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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board (“Board”) of directors (the “Director(s)”) of Lisi Group (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2011 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	<i>Note</i>	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	4	237,504	220,191
Cost of sales		(187,421)	(177,311)
Gross profit		50,083	42,880
Other revenue	4	6,784	599
Other income	5	3,676	3,492
Selling and distribution expenses		(9,991)	(9,921)
Administrative and other operating expenses		(30,707)	(22,523)
Finance costs	6	(8,067)	(4,907)
Profit before taxation	6	11,778	9,620
Income tax expense	7	(4,736)	(3,784)
Profit for the Period		7,042	5,836
Other comprehensive income, net of tax			
Exchange differences on translating foreign operations		2,349	757
Total comprehensive income for the Period attributable to owners of the Company		9,391	6,593
Earnings per share			
Basic and diluted	9	HK0.28 cent	HK0.25 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Unaudited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		274,484	267,097
Goodwill		51,563	51,563
Available-for-sale financial assets		109,858	98,441
Intangible assets		14,040	15,600
		449,945	432,701
Current assets			
Inventories		79,183	91,004
Trade and bills and other receivables	10	108,186	68,441
Pledged deposits		–	1,079
Bank balances and cash		17,464	17,371
		204,833	177,895
Current liabilities			
Trade and other payables	11	188,649	188,743
Tax payables		2,305	3,765
Current portion of bank borrowing, secured		92,474	48,265
Current portion of obligations under finance leases		38	36
		283,466	240,809
Net current liabilities		(78,633)	(62,914)
Total assets less current liabilities		371,312	369,787
Non-current liabilities			
Obligations under finance leases		50	69
Long-term portion of bank borrowing, secured		113,415	121,429
Deferred tax liabilities		5,853	5,686
		119,318	127,184
NET ASSETS		251,994	242,603
Capital and reserves			
Share capital		24,770	24,770
Reserves		227,224	217,833
TOTAL EQUITY		251,994	242,603

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2011.

3. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has only one operating segment of manufacturing and trading of household products. Therefore, no operating segmental revenue, results, assets and liabilities are presented.

(i) Geographic information

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location of revenue and the non-current assets respectively are detailed below:

	Revenue		Non-current assets*	
	six months ended		as at	
	30 September		30 September	31 March
	2011	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
United States of America	169,601	121,171	–	–
Canada	6,607	1,543	–	–
Hong Kong	14,053	9,320	482	680
PRC	12,012	68,514	339,605	333,580
Europe	22,713	10,142	–	–
Others	19,302	10,100	–	–
	244,288	220,790	340,087	334,260

* Non-current assets are other than financial instrument.

(ii) **Information about major customers**

For the period ended 30 September 2011, there were two (2010: one) customers which contributed over 10% of total revenue to the Group's sole operating segment of manufacturing and trading of household products with revenue of HK\$101,725,000 (2010: HK\$107,328,000).

4. TURNOVER AND REVENUE

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

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover		
Sales of goods	237,504	220,191
	<hr/>	<hr/>
Other revenue		
Rental income	462	—
Interest income	159	55
Dividend Income	5,452	—
Other	711	544
	<hr/>	<hr/>
	6,784	599
	<hr/>	<hr/>
Total revenue	244,288	220,790
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	841	1,930
Bad debt recovery, net	1,859	—
Write-off of other payables	746	1,406
Others	230	156
	<hr/>	<hr/>
	3,676	3,492
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAXATION

This is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance costs		
Interest on bank borrowings wholly repayable		
within five years	6,237	4,163
Interest on loan from a shareholder wholly repayable		
within five years	84	349
Interest on loan from a related company wholly repayable		
within five years	1,376	111
Interest on loan from a third party wholly repayable	223	186
within five years		
Finance charges on obligations under finance leases	3	4
Other interest expenses	144	94
	<u>8,067</u>	<u>4,907</u>
Other items		
Staff costs (excluding Directors' emoluments)		
Wages and salaries	39,520	30,940
Termination benefits	27	131
Contributions to retirement schemes	2,017	1,194
	<u>41,564</u>	<u>32,265</u>
Auditor's remuneration	550	649
Allowance for inventory obsolescence	84	39
Amortisation of intangible assets	1,560	—
Cost of inventories	187,421	177,311
Depreciation of property, plant and equipment	10,035	9,192
Exchange losses, net	3,071	4,965
Operating lease charges on premises	3,903	2,978
	<u>206,624</u>	<u>195,134</u>

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes in respect of operations in Hong Kong for the Period (2010: HK\$Nil). The PRC Enterprise Income Tax in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profit for the Period based on existing legislation, interpretation and practices in respect thereof.

8. DIVIDENDS

The Directors do not recommend the payment of interim dividend (2010: Nil) in respect of the Period.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit for the Period of HK\$7,042,000 (2010: HK\$5,836,000) and on the weighted average number of 2,476,963,794 ordinary shares (2010: 2,320,713,794) in issue throughout the Period.

Diluted earnings per share for the Period is same as the basic earnings per share as the Company had no dilutive potential ordinary shares for the Period.

10. TRADE AND BILLS AND OTHER RECEIVABLES

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Unaudited)
Trade and bills receivables from:		
Third parties	69,383	81,510
Related companies	38,488	18,679
Allowance for bad and doubtful debts	(40,902)	(41,931)
	<hr/> 66,969	<hr/> 58,258
Prepayments, deposits and other receivables	38,050	8,569
Due from a related company	3,167	1,614
	<hr/> 108,186	<hr/> 68,441
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills receivables

The trade receivables from related companies, including trade receivable from a related company of HK\$38,421,000 in respect of export arrangement, are unsecured and interest free. The related companies are companies in which the Director, Mr. Li Li Xin, has beneficial interest.

During the Period, 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. At the end of the Period, the carrying amount of discounted bills receivable is HK\$13,459,000 (31 March 2011: HK\$29,425,000). The carrying amount of the associated liability is HK\$10,767,000 (31 March 2011: HK\$22,588,000).

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

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Unaudited)
0 – 30 days	36,594	34,185
31 – 60 days	26,156	14,565
61 – 90 days	4,168	8,893
Over 90 days	51	615
	66,969	58,258

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

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Unaudited)
Current	55,281	51,228
Less than 1 month past due	10,674	6,131
1 month to 2 months past due	460	302
Over 2 months past due	554	597
	11,688	7,030
	66,969	58,258

In general, the Group allows a credit period of 30 to 60 days to its trade customers. Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$11,688,000 (*31 March 2011: HK\$7,030,000*), which were past due at the end of the 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.

11. TRADE AND OTHER PAYABLES

		30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Unaudited)
	<i>Note</i>		
Trade and bills payables from:			
Third parties		47,430	61,549
A related company		11,394	9,180
	(i)	58,824	70,729
Other payables and accruals		36,777	33,368
Due to related companies	(ii)	35,887	28,646
Loan from a third party	(iii)	6,355	6,355
Loan from a related company	(iv)	48,780	47,619
Loan from/due to a shareholder	(v)	2,026	2,026
		129,825	118,014
		188,649	188,743

(i) Trade payables

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

	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Unaudited)
Less than 3 months	35,400	55,867
3 months to 6 months	17,488	11,114
6 months to 1 year	5,753	312
Over 1 year	183	3,436
	58,824	70,729

The trade payable to a related company is unsecured, interest-free and has no fixed repayment term. The Director, Mr. Li Li Xin has beneficial interest in the related company as at 30 September 2011 and 31 March 2011.

(ii) Due to related companies

The amounts due to related companies, in which the Director, Mr. Li Li Xin has beneficial interest, are unsecured, interest-free and have no fixed repayment term.

(iii) Loan from a third party company

Loan from a third party is unsecured, interest-bearing rate at 7% per annum and upon the maturity of the loan on 30 June 2011, the lender has agreed to extend with the same terms as the previous loan to 30 June 2012.

(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 Director, Mr. Li Li Xin, has beneficial interest. Pursuant to the entrusted loan agreement, the related company entrusted an amount of RMB40,000,000 (equivalent to approximately HK\$48,780,000 (the "Fund")) to the bank, which would arrange for advancement of the Fund to the Group as a short-term loan pursuant to the entrusted loan agreement. The loan is unsecured, interest-bearing at RMB base lending rate per annum and upon the maturity of the loan on 30 August 2011, all parties of the entrusted loan agreement has agreed to extend with the same term as previous loan to 30 August 2012.

(v) Loan from/due to a shareholder

The loan of HK\$2,000,000 from a shareholder is unsecured, interest-bearing at HIBOR plus 3% per annum at the date of drawdown. Upon the maturity of the loan on 30 June 2011, the shareholder has agreed to extend with the same terms as the previous loan to 30 June 2012. The remaining balance of HK\$26,000 represents amount due to a shareholder, which is unsecured, interest-free and has no fixed repayment term.

12. COMMITMENTS

(a) Capital commitments

As at the end of the Period, the Group had commitment of HK\$30,972,000 (*31 March 2011: 30,234,000*) and HK\$3,034,000 (*31 March 2011: HK\$3,810,000*) in respect of subscription of the increased registered capital of a PRC company and acquisition of machinery and moulds for production respectively.

(b) Commitments under operating leases

As lessee

At the end of the Period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Within one year	6,741	7,799
In the second to fifth years inclusive	1,533	4,673
	8,274	12,472

As lessor

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

	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Within one year	696	2,414
In the second to fifth years inclusive	–	178
	696	2,592

13. COMPARATIVE FIGURES

Certain comparative figures are restated in order to conform with the presentation of the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the period ended 30 September 2011, the Group recorded a turnover of approximately HK\$237.5 million, representing an increase of 7.9% when compared with the turnover of approximately HK\$220.2 million reported for last period. Net profit for the Period increased by 20.7% to approximately HK\$7.0 million, compared to a net profit of HK\$5.8 million for the corresponding period last year. The Group's basic and diluted earnings per share was HK\$0.28 cents.

Liquidity and Financial Resources

As at 30 September 2011, the Group's net assets increased to HK\$252.0 million, rendering net asset value per share at HK10.17 cents. The Group's total assets at that date were valued at HK\$654.8 million, including cash and bank deposits totaling approximately HK\$17.4 million. Consolidated bank borrowings and other borrowings amounted to HK\$205.9 and 57.1 million. The debt-to-equity ratio of the Company (bank and other borrowings over total equity) has been decreased from 104.9% as at 31 March 2011 to 104.4% as at 30 September 2011.

Capital Structure

For the period ended 30 September 2011, the Company has no change in the issued share capital.

As at 30 September 2011, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of HK\$134.1 million, other bank borrowings of HK71.8 million and advance and borrowings from a Shareholder, related companies and a third party totaling HK\$93.0 million. All of the Group's borrowings have been denominated in Hong Kong dollar, U.S. dollar and PRC Renminbi made on floating-rate and fixed rate bases.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK\$151.3 million as at 30 September 2011 (31 March 2011: HK\$153.4 million) were pledged to secure banking facilities of the Group.

Capital Expenditure and Commitments

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

Exposure to Foreign-Exchange Fluctuations

The Group's monetary assets and liabilities are principally denominated in Hong Kong dollar, PRC Renminbi and U.S. dollar. As far as the Hong Kong dollar remains pegged to the U.S. dollar and the PRC government takes prudent and gradual measures against the appreciation of Renminbi, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of Renminbi widely expected in the foreign exchange market. Given that Renminbi is not an international currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group.

As at 30 September 2011, the Group had no financial instrument for foreign exchange hedging purposes. However, the Group would continue to monitor closely the Renminbi currency fluctuation and adopt appropriate measures available in the market to address the business needs and to manage the impact of exchange rate risk.

Segment Information

For the period ended 30 September 2011, North America remained the Group's primary market, which accounted for 72.1% of total revenue. The remaining comprised of revenue from Europe (9.3%), Hong Kong (5.8%) and others (12.8%).

Contingent Liabilities

As at 30 September 2011, the Company had no material contingent liabilities.

Employee Information

As at 30 September 2011, the Group employed a workforce of 1,712 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 is a share-option scheme in force but no share option was granted during the period ended 30 September 2011.

Review of Operations

During the period ended 30 September 2011, the Group recorded a net profit of HK\$7.0 million. The results had been improved as compared to the net profit of HK\$5.8 million for the corresponding period last year. The improvement was mainly driven by increase in gross profit from turnover of HK\$7.2 million, recovery of bad debt of HK\$1.9 million and dividend income from newly acquired business of HK\$5.4 million. This was partially offset by higher administrative and other operating expenses of HK\$5.2M (higher expenses for operations in mainland China due to RMB appreciation and full 6-month impact of expenses in Ningbo plant acquired in May 2010), higher finance costs of HK\$3.2 million (due to higher interest rate in mainland China and increase in bank borrowings), less write-back adjustment of provision for contingent liabilities of

HK\$3.1 million and higher income tax accrued for profitable operations in Ningbo plant of HK\$1.0 million. There are challenges in managing the costs due to the price increase of raw materials in the global market and the rise of the local production costs in our China factories (as a result of both RMB appreciation and local cost increases). The Group will continue to manage local purchase costs and improve production efficiency on the one hand and negotiate with our customers for price increase on the other hand. Besides, the Group focuses on selling products of higher margin and exploring new markets and segments with growth potential.

PROSPECTS

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 efforts to explore new businesses. The Group will take 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 in the global economic recovery.

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 the economies of different markets and adjust our sales and purchase strategies accordingly to achieve our goal of continuous business growth and performance improvement.

Further Strengthening the Leading Role in the Market of Household Products

With the completion of the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo on 30 April 2010, Ningbo plant has been contributing important growth in the existing household product business of the Group and further strengthened the leading role of the Company in the market. The synergies from larger customer base, increased production efficiency and more comprehensive range of household products will continue to improve our readiness to meet the challenges from higher production costs and operating expenses and drive for better financial performance of the Group.

Besides, the Group is planning to relocate the Shenzhen plant to Ningbo so that all the Group's manufacturing plant will be situated in one location. This will drive further synergies to improve purchasing, production and logistics. The Company is considering and pursuing potential alternative utilisations of the land resources of the Shenzhen plant after its relocation subject to the relevant laws, regulations and government policies.

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 of the Company.

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 this period.

AUDIT COMMITTEE

The interim results for the Period are unaudited and have not been reviewed by the auditors of the Company.

However, 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 unaudited consolidated financial statements for the period ended 30 September 2011.

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 period ended 30 September 2011.

MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issued (the "Model Code") as set out in Appendix 10 of the Listing Rules issued by the Stock Exchange. All directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the period ended 30 September 2011.

PUBLICATION OF THE FURTHER INFORMATION

The 2011 interim 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 of Hong Kong Limited and the Company in due course.

By Order of the Board

Li Li Xin

Chairman

Hong Kong, 25 November 2011

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.