RMB2,050,000)*, 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 2012.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market risk (Continued)

(b) Foreign currency risk

Most of the Group business transactions were conducted in Hong Kong dollar, Renminbi and United States dollar. As at 31 March 2013, the Group's borrowings were denominated in Renminbi and United States dollar.

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

Sensitivity analysis

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

At the end of the reporting period, if an increase / a decrease of 5% *(2012: 5%)* of the foreign exchange rates was applied with all other variables held constant, the Group's net loss *(2012: net profit)* for the year would be increased/decreased by approximately RMB2,161,000 *(2012: decreased/increased by RMB957,000)*.

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

Liquidity risk

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Group

	2013					2012				
	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000	1-3 years RMB'000	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000	1-3 years RMB'000
Trade and other payables	175,238	175,331	133,802	41,529	–	157,306	158,430	82,438	75,992	–
Bank borrowings	154,849	159,231	–	159,231	–	167,035	183,339	–	88,295	95,044
Obligations under finance leases	24	25	–	25	–	56	59	–	34	25
	330,111	334,587	133,802	200,785	–	324,397	341,828	82,438	164,321	95,069

Company

	2013				2012			
	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000	Total carrying value RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 1 year RMB'000
Other payables	20,802	20,896	3,433	17,463	9,636	9,750	3,322	6,428

Fair value

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

34. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 and 2012.

The Group monitors capital on the basis of debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. The Group's policy is to maintain the adjusted net debt-to-capital ratio at an acceptable level. The debt-to-adjusted capital ratios at the end of the reporting period were as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
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
Bank borrowings	154,849	167,035
Obligations under finance leases	24	56
Less: Bank balances and cash	(9,207)	(11,073)
Net debt	272,550	237,936
Adjusted capital	184,212	207,679
Debt-to-adjusted capital ratio	148%	115%

35. COMMITMENTS

(a) Capital expenditure commitments

	Group	
	2013 RMB'000	2012 RMB'000
Contracted but not provided for net of deposit paid		
Capital injection to a subsidiary	–	12,150
Acquisition of machinery and moulds	2,159	5,665
	2,159	17,815

35. COMMITMENTS (CONTINUED)

(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	
	2013	2012
	RMB'000	RMB'000
Within one year	14,931	3,790
In the second to fifth years inclusive	20,204	–
	35,135	3,790

As lessor

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

	Group	
	2013	2012
	RMB'000	RMB'000
Within one year	1,052	1,266
In the second to fifth years inclusive	875	352
	1,927	1,618

36. 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.

36. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(i) **Very substantial acquisition (Continued)**

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.

At the date of authorisation of these consolidated financial statements, the acquisition as mentioned in (i) has not yet been completed.

(iii) **Further acquisiton 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.

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

37. COMPARATIVE FIGURES

Comparative figures of consolidated statements of comprehensive income, financial position, changes in equity and cash flows as well as 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.

5-year Financial Summary

Year ended 31 March 2013

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:

	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	299,142	393,890	384,461	252,125	221,875
(Loss) Profit before taxation	(29,411)	13,717	19,303	7,442	(9,578)
Income tax (charge) credit	(2,620)	(7,769)	(8,836)	165	–
Net (loss) profit for the year	(32,031)	5,948	10,467	7,607	(9,578)
Assets and liabilities					
Total assets	528,239	540,939	512,901	305,545	261,190
Total liabilities	(344,027)	(333,260)	(309,114)	(236,954)	(200,004)
Net assets	184,212	207,679	203,787	68,591	61,186

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