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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 2023**

#### **ANNUAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of Lisi Group (Holdings) Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2023 (the “Year”) together with the comparative figures of the previous corresponding year are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023  
(Expressed in Renminbi (“RMB”))

	<i>Note</i>	<b>2023</b> <b>RMB’000</b>	2022 <i>RMB’000</i> (Restated) <i>(Note)</i>
<b>Continuing Operations</b>			
Revenue	4	<b>2,422,402</b>	2,133,627
Cost of sales		<u><b>(1,794,220)</b></u>	<u>(1,583,614)</u>
<b>Gross profit</b>	4(b)	<b>628,182</b>	550,013
Other income	5	<b>21,699</b>	39,459
Selling and distribution expenses		<b>(97,276)</b>	(94,877)
Administrative expenses		<b>(140,457)</b>	(132,838)
Finance costs	6(a)	<b>(46,492)</b>	(50,189)
Impairment losses on financial assets and contract assets		<b>(19,061)</b>	(4,011)
Net valuation loss on investment properties		<u><b>(19,039)</b></u>	<u>(11,830)</u>
<b>Profit before taxation</b>	6	<b>327,556</b>	295,727
Income tax	7	<u><b>(57,792)</b></u>	<u>(58,505)</u>
<b>Profit for the year from Continuing Operations</b>		<b>269,764</b>	237,222
<b>Discontinued Operations</b>			
Profit/(loss) for the year from Discontinued Operations	9	<u><b>2,067,715</b></u>	<u>(622,412)</u>
<b>Profit/(loss) for the year</b>		<u><b>2,337,479</b></u>	<u>(385,190)</u>
<b>Earnings/(loss) per share – Basic and diluted (RMB cent)</b>			
	8		
From Continuing Operations		<b>3.35</b>	2.95
From Discontinued Operations		<u><b>25.71</b></u>	<u>(7.74)</u>
From Continuing Operations and Discontinued Operations		<u><b>29.06</b></u>	<u>(4.79)</u>

*Note:* As detailed in Note 9, the comparative information has been re-presented to show the results of Discontinued Operations separately.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2023*

*(Expressed in RMB)*

	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit/(loss) for the year</b>		<b>2,337,479</b>	(385,190)
		-----	-----
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>			
Items that are or may be reclassified subsequently to profit or loss:			
– Exchange differences on translation into presentation currency		(48,437)	11,121
– Net translation difference reclassified to profit or loss upon disposal of subsidiaries		40,735	–
		-----	-----
<b>Other comprehensive income for the year</b>		<b>(7,702)</b>	11,121
		-----	-----
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>		<b>2,329,777</b>	(374,069)
		=====	=====

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023  
(Expressed in RMB)

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>434,848</b>	504,724
Investment properties		<b>562,151</b>	1,774,302
Financial assets at fair value through profit or loss ("FVPL")		<b>803,773</b>	808,419
Deferred tax assets		<b>19,348</b>	16,216
		<u><b>1,820,120</b></u>	<u>3,103,661</u>
<b>Current assets</b>			
Inventories		<b>346,003</b>	281,603
Trade and other receivables and contract assets	10(a)	<b>922,668</b>	841,724
Prepayments	10(b)	<b>81,013</b>	290,195
Restricted cash		<b>247,465</b>	172,878
Cash and cash equivalents		<b>453,497</b>	320,504
		<u><b>2,050,646</b></u>	<u>1,906,904</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>712,338</b>	1,922,528
Promissory note		–	318,262
Bank and other loans	12	<b>758,054</b>	2,422,568
Lease liabilities		<b>16,541</b>	15,551
Income tax payable		<b>20,294</b>	41,817
		<u><b>1,507,227</b></u>	<u>4,720,726</u>
<b>Net current assets/(liabilities)</b>		<u><b>543,419</b></u>	<u>(2,813,822)</u>
<b>Total assets less current liabilities</b>		<u><b>2,363,539</b></u>	<u>289,839</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 March 2023  
(Expressed in RMB)

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Bank and other loans	12	<b>90,000</b>	64,600
Lease liabilities		<b>22,592</b>	33,952
Deferred tax liabilities		<b>175,965</b>	446,082
		<u><b>288,557</b></u>	<u>544,634</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u><b>2,074,982</b></u>	<u>(254,795)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>69,888</b>	69,888
Reserves		<b>2,005,094</b>	(324,683)
<b>TOTAL EQUITY</b>		<u><b>2,074,982</b></u>	<u>(254,795)</u>

## **NOTES**

### **1 STATEMENT OF COMPLIANCE**

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### **2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets at FVPL and investment properties which are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs to these financial statements:

- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous Contracts – cost of fulfilling a contract

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

##### (i) Disaggregation of revenue

Disaggregation of revenue by major products or service lines is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
<b>Continuing Operations</b>		
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products of service lines		
– sales of goods	2,194,287	1,925,099
– rendering of services	<u>157,626</u>	<u>118,397</u>
	<u>2,351,913</u>	<u>2,043,496</u>
<b>Revenue from other resources</b>		
– investment income	33,634	50,036
– rental income from operating leases	<u>36,855</u>	<u>40,095</u>
	<u>70,489</u>	<u>90,131</u>
	<u>2,422,402</u>	<u>2,133,627</u>

Disaggregation of revenue from contracts with customers by timing of revenue recognition is disclosed as below:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
		(Restated)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by timing of revenue recognition		
– Point in time	<b>2,201,403</b>	1,932,786
– Over time	<b>150,510</b>	110,710
	<b><u>2,351,913</u></b>	<b><u>2,043,496</u></b>

The directors of the Company consider that the customer base is diversified and includes only one customer (2022: one) of manufacturing and trading segment and one customer (2022: nil) of wholesale segment with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 March 2023. Revenue from those customers amounted to RMB388.4 million and RMB255.1 million during the year ended 31 March 2023, respectively (2022: RMB261.5 million).

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 March 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts with customers of wholesale of heating, ventilation and air-conditioning systems ("HVAC") is RMB759 million (2022: RMB474 million). The Group will recognise the revenue in future when or as the customers accept the goods and the services are rendered, which is expected to occur over the next 36 months. The Group has applied practical expedient in paragraph 121 of HKFRS 15 to its contracts for other businesses such that the above information does not include information about revenue that the Group will be entitled to and when it satisfies the remaining performance obligations under the contracts for other business that had an original expected duration of one year or less.



(iii) *Total future minimum lease payments receivable by the Group*

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Within 1 year	<b>39,963</b>	39,903
After 1 year but within 5 years	<b>99,950</b>	108,133
After 5 years	<b>16,501</b>	36,690
	<b>156,414</b>	184,726

(b) **Segment reporting**

The Group manages its business by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. In view of the disposal of the discontinued operations as disclosed in Note 9, the Group's reportable segments are presented as follows:

*Continuing Operations:*

- Manufacturing and trading: this segment manufactures and trades plastic and metallic household products.
- Retail: this segment manages the supermarket operations and property rental services.
- Wholesale: this segment carries out the wholesale of wine and electrical appliances business, and provides central air-conditioner installation services.
- Investments holding: this segment manages the investments in debt and equity securities.

*Discontinued Operations:*

- Car-sale: this segment carries out the trading of imported cars.
- Car trading platform: this segment provides imported cars platform services and property rental services.

No operating segments have been aggregated to form the above reportable segments.

(i) *Segment results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and net income are allocated to the reportable segments with reference to revenue and net income generated by those segments and the expenses incurred by those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar products or services. Other than inter-segment sales, assistance provided by one segment to another is not measured.

The measure used for reporting segment result is gross profit. The Group's operating expenses such as selling and distribution expenses and administrative expenses, and assets and liabilities are not monitored by the Group's senior executive management based on segment. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income not derived from investment in debt or equity securities, interest expenses and reconciliation of reportable segment profit to consolidated profit before tax is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2023 and 2022 is set out below.

	2023								
	Continuing Operations					Discontinued Operations			Total
	Manufacturing and trading	Retail	Wholesale	Investments holding	Sub-total	Car-sale	Car trading platform	Sub-total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue from external customers	1,284,359	395,948	708,461	33,634	2,422,402	-	749	749	2,423,151
Inter-segment revenue	-	4,221	58,915	-	63,136	-	-	-	63,136
Reportable segment revenue	1,284,359	400,169	767,376	33,634	2,485,538	-	749	749	2,486,287
Reportable segment gross profit	363,377	101,632	129,539	33,634	628,182	-	749	749	628,931
	2022								
	Continuing Operations					Discontinued Operations			Total
	Manufacturing and trading	Retail	Wholesale	Investments holding	Sub-total	Car-sale	Car trading platform	Sub-total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Restated) Revenue from external customers	1,159,942	422,906	500,743	50,036	2,133,627	-	15,946	15,946	2,149,573
(Restated) Inter-segment revenue	-	1,107	97,474	-	98,581	-	51	51	98,632
(Restated) Reportable segment revenue	1,159,942	424,013	598,217	50,036	2,232,208	-	15,997	15,997	2,248,205
(Restated) Reportable segment gross profit	284,687	110,992	104,298	50,036	550,013	-	3,417	3,417	553,430

(ii) *Reconciliations of reportable segment revenue and net income*

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Reportable segment revenue	<b>2,485,538</b>	2,232,208
Elimination of inter-segment revenue	<b>(63,136)</b>	(98,581)
Consolidated revenue	<b><u>2,422,402</u></b>	<b><u>2,133,627</u></b>

(iii) *Geographic information*

The following table sets out information about the geographical location of the Group's revenue from external customers from Continuing Operations, which is based on the location at which the services were rendered or the goods were delivered.

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Mainland China and Hong Kong (place of domicile)	<b>1,206,597</b>	1,049,801
The United States	<b>882,158</b>	787,331
Europe	<b>257,698</b>	173,444
Others	<b>75,949</b>	123,051
	<b><u>2,422,402</u></b>	<b><u>2,133,627</u></b>

The analysis above includes property rental income from external customers and investment income in Mainland China of RMB36,855,000 and RMB33,634,000, respectively, for the year ended 31 March 2023 (2022: RMB40,094,000 and RMB50,036,000 (restated)).

All of the Group's non-current assets (excluding deferred tax assets) are located in Mainland China and Hong Kong as at 31 March 2023 and 2022.

## 5 OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Government grants	11,495	14,215
Interest income on cash at bank	7,137	6,302
Net gain from sale of scrap materials	1,119	1,729
Net (loss)/gain on disposal of property, plant and equipment	(316)	17,307
Others	2,264	(94)
	<u>21,699</u>	<u>39,459</u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Interest on bank and other borrowings	44,163	47,449
Interest on lease liabilities	2,318	2,740
Net foreign exchange difference	11	–
	<u>46,492</u>	<u>50,189</u>

### (b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Salaries, wages and other benefits	160,190	146,855
Contributions to defined contribution retirement plans	6,111	6,097
	<u>166,301</u>	<u>152,952</u>

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 14% to 16% (2022: 14% to 16%) of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant salaries, subject to a cap of monthly relevant salaries of Hong Kong Dollars (“HK\$”) 30,000.

Contributions to these retirement plans vest immediately. There are no forfeited contributions that may be used by the Group to reduce the existing level of distribution. The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) **Other items**

	<b>2023</b>	2022
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
		(Restated)
Cost of inventories <sup>#</sup>	<b>1,642,437</b>	1,465,836
Auditor’s remuneration	<b>3,500</b>	7,530
Depreciation charge		
– owned property, plant and equipment	<b>70,230</b>	62,966
– right-of-use assets	<b>16,981</b>	21,037
Rental income from investment properties less direct outgoings of RMB11,905,000 (2022: RMB12,367,000)	<b>24,950</b>	27,728

<sup>#</sup> Cost of inventories includes RMB124,658,000 (2022: RMB110,826,000) for the year ended 31 March 2023, relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
<b>Current taxation:</b>		
– Provision for the year	65,055	81,917
– Under-provision in respect of prior years	296	182
	<u>65,351</u>	<u>82,099</u>
<b>Deferred taxation:</b>		
– Origination and reversal of temporary differences	(7,559)	(23,594)
	<u>57,792</u>	<u>58,505</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Profit before taxation	327,556	295,727
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned ( <i>Notes (i) and (iii)</i> )	82,526	74,485
Tax effect of non-deductible expenses	3,882	6,075
Tax effect of unused tax losses and deductible temporary differences not recognised	307	712
Tax effect of PRC tax concessions ( <i>Note (ii)</i> )	(29,219)	(22,949)
Under-provision in respect of prior years	296	182
Income tax	<u>57,792</u>	<u>58,505</u>

*Notes:*

- (i) The Hong Kong Profits Tax rate for the year ended 31 March 2023 is 16.5% (2022: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2023 (2022: RMBNil).

- (ii) The Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% (2022: 25%). One of the Group's subsidiaries in the Mainland China enjoyed a preferential PRC Corporate Income Tax rate of 15% applicable for enterprise with advanced and new technologies. In addition, this subsidiary is entitled to an additional 100% tax deduction to its assessable profits (2022: 100%) in respect of the qualified research and development costs incurred in the PRC.
- (iii) Subsidiaries incorporated in other jurisdictions are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

## 8 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the year ended 31 March 2023 is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average of 8,044,020,000 ordinary shares (2022: 8,044,020,000 ordinary shares) in issue during the year.

	2023			2022		
	Continuing Operations <i>RMB'000</i>	Discontinued Operations <i>RMB'000</i>	Total <i>RMB'000</i>	Continuing Operations <i>RMB'000</i>	Discontinued Operations <i>RMB'000</i>	Total <i>RMB'000</i>
Profit/(loss) for the year attributable to equity shareholders of the Company	<u>269,764</u>	<u>2,067,715</u>	<u>2,337,479</u>	<u>237,222</u>	<u>(622,412)</u>	<u>(385,190)</u>

### (b) Diluted earnings/(loss) per share

There were no potential dilutive ordinary shares during the years ended 31 March 2023 and 2022. Hence, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

## 9 DISCONTINUED OPERATIONS

During the year ended 31 March 2023, in view of the continuous low performance of the trading of imported cars business and the provision of imported cars platform services business (collectively, the "Automotive Business"), the directors of the Company considered that the full recovery of Automotive Business will be no earlier than the end of 2023 and it was difficult to ascertain and predict when exactly it will take place. On 6 May 2022, the Company entered into an agreement with Kenpay International Company Limited ("Purchaser"), a third party, to sell the entire issued share capital of Robust Cooperation Limited ("Robust") and Mega Convention Group Limited ("Mega") (collectively, the "Disposal Group") to the Purchaser at a consideration of HK\$3,000,000 (approximately RMB2,565,000). The Disposal was completed on 21 June 2022. Upon the completion of the Disposal, the Group ceased to engage in the Automotive Business.

The Disposal Group represented (i) the Car-sale segment, (ii) Car trading platform segment (collectively, the “Discontinued Operations”). Accordingly, the consolidated results of the Discontinued Operations for the period from 1 April 2022 to 21 June 2022 have been presented as Discontinued Operations in the consolidated financial statements in accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and the comparative figures of the consolidated statement of profit or loss and corresponding notes have been restated to show the Discontinued Operations separately from Continuing Operations.

(a) **Results of Discontinued Operations**

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>	<b>749</b>	15,946
Cost of sales	—	(12,529)
	<hr/>	<hr/>
<b>Gross profit</b>	<b>749</b>	3,417
Other income	—	(1,233)
Selling and distribution expenses	—	(714)
Administrative expenses	<b>(821)</b>	(146,629)
Finance costs	<b>(52,310)</b>	(206,236)
Impairment losses on financial assets and guarantee contracts	<b>(3,216)</b>	(140,252)
Impairment losses on property, plant and equipment	—	(14,478)
Net valuation loss on investment properties	—	(154,301)
	<hr/>	<hr/>
<b>Loss before taxation</b>	<b>(55,598)</b>	(660,426)
Income tax	<b>(1,045)</b>	38,014
	<hr/>	<hr/>
<b>Loss for the year from Discontinued Operations</b>	<b>(56,643)</b>	(622,412)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net gain on disposal of the Discontinued Operations</b>	<b>2,124,358</b>	—
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Gain/(loss) from Discontinued Operations</b>	<b>2,067,715</b>	(622,412)
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(b) **The net cash flows incurred by the Discontinued Operations are as follows:**

	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	<b>4</b>	(481)
Net cash generated from investing activities	–	1
Net cash used in financing activities	–	(30,000)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow)</b>	<b>4</b>	(30,480)
	<hr/> <hr/>	<hr/> <hr/>

(c) **Effect of disposal on financial position of the Group**

	At
	21 June
	2022
	<i>RMB'000</i>
Non-current assets	1,245,403
Current assets	455,644
Current liabilities	(3,596,841)
Non-current liabilities	(266,734)
	<hr/>
<b>Net liabilities disposed of</b>	(2,162,528)
Cash consideration (HK\$3 million)	(2,565)
Exchange difference reclassified to profit or loss	40,735
	<hr/>
<b>Gain on disposal of subsidiaries</b>	(2,124,358)
	<hr/> <hr/>

## 10 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS

### (a) Trade and other receivables and contract assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables from:		
– Third parties	141,304	151,598
– Companies under the control of a shareholder of the Company ( <i>Note (i)</i> )	578,552	451,416
Bills receivable	293	–
	<u>720,149</u>	<u>603,014</u>
Less: loss allowance	<u>(23,165)</u>	<u>(68,500)</u>
	<u>696,984</u>	<u>534,514</u>
Amounts due from companies under the control of a shareholder of the Company ( <i>Note (ii)</i> )	<u>1,006</u>	<u>876</u>
Other receivables ( <i>Note (iii)</i> )	45,013	1,822,088
Less: loss allowance	<u>(1,525)</u>	<u>(1,621,225)</u>
	<u>43,488</u>	<u>200,863</u>
Financial assets measured at amortised cost	<u>741,478</u>	<u>736,253</u>
Deposits:		
– Deposits for operating leases expenses paid to third parties	5,209	7,686
– Others	15,300	7,078
	<u>20,509</u>	<u>14,764</u>
Trade and other receivables ( <i>Note (iv)</i> )	761,987	751,017
Contract assets ( <i>Note (v)</i> )	160,681	90,707
	<u>922,668</u>	<u>841,724</u>

*Notes:*

- (i) The balance mainly related to transactions under an export agency agreement entered into between the Group and a company under the control of a shareholder of the Company.
- (ii) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (iii) At 31 March 2022, other receivables include advances to customers of car trading platform segment and prepayment for purchase of parallel imported cars which orders were subsequently cancelled, amounted to RMB1,815,745,000.
- (iv) All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.
- (v) Contract assets are mainly arising from performance under the sale and installation of HVAC. The Group's HVAC business requires stage payments. A 20% to 30% of the consideration of goods will be payable after the completion of the installation inspection. This amount is included in contract assets until the completion of installation inspection as the Group's entitlement to this final payment is conditional upon the Group's work satisfactorily passing inspection. The contract assets are expected to be fully recovered in three years.

**Ageing analysis**

Included in trade and other receivables are trade receivables (net of loss allowance) with the following ageing analysis (based on earlier of the invoice date and revenue recognition) as of the end of the reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	123,042	143,359
More than 1 month but less than 3 months	214,006	240,597
Over 3 months	359,643	150,558
	<u>696,691</u>	<u>534,514</u>

**(b) Prepayments**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Prepayments:		
– Prepayments to suppliers	76,905	288,310
– Others	4,108	1,885
	<u>81,013</u>	<u>290,195</u>

## 11 TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables to:		
– Third parties	217,103	216,623
– Companies under the control of shareholders of the Company	115,735	67,886
	<u>332,838</u>	<u>284,509</u>
Bills payable	173,824	189,550
	<u>506,662</u>	<u>474,059</u>
Amounts due to companies under the control of shareholders of the Company ( <i>Note (i)</i> )	–	46,652
Accrued charges and other payables:		
– Accrued expenses	24,272	21,991
– Payables for staff related costs	73,420	71,614
– Deposits from customers and suppliers		
– Third parties	8,851	22,052
– Company under the control of shareholders of the Company	–	265
– Interest payable	–	338,509
– Payables for miscellaneous taxes	2,290	32,244
– Payables for acquisition of subsidiaries	–	243,300
– Others	8,052	249,070
	<u>116,885</u>	<u>979,045</u>
Financial liabilities measured at amortised cost	623,547	1,499,756
Expected credit loss for financial guarantee granted	–	376,081
Contract liabilities	88,791	46,691
	<u>712,338</u>	<u>1,922,528</u>

*Note:*

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

### Ageing analysis

Included in trade and other payables are trade and bills payable with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	<b>240,410</b>	187,780
Over 1 month but within 3 months	<b>77,758</b>	86,053
Over 3 months but within 6 months	<b>122,526</b>	185,913
Over 6 months	<b>65,968</b>	14,313
	<b>506,662</b>	474,059

### The analysis of movements in contract liabilities

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Balance at 1 April	<b>46,691</b>	52,174
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	<b>(30,200)</b>	(52,152)
Decrease in contract liabilities as a result of cancellation of orders during the year that was included in the contract liabilities at the beginning of the period	–	(22)
Increase in contract liabilities as a result of billing in advance	<b>88,791</b>	46,691
Disposal of the Discontinued Operations	<b>(16,491)</b>	–
Balance at 31 March	<b>88,791</b>	46,691

## 12 BANK AND OTHER LOANS

The Group's bank and other loans are analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Bank loans:</b>		
– Unsecured and guaranteed ( <i>Note (iii)</i> )	–	48,669
– Secured and unguaranteed ( <i>Note (ii)</i> )	<b>576,600</b>	535,580
– Secured and guaranteed ( <i>Notes (ii) and (iii)</i> )	<b>238,000</b>	1,350,444
	<b>814,600</b>	1,934,693
<b>Loans from other financial institutions:</b>		
– Secured and guaranteed ( <i>Notes (ii) and (iii)</i> )	–	361,339
<b>Loans from shareholders and companies under the control of shareholders of the Company:</b>		
– Unsecured and unguaranteed ( <i>Note (i)</i> )	<b>33,454</b>	191,136
	<b>848,054</b>	2,487,168

*Notes:*

- (i) At 31 March 2023, the loans from shareholders and companies under the control of shareholders of the Company bearing interest ranged from 2% to 7% (31 March 2022: 0% to 7%) per annum and are repayable by March 2024 (31 March 2022: by March 2023).
- (ii) Certain bank and other loans are secured by the leasehold land and buildings and assets of the Group (Note 12(b)).
- (iii) Bank and other loans of RMB238 million as at 31 March 2023 were guaranteed by a director of the Company, and/or companies under the control of a director of the Company. Bank and other loans of RMB1,760 million as at 31 March 2022 were guaranteed by shareholders of the Company, directors of the Company, close family members of a shareholder of the Company and/or companies under the control of shareholders of the Company.
- (iv) At 31 March 2022, bank and other loans of RMB1,041 million were overdue but were not yet renewed or repaid at the end of the reporting period. Included in these bank and other loans were RMB458 million the banks of which have commenced litigations against a subsidiary of the Group requesting the subsidiary to repay the outstanding balances.
- (v) At 31 March 2022, in addition to the overdue loans, the Group failed to fulfil certain covenants of bank and other loans of RMB450 million and the lenders have the right to require the Group to repay the loans immediately at any time prior to their original repayment dates. Loans of RMB404 million which were long-term loans were reclassified as current liabilities at the end of the reporting period.

- (a) The Group's bank and other loans are repayable as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within 1 year or on demand	<u>758,054</u>	<u>2,422,568</u>
After 1 year but within 2 years	–	34,500
After 2 years but within 5 years	<u>90,000</u>	<u>30,100</u>
	<u>90,000</u>	<u>64,600</u>
	<b><u>848,054</u></b>	<b><u>2,487,168</u></b>

All of the bank and other loans are carried at amortised cost.

- (b) Certain of the Group's loans are secured by the Group's leasehold land and buildings, investment properties and deposits of the Group. At 31 March 2022, certain loans of the Group were also secured by the equity interest of a subsidiary of the Group. The aggregate carrying values of the pledged leasehold land and buildings and investment properties are analysed as follows.

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Leasehold land and buildings	<b>124,043</b>	181,347
Investment properties	<u>411,966</u>	<u>1,762,302</u>
	<b><u>536,009</u></b>	<b><u>1,943,649</u></b>

- (c) At 31 March 2023, the Group's banking facilities amounted to RMB756,000,000 (31 March 2022: RMB1,458,906,000) were utilised to the extent of RMB732,912,000 (31 March 2022: RMB1,369,206,000).

### 13 DIVIDENDS

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: RMB Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHTS**

#### **General Information**

##### **Continued Operations**

The Group's Continuing Operations consist of four segments: (i) manufacturing and trading business; (ii) retail business; (iii) wholesale business; and (iv) investments holding business. These segments collectively recorded revenue of approximately RMB2,422.4 million for the Year, representing an increase of 13.5% when compared to the revenue of approximately RMB2,133.6 million reported in the last year. The net profit of the Continuing Operations for the Year amounted to approximately RMB269.8 million when compared to the net profit of approximately RMB237.2 million reported in the last year.

The Group's basic and diluted earnings per share of the Continuing Operations for the Year were both RMB3.35 cents, while the Group's basic and diluted earnings per share of the Continuing Operations for the last year were both RMB2.95 cents.

##### **Discontinued Operations**

On 6 May 2022, the Group entered into an agreement to sell its Automotive Business, which encompassed the car-sale business and car trading platform business, for a total consideration of HK\$3.0 million (approximately RMB2.6 million). The Disposal was fully completed on 21 June 2022, resulting in a gain on disposal of approximately RMB2,124.4 million that was recognized during the Year.

Excluding the gain on disposal of the Automotive Business, the net loss of the Discontinued Operations for the period between 1 April 2022 to 21 June 2022 amounted to approximately RMB56.6 million.

##### **Net Assets, Liquidity and Financial Resources**

As at 31 March 2023, the Group's net assets increased to approximately RMB2,075 million, resulting in a net asset value per share of RMB25.8 cents. The increase in net assets was primarily attributed to the gain on disposal of the Automotive Business, which amounted to approximately RMB2,124.4 million and was recognized during the Year.

As at 31 March 2023, the Group's total assets amounted to approximately RMB3,870.8 million, including cash and bank deposits of approximately RMB453.5 million. Bank and other loans amounted to approximately RMB848.1 million. The Group's debt-to-equity ratio (bank loans and other borrowings over total equity) decreased from (976.1%) as at 31 March 2022 to 40.9% as at 31 March 2023, mainly due to the substantial increase in equity resulting from the gain on disposal of the Automotive Business.



Most of the Group's business transactions were conducted in RMB and US\$. As at 31 March 2023, the Group's major borrowings included bank loans, which had an outstanding balance of approximately RMB814.6 million. The loans from shareholders was approximately RMB33.5 million. All of the Group's borrowings are denominated in RMB, HK\$, and US\$.

### **Pledge of Assets**

As at 31 March 2023, the Group's leasehold land and buildings and investment properties, with a carrying amount of approximately RMB536 million, were pledged as collateral to secure the Group's bank loans and facilities. Bank deposits amounting to approximately RMB247.2 million were pledged as collateral for the Group's bank loans and bills, letter of credit and security performance.

### **Prepayment to Suppliers**

As at 31 March 2023, the balance of prepayment to suppliers was approximately RMB76.9 million. Subsequent to 31 March 2023, the utilization of the prepayment to suppliers was approximately RMB55.6 million.

### **Capital Expenditure and Commitments**

The Group will continue to allocate a reasonable amount of resources towards enhancing operational efficiency and meeting the needs of its customers and the demands of the market. To achieve these goals, the Group plans to optimize the utilization of its assets and improve its capital assets. Funding for these initiatives primarily come from trading revenue generated from operations and bank borrowings. The Group will also explore alternative debt and equity financing options to support its growth and expansion plans.

As at 31 March 2023, the Group had total capital commitments in respect of acquisition of plant and machinery of RMB0.7 million.

### **Significant Investments**

As at 31 March 2023, the Group held investments primarily in (i) investment properties of approximately RMB562.2 million, which represented eight properties situated in Ningbo and rented out under operating leases. The investment properties in aggregate constituted approximately 14.5% of the Group's total assets as at 31 March 2023, and (ii) financial assets at fair value through profit or loss of approximately RMB803.8 million, which represented the financial products offered by the National Trust Company Limited ("National Trust"). As at 31 March 2023, the fair value of the financial products in aggregate constituted approximately 20.8% of the Group's total assets. The Group did not hold any other significant investment with a value of 5% or more of the Group's total assets.

### *Investment properties*

The Group's investment properties in Ningbo, Mainland China, comprising shopping arcade, retail shops, and warehouse, are rented out under operating leases to generate long-term rental yields. These investment properties are measured at fair value on a recurring basis. During the year, the Group recorded a valuation loss of approximately RMB19.0 million on its investment properties. As at 31 March 2023, the investment properties were valued at approximately RMB562.2 million, constituting 14.5% of the Group's total assets. As at the date of this report, the Group plans to continue holding these investment properties for long-term rental yields.

### *Financial assets*

Purchase of the financial products has been one of the means by the Group's management to increase the Group's income. The Group utilized certain idle funds to subscribe for certain financial products from National Trust. The Group's investment policies for the investments in financial products are formulated with reference to rating of the financial products. Given (i) the underlying assets of the National Trust Financial Products are investment in state-owned enterprise with ultimate beneficial owners being governmental authorities of the PRC; (ii) the National Trust Financial Products are regular return products where at least 80% of its underlying assets and interests are deposits, bonds and other debt investments; and (iii) the historic income of the National Trust Financial Products having been stable, the Group considers the risk of the investment in the National Trust Financial Products are relatively low.

The trust investment products reach maturity consecutively between April 2023 and September 2023. On 14 March 2023, the Group entered into supplemental agreements to extend the respective terms of the National Trust Financial Products from 36 months to 54 months. For details of the extension of the financial products, please refer to the announcements of the Company dated 14 March 2023 and 11 April 2023 and the circular of the Company dated 12 April 2023.

## **Exposure to Foreign-Exchange Fluctuations**

The Company utilizes the RMB as its functional currency, and the Group's monetary assets and liabilities are primarily denominated in RMB, HKD, and USD. The Group acknowledges that its exposure to foreign currency fluctuations is closely linked to the performance of the RMB exchange rate. However, as the RMB has not yet achieved international hard currency status, there are currently no effective methods available to hedge this risk for the Group's size and cash flow pattern.

Notwithstanding, the Chinese Government is promoting the internationalization of the RMB and moving towards a free-floating currency in the future. Thus, the Group anticipates that more hedging tools will become available in the currency market. The Group will closely monitor the development of the Chinese Government's currency policies and the availability of appropriate hedging tools that are consistent with our business.

## **Segment Information**

After the disposal of the Automotive Business, the Group will concentrate its resources and efforts on its remaining business segments, comprising the manufacturing and trading business, retail business, wholesale business, and investment holding business.

In terms of geographical segmentation, the Group's primary markets are China and the United States, which contributed 49.8% and 36.4% respectively to the Group's total revenue for the Year. The remaining portion of the Group's revenue was generated from Europe and other markets, which contributed 10.6% and 3.2% respectively.

## **Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 March 2023.

## **Employee Information**

As of 31 March 2023, the Group employed a workforce of 1,411 individuals across its chain stores, offices, and factories situated in Hong Kong and the PRC. The Group provided its employees with competitive remuneration packages that were aligned with their individual responsibilities, qualifications, experience, and performance. In addition to offering competitive compensation, the Group provided its employees with opportunities for professional development, including management skills workshops, practical seminars for knowledge updates, on-the-job training, and safety training programs. The share option scheme of the Company (the "Scheme") has been expired on 30 August 2022, no share option had been granted under the Scheme since its adoption on 31 August 2012 and there were no other options outstanding during the Year.

## **Review of Operations**

During the Year, the Group recorded a net profit of approximately RMB2,337.5 million, compared to a net loss of approximately RMB385.2 million in the last year. This significant improvement was attributed primarily to the disposal of the Automotive Business, which resulted in a gain on disposal of approximately RMB2,124.4 million.

## **Revenue from the Continuing Operations**

During the Year, the Group recorded revenue from the Continuing Operations of approximately RMB2,422.4 million, representing an increase of 13.5% when compared with the revenue of approximately RMB2,133.6 million reported for the last year.

### *Manufacturing and Trading Business*

During the Year, the manufacturing and trading business segment generated revenue of approximately RMB1,284.4 million, representing an increase of 10.7% compared to the last year's revenue of approximately RMB1,159.9 million. Despite severe competition in the overseas market, the Group's management team worked diligently to identify and capitalize on further opportunities.

The increase in revenue for this segment reflects the success of the Group's efforts to strengthen its customer base, which helped mitigate the short-term market fluctuations during the COVID-19 pandemic. Overall, the manufacturing and trading business segment performed well during the Year.

### *Retail Business*

The Group's retail business revenue for the Year decreased by 6.4% to approximately RMB395.9 million, compared to approximately RMB422.9 million in the last year. The decline in revenue was primarily due to intense market competition from e-commerce and large supermarket chains.

### *Wholesale Business*

The Group's wholesale business revenue increased by 41.5% to approximately RMB708.5 million, compared to approximately RMB500.7 million. The wholesale business in wines and beverages remained stable, while the electrical appliances segment, particularly heating, ventilation, and air conditioning (HVAC), recorded a significant increase in revenue. This achievement can be attributed to the Group's collaboration with large property companies, which helped to drive growth in this segment.

### *Investments Holding Business*

The Group's investment income decreased by 32.8% to approximately RMB33.6 million during the Year, compared to approximately RMB50.0 million in the last year.

## **Revenue from the Discontinued Operation**

### *Car-sale business and car trading platform business*

The trading and sales of imported car business, car trading platform and property rental business contributed approximately RMB0.7 million for the period from 1 April 2022 to 21 June 2022.

## **PROSPECTS**

### **Strengthening our competence and competitiveness in the Manufacturing and Trading Business**

The Group's manufacturing business has experienced steady and rapid growth in recent years and thanks to the dedication of its team and the implementation of appropriate strategies. The Group will continue to prioritize cost control measures and focus on higher-margin products and customers to further enhance its business and financial performance. The Group will continue to implement cost control measures, including integrating and realigning management and sales resources, as well as making structural changes in procurement and manufacturing planning.

Furthermore, the Group will maintain its focus on developing and introducing new products to meet the evolving needs of its diverse customer base. The Group will also expand its customer base in both existing and emerging markets, with the aim of achieving continuous growth and enhancing its overall performance.

### **Recovery of retail business and expansion of the wholesale business with growth potential**

After the substantial uplifting of pandemic containment measures against COVID-19 at the beginning of 2023, the Board holds a positive view and is optimistic that the business environment and economy in the PRC will be resumed and recovered in the coming year and has a positive view that the business of retail business and wholesale business of wine and beverage will reach the pre-COVID levels in the coming years.

The Group's wholesale business segment, specifically the heating, ventilation, and air-conditioning (HVAC) wholesale business, is still growing with the effective sales strategy and efforts of the business team. To further expand this business into various regions across the country, the Group will adopt a long-term approach of collaborating with large and well-established real estate developer. The Group is optimistic that this approach will enable it to develop this business segment continuously and to have a well performance.

Following the disposal of the Automotive Business, the Group will concentrate its resources and efforts on its remaining business segments, which comprise (i) manufacturing and trading of household products, (ii) operation of supermarkets and property rental services, (iii) wholesale of alcohol, wine, beverages, and electrical appliances, and (iv) investment holding business.

The Group will closely monitor the volatility of global financial markets and industry risks, maintain effective communication with our clients, and make timely adjustments to its sales and purchase strategies as needed to achieve its goal of continuous business growth and performance improvement.

## **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 the accounting principles and practice adopted by the Group and the audited annual results for the Year.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, KPMG, *Certified Public Accountants*, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on this announcement.

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

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the Year. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. All Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the Year.

## **ANNUAL GENERAL MEETING**

The date of the annual general meeting of the Company (the "AGM") will be announced in due course. Notice of AGM will be issued and disseminated to the shareholders in due course.

## **PUBLICATION OF THE FURTHER INFORMATION**

The 2023 annual report of the Company will be despatched to the shareholders of the Company and available on the Company's website at [www.lisigroup.com.hk](http://www.lisigroup.com.hk) and the website of The Stock Exchange in due course.

## **APPRECIATION**

The Chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each staff of the Group for their hard work and loyalty to the Group.

By Order of the Board  
**Li Lixin**  
*Chairman and Executive Director*

Hong Kong, 29 June 2023

*As at the date of this announcement, the Board comprises Mr Li Lixin, Mr Cheng Jianhe and Ms Jin Yaxue being executive directors, Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong being independent non-executive directors.*