WARDERLY INTERNATIONAL HOLDINGS LIMITED
匯多利國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 607)

Annual Report 2008

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Hung Kwok Wa
Lau Man Tak
Li Kai Yien, Arthur Albert
(appointed on 18 June 2008)
Li Shu Han, Eleanor Stella
(appointed on 18 June 2008)
Seto Ying
(appointed on 18 June 2008)

Independent Non-executive Directors
Lau Tai Chim
Tam Ping Kuen, Daniel
Li Siu Yui
(appointed on 18 June 2008)
Ip Woon Lai
(appointed on 18 June 2008)
Lee Kong Leong
(appointed on 18 June 2008)

AUDITORS
PKF
Certified Public Accountants
26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Lau Man Tak

AUDIT COMMITTEE
Lau Tai Chim
Tam Ping Kuen, Daniel
Li Siu Yui
(appointed on 18 June 2008)
Ip Woon Lai
(appointed on 18 June 2008)
Lee Kong Leong
(appointed on 18 June 2008)

PRINCIPAL BANKER
Hang Seng Bank Limited

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
15th Floor, No. 88 Lockhart Road
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Hong Kong

PRINCIPAL REGISTRAR
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

BRANCH REGISTRAR IN HONG KONG
Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE
www.finance.thestandard.com.hk/en/0607warderly/

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Hung Kwok Wa ("Mr. Hung"), aged 39, was appointed as an executive director ("Director") of Warderly International Holdings Limited (the "Company", together with its subsidiaries, the "Group") on 18 April 2002. He is responsible for financial planning and related financial activities of the Group. Prior to joining the Group in January 2002, Mr. Hung worked as an executive director of two listed companies and has also worked for several commercial banks in Hong Kong as well as an international certified public accountants firm and has over 8 years of extensive experience in financial related industry. Mr. Hung holds a Bachelor degree in Social Sciences from The University of Hong Kong. He is also a fellow member of the Association of Chartered Certified Accountants. Mr. Hung is also a director of various subsidiaries of the Company.

Mr. Lau Man Tak ("Mr. Lau"), aged 38, was appointed as an executive Director, the company secretary and qualified accountant of the Company in December 2007. Mr. Lau holds a Bachelor degree in Accountancy from the Hong Kong Polytechnic University and has more than 15 years of finance, accounting and auditing experiences. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Currently, Mr. Lau is an independent non-executive director of Golden Resorts Group Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director, the chairman of the audit committee and remuneration committee of Climax International Company Limited, the shares of which are listed on the Stock Exchange.

Mr. Li Kai Yien, Arthur Albert ("Mr. Li"), aged 36, was appointed as an executive Director on 18 June 2008. Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 10 years' experience in accounting and securities dealing. Mr. Li is currently a dealer representative of Philip Securities (HK) Ltd. Mr. Li is a brother of Ms. Li Shu Han, Eleanor Stella, an executive Director. Mr. Li is also a director of various subsidiaries of the Company.

Ms. Li Shu Han, Eleanor Stella ("Ms. Li"), aged 39, was appointed as an executive Director on 18 June 2008. She graduated from University of Southern California with a Bachelor of Science Accounting degree. Ms. Li was admitted as a member of American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1995. She has extensive experience in accounting, corporate finance and corporate restructuring. Ms. Li is currently a director of Wealth Loyal Development Limited, a private company engaged in investment holding. Ms. Li is a sister of Mr. Li.

Ms. Seto Ying ("Ms. Seto"), aged 32, was appointed as an executive Director on 18 June 2008. Ms. Seto graduated from the Chinese University of Hong Kong in 1998 with a Bachelor degree in Business Administration in Accountancy. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Seto has more than 9 years of experience in the field of finance and accounting including working in an international accounting firm. Ms. Seto is also a director of a wholly-owned subsidiary of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Independent Non-executive Directors

Mr. Lau Tai Chim, aged 57, is a solicitor practising law in Hong Kong in the firm T. C. Lau & Co.. He holds a Bachelor degree in Laws from the University of Buckingham, United Kingdom. Apart from practising as a solicitor in Hong Kong, Mr. Lau Tai Chim is also a solicitor in England and Wales and the Republic of Singapore, who has cultivated over 21 years of law practising experience. Furthermore, he is also a notary public and an attesting officer appointed by Ministry of Justice in Beijing, the People's Republic of China. Mr. Lau Tai Chim was appointed as an independent non-executive Director on 26 April 2002.

Mr. Tam Ping Kuen, Daniel ("Mr. Tam"), aged 44, is the founder of Daniel Tam & Co., Certified Public Accountants (Practising). He holds a Master degree of Financial Economics from the University of London, United Kingdom and is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. Mr. Tam was appointed as an independent non-executive Director on 27 September 2004.

Mr. Li Siu Yui, aged 38, was appointed as an independent non-executive Director on 18 June 2008. He holds a Master's degree in Business Administration from University of Wales. He has over 10 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. He has been engaged as an investment manager of two private companies since 2002.

Mr. Ip Woon Lai ("Mr. Ip"), aged 37, was appointed as an independent non-executive Director on 18 June 2008. Mr. Ip holds a Bachelor of Commerce in Accounting and Finance degree from University of New South Wales and was admitted as a certified practicing accountant of the Australian Society of Certified Practicing Accountants in 1998. He began his professional career with an international accounting firm in Hong Kong in 1994. Mr. Ip has extensive corporate finance and investment banking experience and had worked for various international investment banks including Warburg Dillon Read and ING Bank N.V.. He had also worked in Hysan Development Company Limited where he served as deputy head of corporate finance from 2005 to 2006. After that, Mr. Ip has been working in private equity industry in the Greater China region.

Mr. Lee Kong Leong ("Mr. Lee"), aged 44, was appointed as an independent non-executive Director on 18 June 2008. Mr. Lee holds a Bachelor of Commerce in Accounting and Information Systems degree from the University of New South Wales. He began his professional career with Coopers & Lybrand in Malaysia in 1988. From 1989 to 1995, he held senior positions with PriceWaterhouseCoopers and C.P. Pokphand Ltd. in Hong Kong. He is a certified practicing accountant with the Australian Society of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. From 2001 to 2004, he was a director of Harbin Brewery Group Limited, the shares of which are listed on the Stock Exchange from 2002 to 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Trading in the shares (the "Shares") of Warderly International Holdings Limited (the "Company") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC").

For the year ended 30 April 2008, lacking of the necessary working capital support, most of the subsidiaries of the Company ceased operations during the year. The directors (the "Directors") of the Company considered that the control over two subsidiaries of the Company, namely Housely Industries Limited and Dongguan Kalee Electrical Company Limited, have been lost during the year. Accordingly, the results, assets and liabilities of these two subsidiaries were not included into the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") with effect from 1 February 2008 and 1 May 2007 respectively. Therefore, the Group recorded a turnover of approximately HK$1 million only for the year ended 30 April 2008, representing a decrease of approximately 99% compared with last year. The Group recorded a loss of approximately HK$2 million this year and was in substantial financial difficulties.

IMPORTANT EVENTS AND PROSPECTS

The Company submitted the proposal (the "Resumption Proposal") in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC on 30 September 2008. As part of the Resumption Proposal, the board (the "Board") of Directors proposed to undergo the debt restructuring by way of schemes of arrangement with the creditors of the Company (the "Schemes") to revitalize the Company and settle the Company's indebtedness.

To fulfil the funding needs for implementation of the Schemes and to provide general working capital for the Group's operations, the Company proposed to issue zero coupon convertible notes with an aggregate principal amount of HK$84.4 million by way of open offer (the "Open Offer").

Upon completion of the debt restructuring and the Open Offer, additional working capital will be injected into the Group and the Directors are optimistic about the Group's future prospect. The Directors are looking for new business opportunities that offer better returns for our shareholders and are confident that the Group's business will recover gradually.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$0.06 million as at 30 April 2008 (2007: approximately HK$7 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$325 million as at 30 April 2008 (2007: approximately HK$318 million). The gearing ratio of the Group as at 30 April 2008 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 24,234% (2007: approximately 242%). Net liabilities were approximately HK$398 million (2007: approximately HK$367 million).

The Group recorded total current asset value of approximately HK$1 million as at 30 April 2008 (2007: approximately HK$13 million) and total current liability value of approximately HK$399 million (2007: approximately HK$498 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.003 as at 30 April 2008 (2007: approximately 0.03).

The Group recorded a loss for the year ended 30 April 2008 and together with the release of translation reserve upon deconsolidation of subsidiaries attributed to a decrease in shareholders' funds to a negative value of approximately HK$398 million as at 30 April 2008 (2007: approximately HK$367 million).

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated in Hong Kong dollars. The Directors did not consider that the Group was significantly exposed to foreign exchange risk for the year.

TREASURY POLICIES

The Group's major borrowings are in Hong Kong dollars and variable interest rates. The Group currently did not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 April 2008.

INVESTMENTS

The Group had not held any significant investment for the year ended 30 April 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 30 April 2008.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 30 April 2008 are set out in note 7 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 April 2008.

STAFF AND REMUNERATION POLICIES

As at 30 April 2008, the Group had 5 employees (2007: 26 employees). The Group's total staff costs amounted to approximately HK$4 million (2007: HK$24 million) for the year ended 30 April 2008.

Competitive remuneration packages including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with individual job duties, qualifications, performance and years of experience.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 30 April 2008. The audit committee of the Company currently comprises five independent non-executive Directors.

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

During the year ended 30 April 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

Warderly International Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Company and its subsidiaries (collectively, the "Group") to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders of the Company (the "Shareholders") and other stakeholders.

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30 April 2008 except the followings:

1. **Code Provision A.1.1**

   The board (the "Board") of directors (the "Directors") of the Company should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the year, due to the financial difficulties faced by the Group and resignation of some Directors, only two Board meetings were held during the year.

2. **Code Provision A.2**

   The Company has not appointed any individual to take up the posts of as the chief executive officer and chairman of the Company during the year and the daily operation and management of the Group was monitored by the directors as well as the senior management of the Group. The balance of power and authority was ensured by the operations of the Board and the Board considered that the current structure would not impair the balance and authority between the Board and the senior management of the Group.

3. **Code Provision A.3 and Rule 3.10 of the Listing Rules**

   Every Board must include at least three independent non-executive Directors. After the resignation of Mr. Wu Wan Chung, Patrick on 11 April 2007, the Board consisted of only two independent non-executive Directors until the appointment of Mr. Chow Yiu Wah, Joseph as an independent non-executive Director on 5 December 2007. Since then, the Board has sufficient number of independent non-executive Directors.

4. **Code Provision A.4.1**

   Non-executive Directors should be appointed for specific term, subject to re-election. The non-executive Directors and the independent non-executive Directors were not appointed for a specific term, but they were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company at least once every three years.

5. **Code Provision B.1.1**

   A remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. However, due to the financial difficulties faced by the Group and resignation of some Directors during the year, the remuneration committee of the Company did not hold any meeting during the year to discharge its responsibilities in accordance with its terms of reference which are set out in accordance with the requirements of the Listing Rules.

6. Code Provision C2.1

The Directors should at least annually conduct a review of the effectiveness of the system of internal control of the Group. During the year, due to the financial difficulties faced by the Group and resignation of some Directors, the Board did not conduct any review of the effectiveness of the system of internal control of the Group.

7. Code Provision C3.3 and Rule 3.21 of the Listing Rules

An audit committee should be established with specific written terms of reference which deal clearly with its duties. During the year, as the Company delayed in the publication of its interim and annual results, the audit committee of the Company (the "Audit Committee") only held one meeting to discuss the update of the Company status and delay in the publication of annual results of the Company and did not hold any meeting to discharge its responsibilities in relation to the review of the financial statements of the Company and the effectiveness of the system of internal control of the Group.

Au audit committee must comprise a minimum of three members, comprising non-executive Directors and independent non-executive Directors. During the year, the Audit Committee only comprised two independent non-executive Directors for approximately seven months until the appointment of Mr. Chow Yiu Wah, Joseph as an independent non-executive Director in December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

During the financial year ended 30 April 2008, two Board meetings were held and the attendance of each Director was set out as follows:

Name of Directors:	Number of Board meetings attended in the financial year ended 30 April 2008	Attendance rate
Executive Directors:		
Mr. Hung Kwok Wa	2	100%
Mr. Lai Wing Chuen (resigned on 10 June 2007)	0	0% (during appointment period)
Mr. Charles Chu (appointed on 28 May 2007)	1	100% (during appointment period)
Mr. Lau Man Tak (appointed on 5 December 2007)	1	100% (during appointment period)
Non-executive Directors:		
Mr. Paul Steven Wolansky (resigned on 16 May 2007)	attended by his alternate director	N/A (during appointment period)
Mr. Leung Ping Chung, Hermann (resigned on 16 May 2007) (Alternate to Mr. Paul Steven Wolansky)	1	100% (during appointment period)
*Mr. Ma Ka Wai (resigned on 4 May 2007)	0	N/A
Independent Non-executive Directors:		
Mr. Lau Tai Chim	2	100%
Mr. Tam Ping Kuen, Daniel	2	100%
Mr. Chow Yiu Wah, Joseph (appointed on 5 December 2007)	1	100% (during appointment period)

* No meeting was held during appointment period

The Board is responsible for approving and monitoring the Group's strategies, policies and business plans, revaluating the performance of the Group and supervising the work of management. The management of the Company is responsible for the daily operations and administration of the Group.

Due to the financial difficulties faced by the Group and resignations of some Directors during the year, only two Board meetings were held during the year. Regular Board meetings will be held in the coming year and the Board will convene other meetings when necessary.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. The Company has received from each of its existing independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive Directors are independent.

During the period from 1 May 2007 to 5 December 2007, there was only two independent non-executive Directors. The Company was not in compliance with Rule 3.10 of the Listing Rules regarding the minimum number of independent non-executive Directors during that period. The reasons have been explained in the paragraph 3 on page 7 of this annual report. The Company has appointed sufficient number of independent non-executive Directors since December 2007.

The non-executive Directors and the independent non-executive Directors were not appointed for specific terms but were subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association") at least once every three years.

The Company has not appointed any individual to take up the posts of the chief executive officer and chairman of the Company during the year. The reasons have been explained in the paragraph 2 on page 7 of this annual report.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee during the year. The Board has established formal procedures for the appointments of new Directors and re-nomination and re-election of Directors. In nominating candidates for appointment of Directors, the Board will consider their necessary expertise and experience.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 18 January 2006, it comprised of only independent non-executive Directors after the resignation of an alternate non-executive Director, Mr. Leung Ping Chung, Hermann. The members during the year were:

Mr. Lau Tai Chim
Mr. Tam Ping Kuen, Daniel
Mr. Chow Yiu Wah, Joseph (appointed on 5 December 2007)
Mr. Leung Ping Chung, Hermann (Alternate to Paul Steven Wolansky) (reigned on 16 May 2007)

The Remuneration Committee is responsible for determining the specific remuneration packages of all executive Directors and senior management of the Company, including benefits-in-kind, pension rights and compensation payments, and to advise the Board on the remuneration of the non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management of the Company, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and senior management of the Company. No Directors can determine their own remuneration package.

Due to the financial difficulties faced by the Group, the Remuneration Committee did not hold any meeting during the year to discharge its responsibilities in accordance with its terms of reference.

Directors' emoluments comprise payments to Directors by the Group in connection with the management of the affairs of the Group and other benefits. The amounts paid to each Director for the year ended 30 April 2008 are shown in note 11 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee was formed to review and supervise the financial reporting process and internal control of the Company. The Audit Committee comprises solely the independent non-executive Directors and all members possess the appropriate professional qualifications, business and financial experience and skills.

Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determine is necessary and to perform investigations.

During the year, the Audit Committee held one meeting on 23 October 2007. Matters considered at the meeting to discuss the update status of the Company and delay in the publication of the annual results of the Company. Due to delay in the publication of annual and interim results, no meeting was held by the Audit Committee in relation to the review of the financial statements of the Company and the effectiveness of the system of internal control of the Group during the year.

During the year, the Company was not in compliance with Rule 3.21 of the Listing Rules regarding the minimum number of independent non-executive Directors as members of the Audit Committee for approximately seven months until the appointment of Mr. Chow Yiu Wah, Joseph as an independent non-executive Director in December 2007.

The attendance of each member during the year is set out as follows:

Name of Directors	**Number of meetings attended in the financial year ended 30 April 2008**	**Attendance rate**
Mr. Lau Tai Chim *(Chairman)*	1	100%
Mr. Tam Ping Kuen, Daniel	1	100%
* Mr. Chow Yiu Wah, Joseph (appointed on 5 December 2007)	0	N/A

* No meeting was held during appointment period

AUDITORS' REMUNERATION

The amount of audit fee for the year ended 30 April 2008 was HK$400,000. In considering the appointment of external auditors, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account of the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Messrs. PKF as the external auditors of the Company for 2009, subject to approval by the Shareholders at the forthcoming 2008 annual general meeting of the Company to be held at 11 a.m. on 26 November 2008. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control. During the year, due to financial difficulties faced by the Group and resignation of some Directors, the Board did not conduct any review of the effectiveness of the system of internal control of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 30 April 2008. The Directors ensure that the audited consolidated financial statement of the Group for the year ended 30 April 2008 have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

A report of the independent auditors of the Group is set out in pages 17 to 18 of this annual report.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Warderly International Holdings Limited (the "Company") presents the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 April 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Group during the year are trading of household electrical appliances, audio-visual products and kitchenware.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2008 are set out in the consolidated income statement on page 19 to the consolidated financial statements.

The Directors do not recommend the payment of any dividend for the year ended 30 April 2008.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under the Companies Law (2007 Revision) of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 30 April 2008, the Company did not have any distributable reserves for cash distribution.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 22(a) to the consolidated financial statements.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMER AND SUPPLIER

The Group had only one customer and one supplier during the year.

At no time during the year did a Director, an associate of a Director or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Company's share capital) has an interest in any of the Group's sole supplier or sole customer.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Hung Kwok Wa
Mr. Lau Man Tak (appointed on 5 December 2007)
Mr. Li Kai Yien, Arthur Albert (appointed on 18 June 2008)
Ms. Li Shu Han, Eleanor Stella (appointed on 18 June 2008)
Ms. Seto Ying (appointed on 18 June 2008)
Mr. Charles Chu (appointed on 28 May 2007 and resigned on 23 July 2008)
Mr. Lai Wing Chuen (resigned on 10 June 2007)

Non-executive Directors:

Mr. Ma Ka Wai (resigned on 4 May 2007)
Mr. Paul Steven Wolansky (resigned on 16 May 2007)
Mr. Leung Ping Chung, Hermann (alternate to Mr. Paul Steven Wolansky) (resigned on 16 May 2007)

Independent non-executive Directors:

Mr. Tam Ping Kuen, Daniel
Mr. Lau Tai Chim
Mr. Lee Kong Leong (appointed on 18 June 2008)
Mr. Li Siu Yui (appointed on 18 June 2008)
Mr. Ip Woon Lai (appointed on 18 June 2008)
Mr. Chow Yiu Wah, Joseph (appointed on 5 December 2007 and resigned on 23 July 2008)

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), Mr. Li Kai Yien, Arthur Albert, Ms. Li Shu Han, Eleanor Stella, Ms. Seto Ying and Mr. Li Siu Yui will retire by rotation and, being eligible, offer themselves for re-election in the forthcoming 2008 annual general meeting of the Company ("2008 AGM").

Each of Mr. Hung Kwok Wa and Mr. Lai Wing Chuen has entered into a service agreement with the Company under which each of them is to act as an executive Director for an initial term of three years commencing from 1 May 2002 and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term unless terminated by not less than three months' notice in writing served by either party on the other party expiring at the end of the initial term or at any time thereafter. Each of them is entitled to a monthly salary plus a gratuity payment payable on or before the Chinese New Year's eve in each financial year for the Company equal to the amount of the then monthly salary subject to such increase as the Board may determine from time to time. Each of them may be entitled to a management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion provided that the total amount of bonuses payable to all the executive Directors for the time being shall not exceed 10 percent of the consolidated audited net profits of the Group (after taxation and minority interests but before extraordinary items) for that financial year and payment of such bonus shall be made on such date as the Board may resolve. Save as disclosed, the existing Directors were not appointed for a specific term.

Save as disclosed, none of the Director being proposed for re-election at the 2008 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the existing independent non-executive Directors an annual confirmation of his independence as required under Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considers all the independent non-executive Directors are independent.

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

As at 30 April 2008, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION

Particulars of the Company's share option scheme (the "Option Scheme") are set out in note 23 to the consolidated financial statements.

As at the date of this report, the total number of shares of the Company (the "Shares") available for issue under the Option Scheme is 42,200,000 Shares, representing 10% of the issued share capital of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Option Scheme disclosed in the section "Share Option" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling shareholder of the Company during the year.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 30 April 2008, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

Name of shareholders	**Number of issued Shares held**	**Percentage of the issued share capital of the Company**
Kan Che Kin, Billy Albert ("Mr. Kan")	152,050,000	36.03%
Kan Kung Chuen Lai	152,050,000 (Note 1)	36.03%
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500 (Note 2)	10.42%
Liu Su Ke	30,000,000	7.11%

Notes:

(1) Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the 152,050,000 Shares held by Mr. Kan pursuant to the SFO.

(2) New China Managements Corp. is the investment manager of The Cathay Investment Fund, Limited and is deemed to be interested in the same 43,987,500 Shares pursuant to the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 April 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with business of the Group during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Option Scheme as an incentive to Directors and eligible employees, details of the Option Scheme are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was a sufficient public float throughout the year ended 30 April 2008 and as at the latest practicable date prior to the issue of this annual report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 27 to the consolidated financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu resigned on 6 December 2007 and Messrs. PKF was appointed as auditors of the Company on 18 August 2008.

A resolution to re-appoint Messrs. PKF as auditors of the Company will be proposed at the 2008 AGM.

On behalf of the Board

Hung Kwok Wa
Director
Hong Kong
22 October 2008

INDEPENDENT AUDITOR'S REPORT

To the Members of

Warderly International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Warderly International Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 19 to 53, which comprise the consolidated balance sheet as at 30 April 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

It is our responsibility to form an independent opinion, based on our audit, on these consolidated financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 April 2008 and of the loss and cash flows of the Group 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.

Without qualifying our opinion, we draw attention to note 2(d) to the consolidated financial statements which indicates that as at 30 April 2008, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by HK$398 million respectively. These conditions, together with the other matters as set forth in note 2(d) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

PKF
Certified Public Accountants
Hong Kong
22 October 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	6	**1,285**	187,384
Cost of sales		**(1,285)**	(249,548)
Gross loss		**–**	(62,164)
Other income		**42**	7,363
Distribution costs		**–**	(12,489)
Administrative expenses		**(9,632)**	(52,002)
Allowance for doubtful debts		**–**	(18,398)
Interest in and advance to an associate written off		**–**	(2,580)
Gain on deconsolidation of subsidiaries	8	**21,127**	–
Finance costs	9	**(13,162)**	(15,136)
Loss of a PRC factory	24	**–**	(528,852)
Loss before taxation	10	**(1,625)**	(684,258)
Taxation	12	**–**	(23,101)
Loss for the year attributable to the equity holders of the Company		**(1,625)**	(707,359)
Dividend	13	**–**	–
Loss per share	14		
– Basic		**HK (0.39) cent**	HK$(1.68)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 30 April 2008

	Notes	2008 HK$'000	2007 HK$'000
NON–CURRENT ASSETS			
Property, plant and equipment	15	**–**	117,539
Prepaid lease payments		**–**	616
		–	118,155
CURRENT ASSETS			
Prepaid lease payments		**–**	14
Trade and other receivables	16	**1,285**	6,023
Bank balances and cash	17	**56**	7,006
		1,341	13,043
CURRENT LIABILITIES			
Trade and other payables	18	**26,071**	135,712
Guarantor's liability and accrued liability for potential claims	19	**319,019**	–
Bank borrowings	20	**20,463**	307,346
Bank overdrafts		**1,997**	10,440
Taxation payable		**31,521**	44,858
		399,071	498,356
NET CURRENT LIABILITIES		**(397,730)**	(485,313)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(397,730)**	(367,158)
NON-CURRENT LIABILITY			
Deferred tax liabilities	21	**–**	222
NET LIABILITIES		**(397,730)**	(367,380)
CAPITAL AND RESERVES			
Share capital	22(a)	**4,220**	4,220
Reserves		**(401,989)**	(371,639)
Capital deficiencies attributable to equity holders of the Company		**(397,769)**	(367,419)
Minority interest		**39**	39
CAPITAL DEFICIENCIES		**(397,730)**	(367,380)

The consolidated financial statements set out on pages 19 to 53 were approved and authorised for issue by the Board of Directors on 22 October 2008 and are signed on its behalf by:–

Hung Kwok Wa
Director

Lau Man Tak
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2008

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Special reserve**	**Share option reserve**	**Properties revaluation reserve**	**Translation reserve**	**Retained profits/ (Accu-mulated losses)**	**Total**	**Minority interest**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2006	4,220	84,868	1,010	752	52,943	12,204	214,311	370,308	39	370,347
Release of surplus on revaluation and reversal of deferred tax liabilities arising on disposal of leasehold properties	–	–	–	–	(4,130)	–	5,006	876	–	876
Impairment of leasehold properties, net of reversal of deferred tax liabilities arising on valuation of leasehold properties of HK$10,130,000	–	–	–	–	(47,765)	–	–	(47,765)	–	(47,765)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	16,521	–	16,521	–	16,521
Net (expenses)/income recognised directly in equity	–	–	–	–	(51,895)	16,521	5,006	(30,368)	–	(30,368)
Loss for the year	–	–	–	–	–	–	(707,359)	(707,359)	–	(707,359)
Total recognised income and expenses for the year	–	–	–	–	(51,895)	16,521	(702,353)	(737,727)	–	(737,727)
Cancellation of share options previously granted to an employee	–	–	–	(443)	–	–	443	–	–	–
At 1 May 2007	4,220	84,868	1,010	309	1,048	28,725	(487,599)	(367,419)	39	(367,380)
Release of property revaluation reserve and translation reserve upon deconsolidation of subsidiaries	–	–	–	–	(1,048)	(28,725)	1,048	(28,725)	–	(28,725)
Loss for the year	–	–	–	–	–	–	(1,625)	(1,625)	–	(1,625)
Total recognised expenses for the year	–	–	–	–	(1,048)	(28,725)	(577)	(30,350)	–	(30,350)
At 30 April 2008	**4,220**	**84,868**	**1,010**	**309**	**–**	**–**	**(488,176)**	**(397,769)**	**39**	**(397,730)**

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 2002.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(1,625)**	(684,258)
Adjustments for :–		
Finance costs	**13,162**	15,136
Allowance of doubtful debts	**–**	33,825
Depreciation of property, plant and equipment	**–**	57,968
Release of prepaid lease payments	**–**	14
Write-down of inventories	**–**	177,323
Interest in and advance to an associate written off	**–**	2,580
Impairment loss recognised in respect of property, plant and equipment	**–**	239,838
Gain on deconsolidation of subsidiaries	**(15,594)**	–
Loss on disposal of fair value through profit and loss investments	**–**	28
Loss on disposal of property, plant and equipment	**–**	2,517
Interest income	**–**	(151)
Operating cash flows before movements in working capital	**(4,057)**	(155,180)
(Increase)/decrease in trade and other receivables	**(1,285)**	78,650
Decrease in held for trading investments	**–**	1,940
Increase in inventories	**–**	(77,563)
Increase in trade and other payables	**6,835**	75,258
Cash from/(used in) operations	**1,493**	(76,895)
Hong Kong Profits Tax paid	**–**	(13,091)
People's Republic of China ("PRC") enterprise income tax paid	**–**	(298)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**1,493**	(90,284)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**–**	13,500
Proceeds from disposal of fair value through profit and loss investments	**–**	1,162
Interest received	**–**	151
Purchase of property, plant and equipment	**–**	(10,364)
Advance to an associate	**–**	(1,830)
NET CASH FROM INVESTING ACTIVITIES	**–**	2,619
FINANCING ACTIVITIES		
Repayment of bank borrowings	**–**	(129,205)
Interest paid	**–**	(15,136)
Repayment of obligations under finance leases	**–**	(1,567)
Bank borrowings raised	**–**	121,613
Advances from directors	**–**	3,307
NET CASH USED IN FINANCING ACTIVITIES	**–**	(20,988)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,493**	(108,653)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**(3,434)**	105,147
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**–**	72
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**(1,941)**	(3,434)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**56**	7,006
Bank overdrafts	**(1,997)**	(10,440)
	(1,941)	(3,434)

1. GENERAL INFORMATION

Warderly International Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revised) of the Cayman Islands. Its shares (the "Shares") are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are trading of household electrical appliances, audio-visual products and kitchenware. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC") pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong).

The consolidated financial statements are presented in Hong Kong dollar which is the functional currency of the Company.

2. BASIS OF PREPARATION

(a) The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:–

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

2. BASIS OF PREPARATION *(continued)*

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the consolidated financial statements for the year ended 30 April 2008 since they were not yet effective for the annual period beginning on 1 May 2007:–

HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[1]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2008
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The directors of the Company (the "Directors") anticipate that the application of these Hong Kong Financial Reporting Standards will have no material impact on the results and the financial position of the Group.

(d) Going concern basis

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of its net liabilities of approximately HK$398 million as at 30 April 2008.

Trading in the shares of the Company (the "Shares") on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC. The Company submitted the proposal (the "Resumption Proposal") in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC on 30 September 2008.

As part of the Resumption Proposal, the Company proposed to settle all amounts due to the creditors of the Company (the "Creditors") by way of the schemes of arrangement to be made between the Company and the Creditors (the "Schemes"). To fulfil the funding needs for the implementation of the Schemes and to provide general working capital for the Group's operations, the Company proposed to raise HK$84.4 million, before expenses, by way of the open offer of zero coupon convertible notes (the "Offer Convertible Notes") with an aggregate principal amount of HK$84.4 million (the "Open Offer"). If the conversion rights attaching to the Offer Convertible Notes are fully exercised at the conversion price of HK$0.05 per Share, an aggregate of 1,688,000,000 new Shares will be allotted and issued.

2. BASIS OF PREPARATION *(continued)*

(d) Going concern basis *(continued)*

The proceeds from the Open Offer of HK$84.4 million will be used as to (i) approximately HK$37 million for the full settlement of all amounts due to the Creditors pursuant to the Schemes; (ii) approximately HK$7.7 million for the repayment of shareholder's loan due to Mr. Kan Che Kin, Billy Albert ("Mr Kan"), a controlling shareholder of the Company, which were/will be used as general working capital of the Group and settlement of professional fees and costs in relation to the Schemes and the Open Offer; and (iii) the remaining amount for the general working capital of the Group.

The Open Offer is only available to the shareholders (the "Qualifying Shareholders") on the register of members of the Company on the date for the determination of the entitlements under the Open Offer (the "Record Date") and whose registered addresses as shown on such register on the Record Date are in Hong Kong.

Mr. Kan, who is beneficially interested in approximately 36.03% of the entire issued share capital of the Company as at 30 April 2008, is the underwriter to the Open Offer. Pursuant to the underwriting agreement dated on 8 October 2008 entered into between the Company and Mr. Kan (the "Underwriting Agreement"), Mr. Kan has conditionally agreed to underwrite those Offer Convertible Notes not having been subscribed by the Qualifying Shareholders.

The Open Offer is conditional and fully underwritten by Mr. Kan. In particular, the Open Offer is conditional upon the lifting of the suspension of trading in the Shares on the Stock Exchange by the SFC, the approval of the Resumption Proposal from the Stock Exchange having been obtained, the Schemes being sanctioned by the Court of First Instance of the High Court of Hong Kong and the Grand Court of the Cayman Islands (as the case may be), the approval of the Open Offer and transactions contemplated thereunder by the independent shareholders of the Company, by way of a poll, at the extraordinary general meeting of the Company, and the Underwriting Agreement becoming unconditional. Accordingly, the Open Offer may or may not proceed.

The Directors consider the conditions precedent to the Open Offer will be satisfied and the Company's liabilities will be settled pursuant to the Schemes. Accordingly, the Directors are satisfied with the financial position of the Group and consider the preparation of the consolidated financial statements on a going concern basis as appropriate.

(e) Deconsolidation of subsidiaries

(i) The major assets and production facilities of the Company's wholly-owned subsidiary, Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee"), was sealed up and closed down by the People's Court in Dongguan City of Guangdong Province in April 2007. In May 2008, Dongguan Intermediate People's Court ordered that Dongguan Kalee be liquidated for settlement of the debts by sale of its factory, land, together with the plant and equipment therein, through auction. The Directors considered that the Group's control over Dongguan Kalee has been lost. The results, assets and liabilities of Dongguan Kalee were not included into the consolidated financial statements of the Group with effect from 1 May 2007. Further details are set out in note 8 to the consolidated financial statements.

2. BASIS OF PREPARATION *(continued)*

(e) Deconsolidation of subsidiaries *(continued)*

(ii) On 23 January 2008, the High Court of Hong Kong ordered Housely Industries Limited ("Housely Industries"), a wholly-owned subsidiary of the Company, be wound up under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), and that the Official Receiver be constituted provisional liquidator of the affairs of Housely Industries. Two individuals were appointed as the liquidators of Housely Industries.

The Directors considered that control over Housely Industries has been lost. Accordingly, Housely Industries was excluded from the consolidated financial statements of the Group with effect from 1 February 2008. Further details are set out in note 8 to the consolidated financial statements.

In the opinion of the Directors, the consolidated financial statements for the year ended 30 April 2008 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid seal up order and liquidation against the said subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis, as modified for leasehold buildings which are measured at revalued amounts, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 April each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Construction in progress is carried at cost, less any identified impairment loss. Construction in progress is not depreciated until completion of construction when assets are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of property, plant and equipment.

Property, plant and equipment other than construction in progress are stated at cost or fair value less subsequent accumulated depreciation and impairment losses.

Leasehold properties held for use in manufacturing and for administrative purposes are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of the properties is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits/(accumulated losses).

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than construction in progress over their estimated useful lives after taking into account of their estimated residual value, using the straight-line method.

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

Leasing

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowings costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of loans and receivables are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables, including trade receivables, other receivables and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities, including trade payables, other payables and bank borrowings, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

The payments made on the acquisitions of land use rights are accounted for as operating leases and are carried at cost and amortised on a straight-line basis over the relevant lease terms.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand and bank overdrafts.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Retirement benefit scheme

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on terms agreed by both parties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segment reporting *(continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment assets consist primarily of property, plant and equipment and trade and other receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as income taxation payable and deferred tax liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items comprise financial and corporate assets, bank borrowings and corporate and financing expenses.

Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or a jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

Income tax

At 30 April 2008, no deferred tax assets had been recognised in respect of the tax losses of HK$18,877,000 (2007: HK$18,877,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial instrument risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

As at 30 April 2008, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group has no significant concentration of credit risk on the trade and other receivables. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 22(b) to the consolidated financial statements.

In light of the Group's net liabilities as at 30 April 2008, the management has implemented several measure in order to improve the Group's working capital position and net financial position. Details of these measures are disclosed in note 2(d) to the consolidated financial statements.

The Group's amounts of contractual undiscounted obligations as at 30 April 2008 are as follows:–

	2008	2007
	HK$'000	HK$'000
Trade and other payables	**26,071**	135,712
Guarantor's liability and accrued liability for potential claims	**319,019**	–
Bank borrowings	**20,463**	307,346
Bank overdrafts	**1,997**	10,440
Taxation payable	**31,521**	44,858
	399,071	498,356

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Nature and extent of financial instrument risks *(continued)*

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

The Group has minimal exposure to foreign currency risk as most of its business transactions, and recognised assets and liabilities are principally denominated in Hong Kong dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

As at 30 April 2008, bank borrowings, bank overdrafts and guarantor's liability of HK$324,979,000 (2007: HK$317,786,000) and bank balances of HK$ Nil (2007: approximately HK$3,915,000) bore interests at rates varied with the then prevailing market condition.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability at the balance sheet date. For variable-rate borrowings, overdrafts and guarantor's liability, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 April 2008 would increase/decrease by HK$1,625,000 (2007: increase/decrease by HK$1,569,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability.

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market price risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group does not have any financial instrument traded in the market and is not exposed to market price risk.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Fair value estimation

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. TURNOVER

Turnover represents the fair value of the amounts received and receivable for goods sold to outside customers less returns and allowances during the year.

7. SEGMENT INFORMATION

All of the Group's turnover, assets and liabilities were derived from the manufacturing and trading of household electrical appliances and audio-visual products and trading of kitchenware. The turnover, loss and assets attributable to the manufacturing and trading of audio-visual products and the trading of kitchenware contributed to less than 10% of the Group's turnover, loss and assets. Accordingly, no analysis of financial information by business segment is presented.

7. SEGMENT INFORMATION *(continued)*

By geographical market

The Group's turnover for the year and segment assets and liabilities were derived solely in Asia. Accordingly, no analysis of financial information by geographical market is presented. An analysis of the Group's turnover and loss for the year and segment assets and liabilities by geographical market, irrespective of the origin of the goods, for the year ended 30 April 2007 is as follows:–

For the year ended 30 April 2007

	Europe	**Asia**	**North America**	**Australia and New Zealand**	**Eliminations**	**Consolidated total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER						
External sales	123,583	29,782	32,224	1,795	–	187,384
Inter-segment sales	–	126,445	–	–	(126,445)	–
Total	123,583	156,227	32,224	1,795	(126,445)	187,384
RESULTS						
Segment results	(51,775)	(17,873)	(10,374)	(701)	–	(80,723)
Unallocated other operating income						7,363
Unallocated corporate expenses						(595,762)
Finance costs						(15,136)
Loss before taxation						(684,258)
Taxation						(23,101)
Loss for the year						(707,359)
Assets and liabilities at 30 April 2007						
ASSETS						
Segment assets	–	6,023	–	–	–	6,023
Unallocated corporate assets						125,175
Consolidated total assets						131,198
LIABILITIES						
Segment liabilities	9,164	74,863	–	321	–	84,348
Unallocated corporate liabilities						414,230
Consolidated total liabilities						498,578

No analysis of the carrying amounts of segment assets nor additions to property, plant and equipment by geographical location is prepared as substantially all the property, plant and equipment are located in the PRC and Hong Kong.

8. GAIN ON DECONSOLIDATION OF SUBSIDIARIES

The Group held 100% equity interest in Dongguan Kalee and Housely Industries, which were established/incorporated in the PRC and Hong Kong respectively. As disclosed in note 2(e) to the consolidated financial statements, the Directors considered that the control over Dongguan Kalee and Housely Industries has been lost as (i) the factory of Dongguan Kalee was sealed up and closed down by the People's Court in Dongguan City of Guangdong Province in April 2007 and the Dongguan Intermediate People's Court ordered that Dongguan Kalee be liquidated for settlement of the debts by sale of the factory, land, together with the plant and equipment therein through auction in May 2008, and (ii) on 23 January 2008, the High Court of Hong Kong ordered Housely Industries be wound up.

For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, Dongguan Kalee and Housely Industries were excluded from consolidation with effect from 1 May 2007 and 1 February 2008 respectively. The details of gain on deconsolidation of subsidiaries were as follows:–

	Dongguan Kalee	**Housely Industries**	**Total**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	114,669	2,870	117,539
Prepaid lease payments	630	–	630
Amount due from ultimate holding company	2,274	–	2,274
Bank balances and cash	996	2,713	3,709
Trade and other payables	(100,885)	(18,610)	(119,495)
Taxation payable	(12,888)	(449)	(13,337)
Bank borrowings	(2,522)	(288,127)	(290,649)
Bank overdrafts	–	(9,242)	(9,242)
Deferred tax liability	–	(222)	(222)
Net assets/(liabilities) deconsolidated	2,274	(311,067)	(308,793)
Release of translation reserve	(28,725)	–	(28,725)
	(26,451)	(311,067)	(337,518)
Guarantor's liability and accrued liability for potential claims (Note)			316,391
Gain on deconsolidation of subsidiaries			(21,127)

Note: The Company provided corporate guarantees to certain banks to secure the banking facilities granted to Housely Industries and Dongguan Kalee. As Housely Industries had net liabilities and Housely Industries and Dongguan Kalee were in default on payment of such bank borrowings and overdrafts, the Group recognised a liability of HK$299,891,000, equivalent to the outstanding bank borrowings and overdrafts and accrued interest thereon of Housely Industries and Dongguan Kalee, to reflect its obligations under the guarantee arrangements. In addition, the Group accrued an amount of HK$16,500,000 for potential claims against the Group by the creditors of Housely Industries.

9. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on:–		
Bank borrowings and overdrafts wholly repayable within five years	**10,534**	15,067
Guarantor's liability	**2,628**	–
Finance leases	**–**	69
	13,162	15,136

10. LOSS BEFORE TAXATION

	2008	2007
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Auditors' remuneration	**400**	580
Depreciation of property, plant and equipment	**–**	57,968
Allowance for doubtful debts – Note (a)	**–**	33,825
Operating lease rentals in respect of rented premises	**–**	1,465
Release of prepaid lease payments	**–**	14
Staff costs, including Directors' emoluments	**3,774**	23,650
Retirement benefits scheme contributions, including Directors	**65**	749
Loss on disposal of fair value through profit and loss investments	**–**	28
Write-down of inventories – Note (b)	**–**	177,323
Loss on disposal of property, plant and equipment	**–**	2,517
Impairment loss recognised in respect of property, plant and equipment – Note (b)	**–**	239,838
and after crediting:		
Gain on disposal of held for trading investments	**–**	502
Interest income	**–**	151

Notes:–

(a) Amount of HK$15,427,000 was included in the loss of a PRC factory.

(b) These items were included in the loss of a PRC factory.

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The emoluments paid or payable to each of the ten (2007: thirteen) Directors were as follows:–

	Fees	Other emoluments	Salaries and other benefits	Contribution to retirement benefits scheme	Share-based payments	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 30 April 2008						
Executive Directors:–						
Hung Kwok Wa	–	–	1,560	12	–	1,572
Lau Man Tak	–	–	536	5	–	541
Charles Chu	–	–	389	11	–	400
Lai Wing Cheun	–	–	47	2	–	49
Non-executive Directors:–						
Ma Ka Wai	–	–	–	–	–	–
Paul Steven Wolansky	–	–	–	–	–	–
Leung Ping Chung, Hermann	–	–	–	–	–	–
Independent non-executive Directors:–						
Tam Ping Kuen, Daniel	180	–	–	–	–	180
Lau Tai Chim	180	–	–	–	–	180
Chow Yiu Wah, Joseph	73	–	–	–	–	73
	433	–	2,532	30	–	2,995
For the year ended 30 April 2007						
Executive Directors:–						
Yeung Kui Wong	–	–	1,557	11	–	1,568
Hung Kwok Wa	–	–	1,560	12	–	1,572
Lai Wing Chuen	–	–	455	12	–	467
Yeung Ying Fong	–	–	373	8	–	381
Yu Hung Wong	–	–	19	–	–	19
Non-executive Directors:–						
Ma Ka Wai	–	–	–	–	–	–
Paul Steven Wolansky	–	–	–	–	–	–
Leung Ping Chung, Hermann	–	–	–	–	–	–
Independent non-executive Directors:–						
Lau Yau Cheung	45	–	–	–	–	45
Tam Ping Kuen, Daniel	180	–	–	–	–	180
Lau Tai Chim	180	–	–	–	–	180
Au Yeung Po Leung	74	–	–	–	–	74
Wu Wan Chung, Patrick	43	–	–	–	–	43
	522	–	3,964	43	–	4,529

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the Directors waived any emoluments during the year.

At 30 April 2008, the remuneration payable to the Directors was approximately HK$6,196,000 (2007: HK$3,231,000) which was included in trade and other payables in note 18 to the consolidated financial statements.

Employees' emoluments

During the year, the five highest paid individuals included five (2007: three) Directors, details of whose emoluments are set out above. The emoluments of the remaining two highest paid individuals for the year ended 30 April 2007 are as follows:–

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**–**	991
Retirement benefits scheme contributions	**–**	24
	–	1,015

Their emoluments were within the following bands:–

	2008 **No. of employees**	2007 No. of employees
Nil to HK$1,000,000	**–**	2

12. TAXATION

	2008 **HK$'000**	2007 HK$'000
The taxation charge comprises:–		
Hong Kong Profits Tax		
– Under-provision in prior years	**–**	31,775
PRC enterprise income tax	**–**	298
	–	32,073
Deferred taxation (Note 21)	**–**	(8,972)
	–	23,101

12. TAXATION *(continued)*

No provision for Hong Kong Profits Tax and PRC enterprise income tax has been made in the consolidated financial statements as the Group did not have any assessable profit for the year.

Hong Kong Profits Tax and PRC enterprise income tax were calculated at 17.5% and 27% respectively, on the respective estimated assessable profits for preceding year.

The under-provision of Hong Kong Profit Tax for 2007 was primarily related to a change in estimate by the Directors of the likely outcome of a subsidiary's offshore claims and depreciation claims of certain plant and machineries used in the PRC in prior years as a result of certain assessments issued by the Inland Revenue Department to the Group.

Taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:–

	2008	2007
	HK$'000	HK$'000
Loss before taxation	**(1,625)**	(684,258)
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(268)**	(119,745)
Tax effect of non-taxable income	**(3,493)**	(3,101)
Tax effect of non-deductible expenses	**3,761**	114,273
Under-provision in prior years	**–**	31,775
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(101)
Taxation for the year	**–**	23,101

13. DIVIDEND

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

14. LOSS PER SHARE

The calculation of the basic loss per Share attributable to equity shareholders of the Company for the year is based on the loss for the year of HK$1,625,000 (2007: HK$707,359,000) and on the 422,000,000 (2007: 422,000,000) Shares in issue.

The calculation of diluted loss per Share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the Share during both years before the suspension of trading in Shares on the Stock Exchange in May 2007.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Moulds	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION:								
At 1 May 2006	161,083	4,727	198,601	103,473	1,422	4,644	172,592	646,542
Currency realignment	8,593	144	2,790	3,015	–	48	10,457	25,047
Additions	8,151	75	–	13,215	39	–	2,982	24,462
Reclassification	68,056	–	117,975	–	–	–	(186,031)	–
Disposals	(12,210)	(4,387)	(64,546)	(816)	(1,461)	(4,692)	–	(88,112)
At 30 April 2007	233,673	559	254,820	118,887	–	–	–	607,939
Deconsolidation of subsidiaries	(233,673)	(559)	(254,820)	(118,887)	–	–	–	(607,939)
At 30 April 2008	–	–	–	–	–	–	–	–
DEPRECIATION AND IMPAIRMENT								
At 1 May 2006	–	3,383	133,087	57,935	971	2,820	–	198,196
Currency realignment	–	142	7,384	999	–	73	–	8,598
Provided for the year	3,312	276	47,879	6,217	74	210	–	57,968
Impairment loss recognised	120,653	–	125,302	51,778	–	–	–	297,733
Eliminated on disposals	–	(3,242)	(64,546)	(159)	(1,045)	(3,103)	–	(72,095)
At 30 April 2007	123,965	559	249,106	116,770	–	–	–	490,400
Eliminated on deconsolidation of subsidiaries	(123,965)	(559)	(249,106)	(116,770)	–	–	–	(490,400)
At 30 April 2008	–	–	–	–	–	–	–	–
NET CARRYING VALUES								
At 30 April 2008	–	–	–	–	–	–	–	–
– at cost	–	–	5,714	2,117	–	–	–	7,831
– at valuation	109,708	–	–	–	–	–	–	109,708
At 30 April 2007	109,708	–	5,714	2,117	–	–	–	117,539

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:–

Leasehold land and buildings	2%
Leasehold improvements	25%
Moulds	$33^{1}/_{3}$%
Plant, machinery and equipment	10%
Furniture and fixtures	25%
Motor vehicles	20%
Construction in progress	Nil

16. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	HK$'000
Trade receivables	**1,285**	11,416
Less: Allowance for doubtful debts	**–**	(5,393)
	1,285	6,023
Other receivables	**–**	28,432
Less: Allowance for doubtful debts	**–**	(28,432)
	–	–
	1,285	6,023

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of trade receivables (based on invoice date and before allowance for doubtful debts) is as follows:–

	2008	2007
	HK$'000	HK$'000
Aged:–		
0 to 90 days (not past due nor impaired)	**1,285**	6,023
Over 180 days (past due and impaired)	**–**	5,393
Total trade receivables	**1,285**	11,416

16. TRADE AND OTHER RECEIVABLES *(continued)*

Movements of the allowance for doubtful debts during the current and prior years were as follows:–

	2008 HK$'000	2007 HK$'000
At beginning of the year	**33,825**	2,560
Provided for the year	**–**	33,825
Trade and other receivables written off	**(5,796)**	(2,560)
Eliminated on deconsolidation of subsidiaries	**(28,029)**	–
At end of the year	**–**	33,825

17. BANK BALANCES AND CASH

Bank balances and cash comprises bank balances and cash held by the Group at prevailing interest rates. As at 30 April 2008, all bank balances are denominated in Hong Kong dollars. As at 30 April 2007, approximately HK$996,000 of the bank balances are denominated in Renminbi.

18. TRADE AND OTHER PAYABLES

	2008 HK$'000	2007 HK$'000
Trade payables	**1,596**	81,148
Other payables	**22,201**	51,257
Amounts due to Directors	**–**	3,307
Amount due to a deconsolidated subsidiary	**2,274**	–
	26,071	135,712

The aged analysis of the Group's trade payables at the balance sheet date is as follows:

	2008 HK$'000	2007 HK$'000
Aged:		
0 to 90 days	**1,285**	5,116
91 to 180 days	**–**	34,201
Over 180 days	**311**	41,831
	1,596	81,148

The amount due to a deconsolidated subsidiary is interest-free, unsecured and repayable on demand.

19. GUARANTOR'S LIABILITY AND ACCRUED LIABILITY FOR POTENTIAL CLAIMS

The amount represents the liability arising from the guarantee arrangements between the Company and Housely Industries and Dongguan Kalee and the accrued liability for potential claims against the Group of HK$316,391,000 as disclosed in note 8 to the consolidated financial statements and the accrued interest of HK$2,628,000 on the outstanding bank borrowings and overdrafts of Housely Industries and Dongguan Kalee of which the Company acts as a guarantor for the period from the respective time Housely Industries and Dongguan Kalee were excluded from consolidation to April 2008.

20. BANK BORROWINGS

	2008	2007
	HK$'000	HK$'000
The Group's unsecured bank borrowings comprise:–		
Bank loans	**19,037**	296,146
Trust receipt loans	**1,426**	11,200
	20,463	307,346

The bank borrowings are variable-rate borrowings which carry interest at 0.85% to 1.5% above Hong Kong Interbank Offered Rate ("HIBOR") (2007: 0.85% to 1.5% above HIBOR) per annum. Effective interest rate on the variable-rate borrowings ranged from 3.02% to 6.02% (2007: 5.06% to 5.92%) per annum.

All bank borrowings are denominated in Hong Kong dollars.

There was no new bank borrowing raised during the year. In 2007, the Group obtained new loans in the amount of HK$121,613,000.

21. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised and their movements thereon during the current and prior years:–

	Property revaluation reserve	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1 May 2006	11,228	8,972	20,200
Credit to consolidated income statement for the year (Note 12)	–	(8,972)	(8,972)
Credit to equity	(11,006)	–	(11,006)
At 30 April 2007	222	–	222
Deconsolidation of subsidiaries (Note 8)	(222)	–	(222)
At 30 April 2008	–	–	–

At 30 April 2008, the Group had unused tax losses of approximately HK$18,877,000 (2007: HK$18,877,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

22. SHARE CAPITAL

(a) Share capital

	Number of Shares	Amount
	'000	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:–		
At 1 May 2006, 30 April 2007 and 30 April 2008	8,000,000	80,000
Issued and fully paid:–		
At 1 May 2006, 30 April 2007 and 30 April 2008	422,000	4,220

22. SHARE CAPITAL *(continued)*

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued shares of the Company being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 26 November 2002 for the primary purpose of providing incentives to directors and eligible participants, and will expire on 25 November 2012. Under the Scheme, the Directors may grant options to eligible participants, including any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors and consultants of the Company or any subsidiaries of the Company, to subscribe for Shares.

The total number of Shares in respect of which options may be granted under the Scheme and other share option scheme of the Company is not permitted to exceed 10% of the Shares in issue at the date of listing of Shares on the Stock Exchange. The number of Shares in respect of which options may be granted to any individual in any 12-months period is not permitted to exceed 1% of the total number of Shares in issue from time to time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of offer, upon payment of HK$1 per offer. The exercise price is determined by the Directors, and will be the highest of (i) the closing price of the Shares on the date of offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Share.

23. SHARE OPTION SCHEME *(continued)*

The following table discloses details of the Company's share options outstanding as at the respective balance sheet dates and their movements thereon during the current and prior years:–

For the year ended 30 April 2008

	Date of grant	Vesting period	Exercise period	Exercise price	Number of Shares to be subscribed for under the share options: Outstanding as at 1.5.2007	Exercised/ Lapsed/ Cancelled during the year	Outstanding as at 30.4.2008
				HK$			
Yeung Ying Fong (former Director)	1 November 2005	1 November 2005 to 30 October 2008	1 November 2008 to 30 October 2013	0.668	4,220,000	–	4,220,000

For the year ended 30 April 2007

	Date of grant	Vesting period	Exercise period	Exercise price	Number of Shares to be subscribed for under the share options: Outstanding as at 1.5.2006	Exercised/ Lapsed/ Cancelled during the year	Outstanding as at 30.4.2007
				HK$			
Yeung Ying Fong (Director)	1 November 2005	1 November 2005 to 30 October 2008	1 November 2008 to 30 October 2013	0.668	4,220,000	–	4,220,000
An employee	1 November 2005	Fully vest at date of grant	1 November 2005 to 30 October 2010	0.668	4,220,000	4,220,000	–
					8,440,000	4,220,000	4,220,000

No share option has been granted during both years.

On 9 July 2008, Ms. Yeung Ying Fong, who resigned as a Director on 15 January 2007, irrevocably and unconditionally agreed to forfeit and surrender all rights attached to all outstanding share options granted to her on 1 November 2005.

24. LOSS OF A PRC FACTORY

The Group's factory (the "PRC Factory") situated in Dongguan, Guangdong Province, the PRC is owned and run by its wholly-owned subsidiary, Dongguan Kalee whose production was ceased during the year ended 30 April 2007 due to the insolvency of Dongguan Kalee to pay its debts and liabilities.

In April 2007, the PRC Factory was sealed up and closed down by the People's Court in Dongguan City of Guangdong Province following the claims by Dongguan Kalee's creditors. Due to the sealing up of the PRC Factory together with the plant and equipment therein, the manufacturing operations of Dongguan Kalee ceased. Dongguan Kalee filed to Dongguan Intermediate People's Court (the "Court") an application for insolvency, which was accepted by the Court in December 2007. During the period of insolvency, the debt restructuring arrangement proposed by Dongguan Kalee was not accepted by its creditors. The liquidator on behalf of the creditors filed an application to the Court for liquidated settlement of debts. In May 2008, the Court ordered that Dongguan Kalee be liquidated for settlement of the debts by sale of the PRC Factory, land, together with the plant and equipment therein, through auction.

In view of the foregoing, the Directors will not contemplate a debt restructuring arrangement of the indebtedness of Dongguan Kalee and intend to liquidate Dongguan Kalee after the sale of the PRC Factory, land, together with the plant and equipment therein to discharge the claims by its creditors. Accordingly, the Group (i) wrote down the inventories of Dongguan Kalee as at 30 April 2007 to zero value; (ii) provided an allowance for doubtful debts for all the outstanding receivables of Dongguan Kalee as at 30 April 2007; (iii) provided certain provisions for losses; and (iv) recognised an impairment loss to write down the PRC Factory, together with the plant and equipment therein, of Dongguan Kalee as at 30 April 2007 to an aggregate value equivalent to the carrying amounts of the subsidiary's total liabilities less prepaid lease payments and bank balances and cash on the same date.

The assets and liabilities of Dongguan Kalee included in the consolidated balance sheet as at 30 April 2007 are as follows:–

	HK$'000
Property, plant and equipment	114,669
Prepaid lease payments	630
Amount due from ultimate holding company	2,274
Bank balances and cash	996
Trade and other payables	(100,885)
Taxation payable	(12,888)
Bank borrowings	(2,522)
	2,274

The aforementioned write-down of inventories, allowance for doubtful debts, provisions for losses and impairment loss on property, plant and equipment were included in loss of a PRC Factory shown on the consolidated income statement.

25. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees of its Hong Kong subsidiaries. The assets of the scheme are held separately from those of the Group and in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of its payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$65,000 (2007: HK$749,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

At the balance sheet date, there was no significant forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

26. LITIGATIONS

(a) On 7 March 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 438 of 2007 against Housely Industries Limited ("Housely Industries") and the Company for approximately HK$1,540,000, interest and costs on indemnity basis.

(b) On 3 April 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 673 of 2007 against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. On 26 April 2007, the court granted a final and interlocutory judgment against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.

(c) On 14 April 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. commenced proceedings in the High Court of Hong Kong under HCA 733 of 2007 against Housely Industries and the Company for approximately HK$4,985,000, interest and costs. On 7 June 2007, the court granted a judgement against Housely Industries and the Company for the sum of approximately HK$4,985,000, interest and costs in the sum of approximately HK$2,000. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007. The indebtedness claimed was subsequently assigned by the Bank of Toyko-Mitsubishi UFJ. Ltd. to an independent third party of the Group.

(d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against the Company for the sum of approximately HK$5,060,000 and interest. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

26. LITIGATIONS *(continued)*

(e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK$5,449,000, approximately US$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgment against Housely Industries and the Company for the sum of approximately HK$5,449,000, approximately USD90,000, interest and costs on indemnity basis. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(f) On 1 June 2007, Bank of Communications Co., Ltd. (Hong Kong Branch) commenced proceedings in the High Court of Hong Kong under HCA 1161 of 2007 against Housely Industries, Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK$13,652,000 and approximately US$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgment against the said companies for approximately HK$13,652,000 and approximately US$329,000, interest and fixed costs in the sum of approximately HK$2,000. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.

(g) On 31 October 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 8694 of 2007 against Tacho Company Limited ("Tacho") for the sum of approximately HK$26,593,000, interest and costs. On 14 January 2008, the court granted a judgment against Tacho for approximately HK$26,583,000, interest and costs in the sum of approximately HK$1,000. The judgment has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.

(h) On 5 December 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 9371 of 2007 against Tacho for the sum of approximately HK$62,000, interest and costs. On 18 February 2008, the court granted a judgment against Tacho for approximately HK$62,000, interest and costs in the sum of approximately HK$1,000. A writ of fieri facias has been issued against Tacho. The judgment has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.

(i) On 21 January 2008, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 554 of 2007 against Tacho for the sum of approximately HK$6,089,000, interest and costs. On 19 March 2008, a judgment was granted by the District Court of Hong Kong against Tacho for approximately HK$6,089,000, interest and costs. A writ of fieri facias has been issued to enforce the judgment. The judgement has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.

27. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 23 July 2008, the Commissioner of Inland Revenue commenced proceedings in the District Court of Hong Kong under DCTC 5918 of 2008 against Tacho for approximately HK$3,206,000, interest and costs. The amount of approximately HK$3,206,000 represented tax surcharge for the unpaid taxes mentioned in notes 26(g) and 26(i) to the consolidated financial statements. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2008.

(b) On 8 October 2008, the Company announced the proposed Open Offer of the Offer Convertible Notes in the aggregate principal amount of HK$84.4 million. Detail of the Open Offer are set out in note 2(d) to the consolidated financial statements.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2008 which have been included in these consolidated financial statements are as follows:–

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/registered capital	Principal activities
Housely (Macao) Commercial Offshore Company Limited	Macau	HK$98,039	Trading of household electrical appliances and other electrical products
Tacho Company Limited	Hong Kong	HK$1,002	Investment holding and trading of household electrical appliances
Housely International Company Limited	Hong Kong	HK$10,000	Trading of outdoor household appliances

All subsidiaries are indirectly wholly-owned by the Company.

None of the subsidiaries had issued debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

29. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 30 April 2008 is as follow:–

	2008	2007
	HK$'000	HK$'000
Current assets		
Bank balances and cash	**1**	1
Current liabilities		
Other payables	**8,780**	4,461
Amounts due to subsidiaries	**2,448**	4,722
Amount due to a deconsolidated subsidiary	**2,274**	–
Guarantor's liability	**302,519**	–
Bank overdraft	**24**	24
	316,045	9,207
Net current liabilities	**(316,044)**	(9,206)
Net liabilities	**(316,044)**	(9,206)
Capital and reserves		
Share capital	**4,220**	4,220
Reserves	**(320,264)**	(13,426)
Capital deficiencies	**(316,044)**	(9,206)

30. RELATED PARTY TRANSACTIONS

Apart from the information as disclosed elsewhere in the consolidated financial statements, the Group had no other material transaction with its related parties during the year.

Compensation of key management personnel

Details of the remunerations of the Directors are set out in note 11 to the consolidated financial statements.

FINANCIAL SUMMARY

At 30 April 2008

RESULTS

	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Turnover	291,219	337,499	288,688	187,384	**1,285**
Profit/(loss) before taxation	79,119	67,238	24,676	(684,258)	**(1,625)**
Taxation	(11,236)	(9,224)	(24,278)	(23,101)	**–**
Profit/(loss) for the year	67,883	58,014	398	(707,359)	**(1,625)**

ASSETS AND LIABILITIES

	2004 HK$'000 (restated)	2005 HK$'000 (restated)	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Total assets	422,580	584,244	801,394	131,198	**1,341**
Total liabilities	142,267	269,127	431,047	498,578	**399,071**
Total equity/(capital deficiency)	280,313	315,117	370,347	(367,380)	**(397,730)**
Attributable to:–					
Equity holders of the Company	280,313	315,117	370,308	(367,419)	**(397,769)**
Minority interests	–	–	39	39	**39**
	280,313	315,117	370,347	(367,380)	**(397,730)**