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

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

AUDITED RESULTS

The board of directors (the "Directors") of Lisi Group (Holdings) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012 (the "Year") together with comparative figures of the previous corresponding year are as follows:

Consolidated Statement of Comprehensive Income

		Year ended 31 March	
		2012	2011
	Note	***RMB'000***	*RMB'000*
			(note 4)
Turnover	6	**393,890**	384,461
Cost of sales		**(297,431)**	(298,205)
Gross profit		**96,459**	86,256
Other revenue	6	**3,571**	2,449
Other income		**6,064**	9,486
Selling and distribution expenses		**(18,884)**	(19,792)
Administrative and other operating expenses		**(56,995)**	(49,083)
Finance costs	7	**(14,378)**	(10,013)
Share of results of an associate		**1,855**	–
Profit before taxation	7	**17,692**	19,303
Income tax expense	8	**(7,769)**	(8,836)
Profit for the Year		**9,923**	10,467
Other comprehensive income			
Exchange differences on translating financial statements of foreign operations		**2,561**	(6,054)
Exchange differences on translating inter-company balances with foreign operations		**(4,617)**	–
Income tax relating to other comprehensive income		**–**	–
		(2,056)	(6,054)
Total comprehensive income for the Year attributable to equity holders of the Company		**7,867**	4,413
		RMB	*RMB*
Earnings per share			
Basic and diluted	10	**0.40 cent**	0.44 cent

Consolidated Statement of Financial Position

	Note	At 31 March 2012 RMB'000 (Note 4)	At 31 March 2011 RMB'000 (Note 4)	At 1 April 2010 RMB'000 (Note 4)
Non-current assets				
Property, plant and equipment		**232,315**	224,361	203,837
Goodwill		**43,313**	43,313	–
Intangible assets		**10,530**	13,104	–
Available-for-sale financial assets		**75,481**	82,690	–
Interest in an associate		**42,345**	–	–
		403,984	363,468	203,837
Current assets				
Inventories		**52,585**	76,443	34,995
Trade and other receivables	11	**77,272**	57,491	55,818
Pledged deposits		**–**	907	–
Bank balances and cash		**11,073**	14,592	10,895
		140,930	149,433	101,708
Current liabilities				
Trade and other payables	12	**158,973**	158,544	113,249
Tax payables		**2,474**	3,163	–
Current portion of bank borrowings		**85,035**	40,542	123,582
Current portion of obligations under finance leases		**31**	31	30
		246,513	202,280	236,861
Net current liabilities		**(105,583)**	(52,847)	(135,153)
Total assets less current liabilities		**298,401**	310,621	68,684
Non-current liabilities				
Obligations under finance leases		**25**	58	93
Long-term portion of bank borrowings		**82,000**	102,000	–
Deferred tax liabilities		**4,722**	4,776	–
		86,747	106,834	93
NET ASSETS		**211,654**	203,787	68,591
Capital and reserves				
Share capital		**22,724**	22,724	14,495
Reserves		**188,930**	181,063	54,096
TOTAL EQUITY		**211,654**	203,787	68,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements except for the adoption of certain new/revised HKFRSs effective from the current year that are relevant to the Group which is set out in note 3 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 2012.

In preparing the consolidated financial statements for the Year, the Directors adopted a going concern basis as the following actions and measures have been taken by the Group to improve the financial position and performance of the Group:

i) The Group has adopted measures to improve its liquidity from securing continuing support from its banks. Starting from the beginning of 2012, People's Bank of China (PBOC) has started taking actions to loosen the tight monetary policy of last two years and increases the money supply in local commercial banks so as to maintain the economic growth momentum and exert greater support to enterprises in a wide range of industries including export sector. Given the good business relationships already built with the Group's bankers, the Directors are confident that the Group will benefit in the environment of this loosening monetary policy and manage to renew/increase bank loans with even more favorable terms.

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. 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 near 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.

v) From time to time, the Group negotiates with the suppliers for more favourable credit terms. Meanwhile, credits periods granted to customers are reviewed regularly in order to determine if any revision is necessary.

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

vii) 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.

viii) 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.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

Improvements to HKFRSs 2010 – *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to HKFRSs including the following that are considered to be relevant to the Group:

Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the statement of changes in equity.

4. CHANGES IN FUNCTIONAL AND PRESENTATION CURRENCIES

Items included in the consolidated 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").

In prior years, the Directors regarded Hong Kong dollar ("HKD") as the functional currency of the Company. Upon the completion of the acquisition of a wholly-owned subsidiary group in Ningbo, the PRC, whose functional currency is Renminbi ("RMB") in April 2010 and the restructuring of the Group's operation in Shenzhen, the PRC in April 2011, the Directors consider that the primary economic environment has been substantially changed. Since then, the Company's primary source of revenue, that is, dividend, is derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB. Accordingly, the Directors have determined the change of the functional and presentation currencies of the Company from HKD to RMB starting from 1 April 2011.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". On the date of the change of functional currency, all assets, liabilities and income statement items were translated into RMB at the exchange rate on that date. As a result, the cumulative currency translation differences which had arisen up to the date of the change of functional currency were reallocated to other components within equity.

Whereas the change in presentation currency of the Company was applied retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the comparative figures presented in these consolidated financial statements have also been restated to the change in presentation currency to RMB accordingly.

5. 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 business segment and investment holding business segment 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.

(a) Segment revenue and results

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

	2012				2011			
	Manufacturing and trading business	**Investment holding business**	**Unallocated**	**Consolidated**	Manufacturing and trading business	Investment holding business	Unallocated	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue								
Sale to external customers	**384,731**	**-**	**-**	**384,731**	386,910	–	–	386,910
Investment and other income	**3,571**	**9,159**	**-**	**12,730**	–	–	–	–
Consolidated total revenue	**388,302**	**9,159**	**-**	**397,461**	386,910	–	–	386,910
Segment results	**23,057**	**9,159**	**(2,001)**	**30,215**	29,316	–	–	29,316
Finance costs	**(11,400)**	**(2,483)**	**(495)**	**(14,378)**	(10,013)	–	–	(10,013)
Share of results of an associate	**-**	**1,855**	**-**	**1,855**	–	–	–	–
Profit (Loss) before taxation	**11,657**	**8,531**	**(2,496)**	**17,692**	19,303	–	–	19,303
Income tax expenses	**(7,769)**	**-**	**-**	**(7,769)**	(8,836)	–	–	(8,836)
Profit (Loss) for the Year	**3,888**	**8,531**	**(2,496)**	**9,923**	10,467	–	–	10,467

There were no inter-segment sales in both years.

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

(b) Segment assets and liabilities

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

	2012			2011		
	Manufacturing and trading business	**Investment holding business**	**Consolidated**	Manufacturing and trading business	Investment holding business	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	**423,767**	**2,533**	**426,300**	429,636	50	429,686
Available-for-sale financial assets	**–**	**75,481**	**75,481**	–	82,690	82,690
Interest in an associate	**–**	**42,345**	**42,345**	–	–	–
Unallocated assets	**–**	**–**	**788**	–	–	525
Consolidated total assets			**544,914**			512,901
Segment liabilities	**283,623**	**40,000**	**323,623**	258,669	40,000	298,669
Unallocated liabilities			**9,637**			10,445
Consolidated total liabilities			**333,260**			309,114

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

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

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

(c) Other segment information

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

	2012			2011		
	Manufacturing and trading business	**Investment holding business**	**Consolidated**	Manufacturing and trading business	Investment holding business	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information						
Amortisation of intangible assets	**2,574**	**–**	**2,574**	2,352	–	2,352
Depreciation of property, plant and equipment	**19,183**	**–**	**19,183**	16,819	–	16,819
Addition of goodwill	**–**	**–**	**–**	43,313	–	43,313
Addition of intangible assets	**–**	**–**	**–**	15,456	–	15,456
Capital expenditure	**27,911**	**33,281**	**61,192**	30,226	82,690	112,916
Interest income	**158**	**4**	**162**	199	51	250

(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 are detailed below:

	Revenue		Non-current assets	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States of America	**270,872**	283,729	**–**	–
Canada	**11,696**	8,612	**–**	–
Hong Kong	**18,704**	31,087	**670**	571
PRC	**21,759**	4,619	**327,833**	280,207
Europe	**31,532**	27,830	**–**	–
Others	**42,898**	31,033	**–**	–
	397,461	386,910	**328,503**	280,778

(e) Information about major customers

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

	2012	2011
	RMB'000	*RMB'000*
Customer A	**100,880**	149,467
Customer B	**47,494**	57,145
Customer C	**45,327**	–
	193,701	206,612

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.

6. TURNOVER AND REVENUE

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

	2012	2011
	RMB'000	*RMB'000*
Turnover		
Sale of goods	**384,731**	384,461
Dividend income	**9,159**	–
	393,890	384,461
Other revenue		
Rental income from operating leases on land and buildings	**2,841**	1,970
Interest income	**162**	250
Others	**568**	229
	3,571	2,449
Total revenue	**397,461**	386,910

7. PROFIT BEFORE TAXATION

This is stated after charging:

	2012 *RMB'000*	2011 *RMB'000*
Finance costs		
Interest on bank borrowings wholly repayable within five years	**13,879**	9,200
Interest on loan from a shareholder wholly repayable within five years	**126**	402
Interest on loan from a third party wholly repayable within five years	**368**	362
Interest on advance from related companies wholly repayable within five years	**–**	42
Finance charges on obligations under finance leases	**5**	7
	14,378	10,013
Other items		
Staff costs (excluding Directors' emoluments):		
Wages, salaries and allowances	**72,510**	60,122
Termination benefits	**1,431**	841
Contributions to defined contribution retirement schemes	**2,453**	1,718
	76,394	62,681
Auditor's remuneration	**635**	647
Allowance for inventory obsolescence	**141**	501
Amortisation of intangible assets	**2,574**	2,352
Cost of inventories	**297,431**	298,205
Depreciation of property, plant and equipment	**19,183**	16,819
Exchange losses, net	**–**	5,358
Operating lease charges on premises	**6,225**	6,079

8. TAXATION

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

PRC Enterprise Income Tax is calculated at the applicable tax rates of 25% *(2011: 25%)* on the estimated assessable profits for the Year based on existing legislation, interpretations and practices in respect thereof.

	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax		
Current year	**7,696**	7,945
Underprovision in prior year	**127**	–
	7,823	7,945
Deferred taxation		
Reversal and origination of temporary difference	**(54)**	891
Total income tax expense for the Year	**7,769**	8,836

9. DIVIDENDS

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

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit of RMB9,923,000 *(2011: RMB10,467,000)* attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares of 2,476,964,000 *(2011: 2,402,477,000)* shares in issue during the Year.

Diluted earnings per share for 2012 and 2011 are the same as basic earnings per share as the Company had no dilutive potential ordinary shares for both years.

11. TRADE AND OTHER RECEIVABLES

	Note	At 31 March 2012 RMB'000	At 31 March 2011 RMB'000	At 1 April 2010 RMB'000
Trade and bills receivables from:				
Third parties		**18,018**	68,468	84,885
Related companies		**34,725**	15,690	–
Allowance for bad and doubtful debts		**(172)**	(35,221)	(35,142)
	(i)	**52,571**	48,937	49,743
Prepayments, deposits and other receivables		**21,095**	7,198	6,075
Due from an associate		**2,000**	–	–
Due from a related company		**1,606**	1,356	–
		24,701	8,554	6,075
		77,272	57,491	55,818

(i) Trade and bills receivables

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:

	2012 RMB'000	2011 RMB'000
0 – 30 days	**34,722**	28,716
31 – 60 days	**14,728**	12,235
61 – 90 days	**2,517**	7,470
Over 90 days	**604**	516
	52,571	48,937

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:

	2012	2011
	RMB'000	*RMB'000*
Current	**48,100**	43,031
Less than 1 month past due	**4,420**	5,150
1 month to 2 months past due	**38**	254
Over 2 months past due	**13**	502
	4,471	5,906
	52,571	48,937

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 RMB4,471,000 *(2011: RMB5,906,000)*, 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.

12. TRADE AND OTHER PAYABLES

	Note	**At 31 March 2012** ***RMB'000***	At 31 March 2011 *RMB'000*	At 1 April 2010 *RMB'000*
Trade payables to:				
Third parties		**36,456**	51,701	41,831
A related company		**4,485**	7,711	9,133
	(i)	**40,941**	59,412	50,964
Other payables and accruals		**36,114**	28,029	38,432
Due to related companies		**35,583**	24,063	5,985
Loan from a third party		**5,148**	5,338	5,579
Loan from a related company		**40,000**	40,000	–
Loan from/due to a Shareholder		**1,187**	1,702	12,289
		118,032	99,132	62,285
		158,973	158,544	113,249

(i) Trade payables

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

	2012	2011
	RMB'000	*RMB'000*
Less than 3 months	**31,756**	46,928
3 months to 6 months	**7,138**	9,336
6 months to 1 year	**1,474**	262
Over 1 year	**573**	2,886
	40,941	59,412

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has entered into a tenancy agreement with Ningbo Lisi Electrical Appliances Manufacturing Company Limited ("Lisi Electrical") which is owned as to 75% by Lisi Group Co. Ltd. and Lisi Group Co. Ltd. in turn is beneficially owned as to 98.15% by Mr Li Li Xin who is the Company's chairman, executive Director and substantial Shareholder; and his spouse, Therefore, Lisi Electrical is a connected person of the Company. The tenancy agreement is related to lease certain factory space and office premises to Ningbo Lisi Household Products Company Limited for a term of 3 years commencing from 1 June 2012 to 31 May 2015. The related company would charge a monthly rent of RMB635,100. The transaction constitutes continuing connected transaction of the Group under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the Year, the Group recorded a turnover of approximately RMB393.9 million, representing an increase of 2.5% when compared with the turnover of approximately RMB384.5 million reported for the last period. Net profit for the Year decreased by 5.2% to approximately RMB9.9 million, compared to a net profit of RMB10.5 million for last year. The Group's basic and diluted earnings per share was RMB0.4 cent.

Change in Functional Currency

In prior years, the Directors regarded HKD as the functional currency of the Company. Upon the completion of the acquisition of a wholly-owned subsidiary group in Ningbo, the PRC, whose functional currency is RMB in April 2010 and the restructuring of the Group's operation in Shenzhen, the PRC in April 2011, the Directors consider that the primary economic environment has been substantially changed. Since then, the Company's primary source of revenue, that is, dividend, is derived from the operation of its major subsidiaries operating in the PRC, whose functional currency is RMB. Accordingly, the Directors have determined the change of the functional and presentation currencies of the Company from HKD to RMB starting from 1 April 2011.

Such change of functional currency from HKD to RMB will help to minimize the impact of exchange gain/loss on the business results of the Group from the fluctuations of RMB.

Liquidity and Financial Resources

As at 31 March 2012, the Group's net assets increased to RMB211.7 million, rendering net asset value per share at RMB8.5 cents. The Group's total assets at that date were valued at RMB544.9 million, including cash and bank deposits totaling approximately RMB11.1 million. Consolidated bank borrowings and other borrowings amounted to RMB167.0 and RMB81.9 million respectively. Its debt-to-equity ratio (bank and other borrowings over total equity) has been increased from 104.9% as at 31 March 2011 to 117.6% as at 31 March 2012.

Capital Structure

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

As at 31 March 2012, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of RMB102.0 million, other bank borrowings of RMB65.0 million and due to and borrowings from a Shareholder, related companies and a third party totaling RMB81.9 million. All of the Group's borrowings have been denominated in HKD, USD and RMB made on a floating-rate and fixed rate basis.

Pledge of Assets

Certain assets of the Group having a carrying value of RMB110.3 million as at 31 March 2012 *(31 March 2011: RMB128.9 million)* were pledged to secure banking facilities of the Group.

Capital Expenditure and Commitments

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

Segment Information

North America remained the Group's primary market, which accounted for 71.1% of total revenue. The remaining comprised of revenue from Europe 7.9%, Hong Kong 4.7%, PRC 5.5% and others 10.8%.

Contingent Liabilities

As at 31 March 2012, 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's equity interest in Veritas-MSI (China) Co., Ltd. ("VMCL") increased to 22.35% on 29 November 2011. Thus, VMCL became an associate company of the Group. The core business of VMCL is engaged in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

Another investment in new business of the Group is QL Electronics Co., Ltd. ("QLEC"). During the Year, our equity interest in QLEC was diluted slightly from 8.826% to 8.538% due to a share increase program in QLEC of which the sole purpose was to attract/retain senior executives who would be of most crucial importance for the development of the company. This share increase program had support from all the shareholders of QLEC.

The Directors consider both VMCL and QLEC have good business prospects and growth potential. We are optimistic on the values of these two investments brought to the Group in the future.

Employee Information

As at 31 March 2012, the Group employed a workforce of 1,463 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurated 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

During the Year, the Group recorded a gross profit of RMB96.5 million. Driven by increase in sales and contribution and improvement of cost management from our factory in Ningbo, the results were improved as compared to the gross profit of RMB86.3 million last year. Besides, the receipts of dividends with a total of RMB9.2 million from newly acquired business were another good contributor to the income of the Group. However, there were challenges in managing the costs due to the price volatility on major materials in the global market and rise of the local production cost in our PRC factories (as a result of local cost increase). In addition, the planned relocation of the Group's manufacturing factory in Shenzhen to Ningbo would also have some short-term negative impact on our results like the higher administrative expenses (RMB7.9 million) and the additional provision of severance payments to employees in Shenzhen plant (RMB6.8 million) already reflected in our books. The financial results for the Year had already absorbed a significant portion of the short term hit from such higher expenses and additional provision. The management of the Company considers the plant relocation is justifiable and the Group's performance will benefit from the synergies of consolidated manufacturing resources in Ningbo in the medium and long term. Even with the short term hit outlined above, profit for the Year of the Group decreased only by 5.2% to RMB9.9 million as compared to RMB10.5 million in prior year.

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 relocation of its production facilities, the Group will step up its efforts to explore new businesses. The Group took initiative and continue its effort in expanding its customer base, especially the higher margin OEM customers, who are willing to invest in tailor-made products that fit their specific requirements. In the long run, the Group will further enhance the development of its business into different markets.

The Group is always seeking enhancement of its products. With the Group's innovative R&D team, we believe that we can produce quality products to meet market needs and to maintain good profit margins. The Group has been developing new products such as kitchenware gadgets, metal silicone over-mould bakeware and silicone bakeware. In the short to medium term, we will diversify new product lines to optimise the production capacity and to get hold of the market opportunities.

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.

Reallocation of Manufacturing Plant

On 9 December 2011, the Company made an announcement that the planned relocation of the Group's manufacturing plant in Shenzhen to Ningbo, PRC, was underway and it was expected that the relocation would be completed in the third quarter of 2012. On 30 May 2012, the Group entered into a lease agreement with a related Company, which is beneficially owned by Mr. Li Li Xin, the Chairman, executive Director and substantial Shareholder, to rent a plant in Ningbo by payment of monthly rent of RMB635,100. For details of the lease agreement, please refer to the announcement of the Company dated 30 May 2012. After the relocation the Group's manufacturing, plant will be consolidated into one location. This will drive further synergies to improve efficiency in purchasing, production and logistics. 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 use of the Shenzhen Site from industrial use to residential and commercial use. The Company is considering further development of the Shenzhen Site in accordance with the relevant laws and regulations in order to better utilise the land resources. No decision has been made regarding the future development of the Shenzhen Site. The Company will make further announcement when appropriate in compliance with the Listing Rules.

Expanding into New Businesses with High Growth Potential

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

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

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

AUDIT COMMITTEE

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

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

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

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the Year.

SCOPE OF WORK THE AUDITOR

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

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The Auditor has qualified the Group's consolidated financial statements for the year ended 31 March 2012, an extract of which is as follows:

Basis for qualified opinion

Included in the consolidated statement of financial position is an interest in an associate, Veritas-Msi (China) Company Limited ("Veritas-Msi"). As stated in note 20 to the consolidated financial statements, the Group applies the equity method to account for its investment in Veritas-Msi, based on the unaudited financial information contained in Veritas-Msi management accounts in respect of the period from 1 December 2011 to 31 March 2012 (referred to below as "Veritas-Msi management accounts"). The Group's share of the profits and net assets of Veritas-Msi for the period ended 31 March 2012 and as at that date included in the Group's consolidated financial statements for the year ended 31 March 2012 are set out in note 20 to the consolidated financial statements.

As explained by management of the Group, since Veritas-Msi became an associate of the Group only in late November 2011, it was not practicable to arrange for an audit to be performed on Veritas-Msi management accounts which we considered necessary for the purpose of our audit due to the significance of Veritas-Msi to the Group. As we had not been able to perform or be involved in performing an audit on the financial information of Veritas-Msi, we were unable to obtain sufficient appropriate audit evidence about the carrying amount including the goodwill of the Group's interest in Veritas-Msi and the Group's share of Veritas-Msi results for the period as included in the Group's consolidated financial statements as at and for the year ended 31 March 2012. 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 paragraph, 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 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Emphasis of matter

We draw attention to note 2 to the consolidated financial statements which explains the measures that the directors are currently undertaking and intend to take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the consolidated financial statements on a going concern basis. At the end of the reporting period, the Group had net current liabilities of RMB105,583,000. 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 qualified in respect of this matter.

PUBLICATION OF FURTHER INFORMATION

The 2012 annual report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange and the Company in due course.

By Order of the Board
Li Li Xin
Chairman

Hong Kong, 29 June 2012

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