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
2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Li Kai Yien, Arthur Albert
Li Shu Han, Eleanor Stella
Seto Ying

Independent Non-executive Directors
Li Siu Yui
Ip Woon Lai
Lee Kong Leong

AUDITORS

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

COMPANY SECRETARY

Ha Cheuk Man

AUDIT COMMITTEE

Li Siu Yui
Ip Woon Lai
Lee Kong Leong

REMUNERATION COMMITTEE

Li Siu Yui
Ip Woon Lai
Lee Kong Leong

PRINCIPAL BANKER

Hang Seng Bank Limited
Bank of China

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit B, 8/F.,
St. John's Building,
33 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR IN HONG KONG

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

WEBSITE

www.todayir.com/e/showcases_details.php?code=607

STOCK CODE

607

Biographical Details of Directors

DIRECTORS

Executive Directors

Mr. Li Kai Yien, Arthur Albert ("Mr. Li"), aged 38, was appointed as an executive Director on 18 June 2008. Mr. Li graduated from University of Southern California with a bachelor degree in Science 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 41, was appointed as an executive Director on 18 June 2008. She graduated from University of Southern California with a bachelor degree in Science Accounting. 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 34, 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 10 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. Li Siu Yui, aged 41, was appointed as an independent non-executive Director on 18 June 2008. He holds a master 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 40, was appointed as an independent non-executive Director on 18 June 2008. Mr. Ip holds a bachelor degree of Commerce in Accounting and Finance 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 47, was appointed as an independent non-executive Director on 18 June 2008. Mr. Lee holds a bachelor degree of Commerce in Accounting and Information Systems 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 were listed on the Stock Exchange from 2002 to 2004.

Senior Management

Ms. Ha Cheuk Man ("Ms. Ha"), aged 31, was appointed as the company secretary of the Company on 8 January 2010. Ms. Ha holds a Bachelor Degree of Business Administration (Hon) in Accounting from the Hong Kong Baptist University. She is a member of the Hong Kong Institute of Certified Public Accountants and has several years of experience in the field of accounting, auditing and taxation.

Management Discussion and Analysis

BUSINESS 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").

Due to the sealing up of its manufacturing facilities in April 2007, the Company, via its subsidiaries (collectively, the "Group"), began to concentrate its effort in trading business by securing sales orders from distributors and wholesalers and engaging subcontractors of original equipment manufacturer to manufacture the products. The Company, via its subsidiaries, now offers a wide range of products, including digital photo frames, digital enhanced cordless technology phones, baby monitors, digital TV signal converters, DVD players, water heaters, notebooks, HD-TVs and full HD media players. During the year, the turnover and gross profit generated from trading of the above products increased by HK$8 million to HK$158 million and by HK$5 million to HK$15 million respectively compared with last year.

In April 2010, the Group expanded its business scope by moving upsteam into the design of household appliances. The Group set up a wholly-owned subsidiary, Olevia Home Appliances Limited ("Olevia"), hired a team of professional and exclusively licensed the "Olevia" brand (the leading set-top box brand in Hong Kong) to engage in the design, marketing and distribution of household appliances such as fans, washing machines, air-conditioners and electric kitchen appliances under the Olevia brand (the "Olevia Business"). The sale of household appliances under the "Olevia" brand was commenced in May 2010. Customers for the Olevia Business included branded chain stores and wholesalers and home users. The results of the Olevia Business has been grouped under the Group's business segment of trading of household electrical appliances as the Group has not established its own manufacturing capabilities for such products during the year. However, as the business did not perform as expected, the Company will reduce its investment in the Olevia Business.

Besides, in order to re-activate the Group's manufacturing operation, the Group has also, in July 2010, set up Dongguan Up Stand Electrical Manufacturing Co., Ltd ("Dongguan Up Stand"), a wholly-owned subsidiary of the Group established in the People's Republic of China ("PRC"), to engage in the design, manufacturing, marketing and distribution of household appliances such as convection panel heaters, quartz heaters, bathroom panel heaters and electric fans. With the establishment of Dongguan Up Stand, the Group has its own manufacturing operation (the "Manufacturing Business"). Its products will be mainly supplied to overseas customers in Europe, Australia and America. Dongguan Up Stand has commenced production in September 2010 and the first sale was made in October 2010. Dongguan Up Stand has generated profit since March 2011 despite the fact that it was still at a start up stage.

FINANCIAL REVIEW

During the year, the Group recorded a turnover of approximately HK$171 million, representing an increase of approximately HK$21 million from a turnover of approximately HK$150 million compared with last year. The average gross profit margin increased from 6.5% to 10.4% compared with last year. The increase in both the turnover and the average gross profit margin were mainly attributed to the increase in sales from the Olevia Business and the Manufacturing Business with higher average gross profit margin of 18%, and concentration on sale of products with higher average gross profit margin of over 10% like digital TV signal converters, HD-TVs and full HD media players for the original trading business.

Management Discussion and Analysis

For the original trading business, the turnover increased by HK$8 million to HK$158 million, representing an increase in turnover of 5% compared with last year. The gross profit increased by HK$5 million to HK$15 million, representing an increase in gross profit of 50% compared with last year. The increase was mainly due to the Company's effort on sale of high technology products with higher profit margin such as HD-TVs, Full HD media players, etc.

During the year, the net losses from the Olevia Business and the Manufacturing Business were approximately HK$1.7 million and HK$0.6 million respectively. The losses were mainly due to the fact that the development of the Olevia Business and the Manufacturing Business were at the initial stage and the result of the Olevia Business did not perform as expected, which mainly resulted from high entry costs of well branded chain stores, delay in shipment of products from suppliers and high storage charges. Nevertheless, the Manufacturing Business has managed to generate profit commencing from March 2011. During the year, the turnover and gross profit generated from the Manufacturing Business were HK$8 million and HK$1.5 million respectively. In April 2011, Dongguan Up Stand began to set up a new powder coating line which was in use in July 2011. The manufacturing cost can be reduced subsequently. The Group expects the average gross profit margin can increase by 4% in future to 22% compared with the average gross profit margin of 18% for the year ended 30 April 2011. While being optimistic about the prospect of the Manufacturing Business, the management of the Group will continue to closely monitor the operations of both the Olevia Business and the Manufacturing Business.

Resulted from the good performance of the existing trading business, the profit of the Group for the year was approximately HK$8 million, representing an increase of approximately HK$3 million from a profit of approximately HK$5 million compared with last year.

IMPORTANT EVENTS AND PROSPECTS

On 30 September 2008, 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. The Resumption Proposal contains, amongst other matters, a restructuring proposal to revitalize the Company's financial position. As part of the Resumption Proposal, the Company proposed to raise HK$84.4 million, before expenses, by way of the open offer of the zero coupon convertible notes to the qualifying shareholders of the Company, which is fully underwritten by Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the controlling shareholder of the Company, pursuant to the underwriting agreement entered into between the Company and Mr. Kan on 8 October 2008. The Company also proposed to settle the Company's indebtedness due to certain creditors (the "Scheme Creditors") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Hong Kong Scheme") and the Companies Law (2007 Revision) of the Cayman Islands (the "Cayman Scheme") respectively.

Each of the Hong Kong Scheme and the Cayman Scheme was duly approved by a majority in number (i.e. over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Creditors' meeting held on 16 March 2009. The Cayman Scheme was sanctioned by the Grand Court of the Cayman Islands on 27 March 2009 while the Hong Kong Scheme was sanctioned by the High Court of Hong Kong on 6 May 2009.

Management Discussion and Analysis

The Hong Kong Scheme and the Cayman Scheme will become effective upon an office copy of the relevant court order sanctioning the respective scheme having been delivered to the Registrar of Companies in Hong Kong or the Cayman Islands (as the case may be) for registration.

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of delisting procedures pursuant to Practice Note 17 ("PN 17") to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal.

On 7 May 2010, the Company submitted a revised Resumption Proposal to the Stock Exchange. On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange considered that the revised Resumption Proposal submitted by the Company has not satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules and decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN 17 (the "Listing Decision").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

Upon resumption of trading in the Shares on the Stock Exchange, the Company would become almost debt free and additional working capital would be injected into the Group.

In order to strengthen the manufacturing operation of the Group, on 30 May 2011, the Company entered into an agreement to acquire 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5,000,000. The acquisition of RHE was completed on 22 June 2011. RHE's principal business is the manufacturing and sale of a different type of household appliance-digital enhanced cordless telephony ("DECT") products, CAT-iq handset and 3G wireless local loop products ("RHE Business"). RHE is one of the key players in the DECT business with strong development knowhow and market knowledge. RHE will mainly sell products to overseas customers in Japan and America. As part of the acquisition, the previous owner of RHE has guaranteed to the Company that the net profit of the RHE group contributed to the Group will be not less than HK$3.3 million, HK$5 million and HK$5 million for the years ending 30 April 2012, 30 April 2013 and 30 April 2014 respectively.

The Group would continue to expand the product range, develop and explore products with higher profit margins, extend its distribution channels and customer base and develop worldwide market and China market for both its trading and manufacturing operations.

The Directors believe that the manufacturing operation including both the Manufacturing Business and the RHE Business will strengthen the competitive advantage of the Group and generate better returns to the Group. Besides, the Directors will continue to look for suitable acquisition targets to strengthen its manufacturing operation and believe that the Group's business will grow gradually and the Company will be able to maintain the listing of the Shares on the Stock Exchange.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$18 million as at 30 April 2011 (2010: approximately HK$8 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$349 million as at 30 April 2011 (2010: approximately HK$349 million). The gearing ratio of the Group as at 30 April 2011 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 496% (2010: approximately 645%). Net liabilities were approximately HK$406 million (2010: approximately HK$414 million).

The Group recorded total current asset value of approximately HK$66 million as at 30 April 2011 (2010: approximately HK$54 million) and total current liability value of approximately HK$476 million (2010: approximately HK$468 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.14 as at 30 April 2011 (2010: approximately 0.11).

The Group recorded a profit of approximately HK$8 million for the year ended 30 April 2011 (2010: approximately HK$5 million) and this resulted in an increase in shareholders' funds to a negative value of approximately HK$406 million as at 30 April 2011 (2010: negative value of approximately HK$414 million).

FOREIGN EXCHANGE EXPOSURE

Sales and purchases of the Group were transacted in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). Most of the Group's monetary assets and liabilities were denominated in these currencies. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

TREASURY POLICIES

The Group's major borrowings are in HKD and at variable interest rates. Bank balances and cash held by the Group were denominated in HKD, USD and RMB. 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 2011.

INVESTMENTS

The Group had not held any significant investment for the year ended 30 April 2011.

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 2011.

Management Discussion and Analysis

SEGMENTAL INFORMATION

Details of segmental information for the year ended 30 April 2011 are set out in note 7 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 April 2011.

STAFF AND REMUNERATION POLICIES

As at 30 April 2011, the Group had about 114 employees (2010: 12 employees). The Group's total staff costs amounted to approximately HK$3,535,000 (2010: HK$993,000) for the year ended 30 April 2011.

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 on 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 2011. The audit committee of the Company currently comprises three independent non-executive Directors.

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

During the year ended 30 April 2011, 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 2011 except the followings:

1. **Code Provision A.2**

   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 and the daily operation and management of the Group were monitored by the directors as well as the senior management of the Group. The balance of power and authority was ensured by the operation of the board (the "Board") of directors (the "Directors") of the Company and the Board considered that the current structure would not impair the balance of power and authority between the Board and the senior management of the Group.

2. **Code Provision A.4.1**

   Non-executive Directors should be appointed for specific term, subject to re-election. 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.

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 2011, seven 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 2011	Attendance rate
Executive Directors:		
Mr. Li Kai Yien, Arthur Albert*	7	100%
Ms. Li Shu Han, Eleanor Stella*	5	71%
Ms. Seto Ying	7	100%
Independent Non-executive Directors:		
Mr. Lau Tai Chim (resigned on 1 September 2010)	2	50% (during appointment period)
Mr. Tam Ping Kuen, Daniel (resigned on 1 September 2010)	3	75% (during appointment period)
Mr. Lee Kong Leong	5	71%
Mr. Li Siu Yui	7	100%
Mr. Ip Woon Lai	6	86%

* Mr. Li Kai Yien, Arthur Albert is the brother of Ms. Li Shu Han, Eleanor Stella

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.

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.

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 paragraph 1 on page 10 of this annual report.

Corporate Governance Report

NOMINATION OF DIRECTORS

The Company has not established any nomination committee. The Board has established formal procedures for the appointment 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. The members during the year were:

	Number of meetings attended in the financial year ended 30 April 2011	Attendance rate
Mr. Lau Tai Chim (resigned on 1 September 2010)	1	100%
Mr. Tam Ping Kuen, Daniel (resigned on 1 September 2010)	1	100%
Mr. Lee Kong Leong	1	100%
Mr. Li Siu Yui (Chairman)	1	100%
Mr. Ip Woon Lai	1	100%

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.

During the year, the Remuneration Committee held one meeting. Matters considered at the meeting included revision of the compensation payable to all Directors and senior management of the Group and recommendation to the Board on the Group's remuneration policy and structure.

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 2011 are shown in note 10 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was formed to review and supervise the financial reporting process and internal control of the Company. The Audit Committee currently comprises three independent non-executive Directors and two 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 two meetings. Matters considered at the meetings included review of the Group's 2010 annual and interim results, the fees for engaging the external auditors to provide the audit for the relevant years, the independence of the external auditors, the Company's financial control, internal control and risk management system.

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 2011	Attendance rate
Mr. Lau Tai Chim (resigned on 1 September 2010)	1	100% (during appointment period)
Mr. Tam Ping Kuen, Daniel *(Chairman)* (resigned on 1 September 2010)	1	100% (during appointment period)
Mr. Lee Kong Leong	2	100%
Mr. Li Siu Yui *(Chairman)*	2	100%
Mr. Ip Woon Lai	2	100%

AUDITORS' REMUNERATION

The amount of audit fee for the year ended 30 April 2011 was HK$390,000. 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 the year 2012, subject to approval by the Shareholders at the forthcoming 2011 annual general meeting of the Company. 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 conducted a review of the effectiveness of the system of internal control of the Group during the year. The review has covered all material aspects of internal control including financial, operational and compliance controls and risk management functions 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 2011. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 30 April 2011 have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

A report of the independent auditor of the Group is set out in pages 19 to 20 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 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group during the year are manufacturing and trading of household electrical appliances and audio-visual products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2011 are set out in the consolidated statement of comprehensive income on page 21 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 30 April 2011.

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 2011, the Company did not have any distributable reserves for cash distribution.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 21(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 CUSTOMERS AND SUPPLIERS

The Group's largest customer and five largest customers together accounted for approximately 34% and 94% of the total turnover for the year respectively.

The Group's largest supplier and five largest suppliers together accounted for approximately 32% and 92% of the total purchases for the year respectively.

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 five largest suppliers and customers.

DIRECTORS

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

Executive Directors:

Mr. Li Kai Yien, Arthur Albert
Ms. Li Shu Han, Eleanor Stella
Ms. Seto Ying

Independent Non-Executive Directors:

Mr. Lee Kong Leong
Mr. Li Siu Yui
Mr. Ip Woon Lai
Mr. Tam Ping Kuen, Daniel (resigned on 1 September 2010)
Mr. Lau Tai Chim (resigned on 1 September 2010)

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), Mr. Ip Woon Lai and Mr. Li Siu Yui will retire by rotation and, being eligible, offer themselves for re-election in the forthcoming 2011 annual general meeting of the Company ("2011 AGM").

The Company has not entered into any service agreement with the existing Directors.

Each of the independent non-executive Directors was appointed in accordance with the Articles of Association.

None of the existing Directors were appointed for a specific term and none of the Directors being proposed for re-election at the 2011 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).

Report of the Directors

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 2011, 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 22 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. Save for the Underwriting Agreement and the Loan Agreement as set out in note 2(d) to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries 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 10 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 2011, 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")	1,840,050,000 (Note 1)	436.03%
Kan Kung Chuen Lai	1,840,050,000 (Note 2)	436.03%
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500 (Note 3)	10.42%
Liu Su Ke	30,000,000	7.11%

Notes:

(1) These Shares represent (i) 152,050,000 Shares held by Mr. Kan; and 1,688,000,000 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the zero coupon convertible notes underwritten by Mr. Kan under the open offer pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan.

(2) Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the Shares for which Mr. Kan is interested pursuant to the SFO.

(3) New China Management 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 2011.

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.

Report of the Directors

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 22 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.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme maintained by the Group are set out in note 23 to the consolidated financial statements.

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 2011 and as at the latest practicable date prior to the issue of this annual report.

SUBSEQUENT EVENTS

Details of significant events occurring after 30 April 2011 are set out in note 27 to the consolidated financial statements.

AUDITORS

Messrs. PKF will retire and a resolution to re-appoint Messrs. PKF as auditors of the Company will be proposed at the 2011 AGM.

On behalf of the Board
Li Kai Yien, Arthur Albert
Director

Hong Kong
28 July 2011

Independent Auditor's Report

PKF

26th Floor, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

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 21 to 61, which comprise the consolidated statement of financial position as at 30 April 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 30 April 2011 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2(d) to the consolidated financial statements which indicates that as at 30 April 2011, the Group's current liabilities exceeded its current assets by approximately HK$410 million and its total liabilities exceeded its total assets by approximately HK$406 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
28 July 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	6	**171,358**	150,020
Cost of sales		**(153,611)**	(140,274)
Gross profit		**17,747**	9,746
Other income	8	**182**	26
Selling and distribution expenses		**(1,653)**	(249)
Administrative expenses		**(5,988)**	(3,186)
Profit before taxation	9	**10,288**	6,337
Taxation	11	**(2,242)**	(1,325)
Profit for the year attributable to equity shareholders of the Company		**8,046**	5,012
Other comprehensive loss for the year (after tax)			
Exchange differences on translation of foreign operation before and after tax effects		**(34)**	–
Total comprehensive income for the year attributable to equity shareholders of the Company		**8,012**	5,012
Earnings per share	13		
– Basic		**HK$0.02**	HK$0.01
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 30 April 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSET			
Property, plant and equipment	14	**4,019**	546
CURRENT ASSETS			
Inventories	15	**9,322**	17
Trade receivables, deposits and other receivables	16	**39,265**	45,221
Bank balances and cash	17	**17,749**	8,290
		66,336	53,528
CURRENT LIABILITIES			
Trade and other payables	18	**75,792**	68,955
Guarantor's liability and accrued liability for potential claims	19	**340,346**	340,346
Bank borrowings	20	**22,948**	22,948
Unsecured bank overdrafts		**2,104**	2,104
Taxation payable		**34,667**	33,235
		475,857	467,588
NET CURRENT LIABILITIES		**(409,521)**	(414,060)
NET LIABILITIES		**(405,502)**	(413,514)
CAPITAL AND RESERVES			
Share capital	21(a)	**4,220**	4,220
Reserves		**(409,722)**	(417,734)
CAPITAL DEFICIENCIES		**(405,502)**	(413,514)

The consolidated financial statements set out on pages 21 to 61 were approved and authorised for issue by the Board of Directors on 28 July 2011 and are signed on its behalf by:

Li Kai Yien, Arthur Albert
Director

Seto Ying
Director

Consolidated Statement of Changes in Equity

For the year ended 30 April 2011

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2009	4,220	84,868	1,010	–	(508,624)	(418,526)
Total comprehensive income for the year	–	–	–	–	5,012	5,012
At 30 April 2010 and 1 May 2010	4,220	84,868	1,010	–	(503,612)	(413,514)
Total comprehensive (loss)/income for the year				(34)	8,046	8,012
At 30 April 2011	**4,220**	**84,868**	**1,010**	**(34)**	**(495,566)**	**(405,502)**

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 Statement of Cash Flows

For the year ended 30 April 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	10,288	6,337
Adjustments for:		
Depreciation	493	115
Loss on disposal of property, plant and equipment	18	–
Interest income	(2)	–
Operating cash flows before movements in working capital	10,797	6,452
Increase in inventories	(9,204)	(17)
Decrease/(increase) in trade receivables, deposits and other receivables	5,906	(27,347)
(Decrease)/increase in trade and other payables	(5,538)	22,780
Cash from operations	1,961	1,868
Hong Kong Profits Tax paid	(806)	(8)
China Enterprise Income Tax paid	(4)	–
NET CASH FROM OPERATING ACTIVITIES	1,151	1,860
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,956)	(661)
Interest received	2	–
NET CASH USED IN INVESTING ACTIVITIES	(3,954)	(661)
FINANCING ACTIVITIES		
Advances from a shareholder	12,300	4,500
NET CASH FROM FINANCING ACTIVITIES	12,300	4,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,497	5,699
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(38)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,186	487
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15,645	6,186
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	17,749	8,290
Unsecured bank overdrafts	(2,104)	(2,104)
	15,645	6,186

Notes to the Consolidated Financial Statements

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 "Corporation Information" section of this annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are manufacturing and trading of household electrical appliance and audio-visual products, details of which 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 dollars 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.

2. BASIS OF PREPARATION *(continued)*

(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 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 1	Additional Exemptions for First-time Adopters
Amendments to HKFRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to HKFRSs 2008	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008
Amendments to HKFRSs 2009	Improvements to HKFRSs 2009

The adoption of these new and revised HKFRS 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 as at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the Group's consolidated financial statements for the year ended 30 April 2011 since they were not yet effective for the annual period beginning on 1 May 2010:

HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 27 (Revised)	Separate Financial Statements [6]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures [6]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [6]
HKFRS 11	Joint Arrangements [6]
HKFRS 12	Disclosure of Interests in Other Entities [6]
HKFRS 13	Fair Value Measurement [6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [5]
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [4]
Amendments to HKFRS 7	Disclosures-Transfers of Financial Assets [4]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement [3]
Amendments to HKFRSs 2010	Improvements to HKFRSs 2010 [1]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2. BASIS OF PREPARATION *(continued)*

(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 current liabilities of approximately HK$410 million and net liabilities of approximately HK$406 million as at 30 April 2011.

Trading in 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 certain creditors of the Company (the "Scheme Creditors") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Hong Kong Scheme") and the Companies Law (2007 Revision) of the Cayman Islands (the "Cayman Scheme", together with the Hong Kong Scheme, the "Schemes") respectively.

The implementation of the Schemes will be financed by the proceeds to be raised by the Company 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.

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 Che Kin, Billy Albert ("Mr. Kan"), the controlling shareholder of the Company, is the underwriter to the Open Offer. Pursuant to the underwriting agreement dated 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.

2. **BASIS OF PREPARATION** *(continued)*

(d) **Going concern basis** *(continued)*

The major terms of the Hong Kong Scheme and the Cayman Scheme are as follows:

(i) Both the Hong Kong Scheme and the Cayman Scheme will be made with the Scheme Creditors who are all creditors of the Company excluding (a) Up Stand Holdings Limited ("Up Stand") which is a wholly owned subsidiary of the Company; (b) secured creditors to the extent of the value of their security interests agreed with the scheme administrators (the "Scheme Administrators") under the Schemes or upon realisation, the net proceeds of realisation of their security interests; and (c) persons with claims for the costs incurred by the Company in the negotiation, preparation and implementation of the Resumption Proposal, the proposal for the restructuring of the Company, the Hong Kong Scheme and the Cayman Scheme (the "Restructuring and Scheme Costs"), to the extent of such claims.

(ii) The Company will transfer a sum of HK$37 million (the "Scheme Fund") out of the proceeds of the Open Offer to a scheme trust account to be opened by the Scheme Administrators.

(iii) The Hong Kong Scheme and the Cayman Scheme will be administered by the Scheme Administrators who will hold the Scheme Fund for, first, the full payment of the preferential claims of the Scheme Creditors as at the effective date of the Schemes (the "Effective Date") and admitted by the Scheme Administrators or the scheme adjudicators (the "Scheme Adjudicators"), and secondly, settlement of the unsecured and non-preferential claims of the Scheme Creditors as at the Effective Date and admitted by the Scheme Administrators or the Scheme Adjudicators on a pari passu basis.

(iv) Upon the Hong Kong Scheme and the Cayman Scheme becoming effective, each of the Scheme Creditors will discharge and waive all of its claims as at the Effective Date against the Company in consideration of the right to receive full payment of its admitted preferential claims and participate with other Scheme Creditors in the distribution of the Scheme Fund in respect of its admitted non-preferential claims, and each of the Scheme Creditors is barred from taking any proceedings against the Company in respect of its claims.

The proceeds from the Open Offer of HK$84.4 million will be used as to (i) HK$37 million as the Scheme Fund mentioned above; and (ii) the remaining amount of HK$47.4 million, firstly for the payment of the Restructuring and Scheme Costs, which costs shall be borne by the Company up to a maximum amount of HK$7 million and the excess borne by Mr. Kan pursuant to the Hong Kong Scheme and the Cayman Scheme, secondly for the repayment of the loan due from Up Stand to Mr. Kan pursuant to a loan agreement entered into between Up Stand, the Company and Mr. Kan dated 2 January 2009 and as supplemented and amended from time to time, which loan is the interim funding to the Group to meet its general working capital requirements, and thirdly for the general working capital of the Group.

2. BASIS OF PREPARATION *(continued)*

(d) Going concern basis *(continued)*

Each of the Hong Kong Scheme and the Cayman Scheme was duly approved by a majority in number (i.e. over 50% in number) of the Scheme Creditors together representing no less than 75% in value of the Scheme Creditors present and voting in person or by proxy at the Scheme Creditors' meeting held on 16 March 2009. The Cayman Scheme was sanctioned by the Grand Court of the Cayman Islands on 27 March 2009 while the Hong Kong Scheme was sanctioned by the High Court of Hong Kong on 6 May 2009.

The Hong Kong Scheme and the Cayman Scheme will be effective upon an office copy of the relevant court order sanctioning the respective Scheme having been delivered to the Registrar of Companies in Hong Kong or the Cayman Islands (as the case may be) for registration.

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 approval of the Open Offer and transactions contemplated thereunder by the independent shareholders of the Company, by way of a poll, at an extraordinary general meeting of the Company and the Underwriting Agreement becoming unconditional. Accordingly, the Open Offer may or may not proceed.

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of the delisting procedures pursuant to Practice Note 17 ("PN 17") to the Listing Rules as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal. The Company submitted a revised Resumption Proposal to the Stock Exchange on 7 May 2010.

On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange considered that the revised Resumption Proposal submitted by the Company has not satisfactorily demonstrated sufficiency of operation or assets as required by the Listing Rules and decided that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN 17 (the "Listing Decision").

On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

The Directors consider the Company will be able to maintain the listing of the Shares on the Stock Exchange and that 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 were satisfied with the financial position of the Group and considered the preparation of the consolidated financial statements on a going concern basis as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis.

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 profit or loss 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.

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.

Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of relevant leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment 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 profit or loss in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, 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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 classified into 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

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 the end of each reporting period subsequent to initial recognition, loans and receivables, including trade and 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 the Group 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. Equity instrument issued by the Company comprises share capital.

The Group's financial liabilities, including trade payables, other payables, guarantor's liability, bank borrowings and bank overdrafts, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

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 or receivable 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 consolidated statement of financial position 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.

Impairment

At the end of each reporting period, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 statement of comprehensive income 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 end of the reporting period.

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 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.

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 the end of each reporting period 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 to profit or loss, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Employee benefits

(i) Retirement benefit scheme

The retirement benefit costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic probability of withdrawal.

Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Estimated impairment of trade receivables

The provision policy for bad and doubtful debts of the Group is based on the on-going evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are to deteriorate, resulting in an impairment of their abilities to make payments, allowances may be required. As at 30 April 2011, the carrying value of trade receivables was approximately HK$37,318,000 (2010: HK$42,200,000).

Income tax

As at 30 April 2011, no deferred tax assets had been recognised in respect of the tax losses of HK$21,050,000 (2010: HK$19,047,000) 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 profit or loss for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial statement 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 2011, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has no significant concentration of credit risk on trade 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 21(b) to the consolidated financial statements.

In light of the Group's net liabilities as at 30 April 2011, the management has implemented several measures 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.

Notes to the Consolidated Financial Statements

For the year ended 30 April 2011

5. FINANCIAL RISK MANAGEMENT *(continued)*

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

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 30 April 2011 based on the undiscounted cash flows:–

	2011 HK$'000	2010 HK$'000
Trade and other payables	**75,792**	68,955
Guarantor's liability and accrued liability for potential claims	**340,346**	340,346
Bank borrowings	**22,948**	22,948
Unsecured bank overdrafts	**2,104**	2,104
Due for payment within one year or on demand	**441,190**	434,353

Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The following table details the Group's exposure to currency risk at the end of the reporting period arising from recognised assets or liabilities denominated in a currency other than functional currency of the group entity to which they relate. The exposure arising from the current accounts among the Company and its subsidiaries which form part of net investment in foreign operation is excluded.

	2011		2010	
	United States Dollars '000	**Hong Kong Dollars '000**	United States Dollars '000	Hong Kong Dollars '000
Trade receivables, deposits and other receivables	**48**	**–**	188	–
Cash and bank balances	**229**	**5,560**	–	–
Trade and other payables	**(108)**	**–**	–	–
Net exposure arising from recognised assets and liabilities	**169**	**5,560**	188	–

5. FINANCIAL RISK MANAGEMENT *(continued)*

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

Currency risk *(continued)*

The Group operates in Hong Kong and the People's Republic of China ("PRC") and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("USD") and Hong Kong dollars ("HKD") respectively.

Since HKD is pegged to USD, material fluctuations in the exchange rates of HKD against USD are remote.

As at 30 April 2011 and 2010, if RMB appreciated/depreciated 5 percent against HKD with all other variables held constant, there would be no significant change to the Group's profit for both years.

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 2011, bank balances of HK$9,481,000 (2010: HK$1,543,000) 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 as at 30 April 2011 and 2010 and is prepared assuming the amount of bank balances outstanding as at 30 April 2011 and 2010 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 the interest rates as at 30 April 2011 and 2010 had been 50 basis points higher/lower with all other variables held constant, there would be no significant change to the Group's profit for both years.

(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 AND ENTITY-WIDE INFORMATION

Reportable segments

For management purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

The Group's principal activities are as follows:–

– Trading of household electrical appliances;
– Manufacturing and sale of household electrical appliances; and
– Trading of audio-visual products.

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

(1) Segment assets consist primarily of property, plant and equipment, inventories and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable.

(2) 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 entities within a single segment.

(3) 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.

(4) Unallocated items comprise financial and corporate assets and liabilities, guarantee liability, bank borrowings and corporate and financing expenses.

7. SEGMENT AND ENTITY-WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at the adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:–

	Trading of household electrical appliances		Manufacturing and sale of household electrical appliances		Trading of audio-visual products		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER								
External sales	**71,045**	60,668	**8,079**	–	**92,234**	89,352	**171,358**	150,020
RESULT								
Segment results	**2,929**	2,397	**(623)**	–	**10,637**	7,203	**12,943**	9,600
Other operating income							**141**	26
Unallocated corporate expenses							**(2,796)**	(3,289)
Profit before taxation							**10,288**	6,337
Taxation							**(2,242)**	(1,325)
Profit for the year							**8,046**	5,012
ASSETS								
Segment assets	**14,660**	19,903	**9,178**	–	**27,928**	25,189	**51,766**	45,092
Unallocated corporate assets							**18,589**	8,982
Consolidated total assets							**70,355**	54,074
LIABILITIES								
Segment liabilities	**7,719**	16,458	**3,354**	–	**23,036**	22,996	**34,109**	39,454
Unallocated corporate liabilities							**441,748**	428,134
Consolidated total liabilities							**475,857**	467,588

7. SEGMENT AND ENTITY-WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

	Trading of household electrical appliances		Manufacturing and sale of household electrical appliances		Trading of audio-visual products		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
OTHER INFORMATION								
Capital additions	**–**	48	**3,956**	–	**–**	–	**3,956**	48
Unallocated capital additions							**–**	613
Total capital additions							**3,956**	661
Depreciation	**6**	–	**333**	–	**–**	–	**339**	–
Unallocated depreciation							**154**	115
Total depreciation							**493**	115

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC (including Hong Kong)	**163,287**	150,020	**4,019**	546
Europe	**4,046**	–	**–**	–
Australia	**3,140**	–	**–**	–
Others	**885**	–	**–**	–
	171,358	150,020	**4,019**	546

The geographical location of customers is based on the location to which the goods are delivered. The geographical location of the non-current assets is based on the physical location of assets.

7. SEGMENT AND ENTITY-WIDE INFORMATION *(continued)*

Information about major customers

There are three (2010: four) customers from segments of trading of household electrical appliances and trading of audio-visual products contributing over 10% of the total sales of the Group whose total revenue is approximately HK$141,761,000 (2010: HK$142,567,000).

8. OTHER INCOME

	2011 **HK$'000**	2010 HK$'000
Waiver of accrued directors' remuneration	**140**	8
Interest income	**2**	–
Sundry income	**40**	18
	182	26

9. PROFIT BEFORE TAXATION

	2011 **HK$'000**	2010 HK$'000
Profit before taxation has been arrived at after charging:–		
Auditors' remuneration	**390**	340
Depreciation of property, plant and equipment	**493**	115
Loss on disposal of property, plant and equipment	**18**	–
Operating lease rentals in respect of rented premises	**1,578**	432
Staff costs, including Directors' emoluments	**3,535**	993
Retirement benefits scheme contributions	**59**	16

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The emoluments paid or payable to each of the eight (2010: ten) Directors were as follows:–

	Fees HK$'000	Other emoluments HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefit scheme HK$'000	Share-based payment HK$'000	Total emoluments HK$'000
For the year ended 30 April 2011						
Executive Directors:						
Li Kai Yien, Arthur Albert	**10**	**–**	**–**	**–**	**–**	**10**
Li Shu Han, Eleanor Stella	**10**	**–**	**–**	**–**	**–**	**10**
Seto Ying	**10**	**–**	**–**	**–**	**–**	**10**
Independent non-executive Directors:						
Lee Kong Leong	**50**	**–**	**–**	**–**	**–**	**50**
Li Siu Yui	**50**	**–**	**–**	**–**	**–**	**50**
Ip Woon Lai	**50**	**–**	**–**	**–**	**–**	**50**
Tam Ping Kuen, Daniel (resigned on 1 September 2010)	**–**	**–**	**–**	**–**	**–**	**–**
Lau Tai Chim (resigned on 1 September 2010)	**–**	**–**	**–**	**–**	**–**	**–**
	180	**–**	**–**	**–**	**–**	**180**
For the year ended 30 April 2010						
Executive Directors:						
Li Kai Yien, Arthur Albert	10	–	–	–	–	10
Li Shu Han, Eleanor Stella	10	–	–	–	–	10
Seto Ying	10	–	–	–	–	10
Hung Kwok Wa	–	–	–	–	–	–
Lau Man Tak	–	–	–	–	–	–
Independent non-executive Directors:						
Tam Ping Kuen, Daniel	50	–	–	–	–	50
Lau Tai Chim	50	–	–	–	–	50
Lee Kong Leong	50	–	–	–	–	50
Li Siu Yui	50	–	–	–	–	50
Ip Woon Lai	50	–	–	–	–	50
	280	–	–	–	–	280

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

Directors' remuneration *(continued)*

Mr. Tam Ping Kuen ("Mr. Tam") and Mr. Lau Tai Chim ("Mr. Lau") resigned as the Company's independent non-executive Director on 1 September 2010. The remuneration for the year payable to Mr. Tam and Mr. Lau of approximately HK$17,000 and HK$17,000 were waived by them respectively.

Mr. Hung Kwok Wa ("Mr. Hung") and Mr. Lau Man Tak resigned as the Company's executive Director on 18 September 2009 and 8 January 2010 respectively. The remuneration for the year payable to Mr. Hung and Mr. Lau Man Tak of approximately HK$4,000 and HK$7,000 were waived by them respectively.

As at 30 April 2011, the remuneration payable to the Directors was approximately HK$909,000 (2010: HK$869,000) which was included in trade and other payables in note 18 to the consolidated financial statements.

Employees' emoluments

During the year, the five (2010: five) highest paid individuals included no (2010: one) Director, details of whose emoluments are set out above. The emoluments of the remaining five (2010: four) highest paid individuals for the year ended 30 April 2011 are as follows:–

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,382**	663
Retirement benefits scheme contributions	**48**	14
	1,430	677

During the year, the accrued directors' remuneration of prior years of approximately HK$140,000 was waived by Mr. Tam and Mr. Lau.

Save as disclosed herein and the aforementioned waiver of current year's remuneration by Mr. Tam and Mr. Lau, there was no other arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the five highest paid employees (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

Taxation represents:–

	2011 HK$'000	2010 HK$'000
Hong Kong Profits Tax	**2,224**	1,325
China Enterprise Income Tax ("EIT")	**18**	–
	2,242	1,325

Provision for Hong Kong Profits Tax and China EIT was calculated at the rate of 16.5% (2010: 16.5%) and 25% on the estimated assessable profits of two subsidiaries of the Company operating in Hong Kong and China respectively. No provision for EIT has been made for the preceding year as the Group had no assessable profits chargeable to EIT.

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**10,288**	6,337
Tax at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**1,697**	1,046
Hong Kong and PRC tax rates differential	**6**	–
Tax effect of non-taxable income	**(23)**	(4)
Tax effect of non-deductible expenses	**209**	257
Tax effect of temporary differences not recognised	**22**	(2)
Tax effect of tax loss not recognised	**331**	28
Taxation for the year	**2,242**	1,325

At 30 April 2011, the Group had unused tax losses of approximately HK$21,050,000 (2010: HK$19,047,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses of approximately HK$357,000 (2010: HK$ Nil) which will expire in 2015.

At 30 April 2011, the Group had deductible temporary differences of approximately HK$141,000 (2010: HK$9,000) arising from the decelerated tax allowances. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

12. DIVIDEND

No dividend was paid or proposed during the year ended 30 April 2011, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per Share attributable to equity shareholders of the Company for the year is based on the profit for the year attributable to equity shareholders of the Company of approximately HK$8,046,000 (2010: HK$5,012,000) and the weighted average number of 422,000,000 (2010: 422,000,000) Shares in issue.

The Company had no potential dilutive instruments during the years ended 30 April 2011 and 2010. Accordingly, diluted earnings per share is not presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
Cost:–						
Additions and at 30.4.2010	–	531	130	–	–	661
Exchange difference	12	1	2	1	12	28
Additions	416	25	46	1,073	2,396	3,956
Disposals	–	–	(18)	–	–	(18)
At 30.4.2011	**428**	**557**	**160**	**1,074**	**2,408**	**4,627**
Aggregate depreciation:–						
Charge for the year and at 30.4.2010	–	100	15	–	–	115
Charge for the year	–	133	28	70	262	493
At 30.4.2011	**–**	**233**	**43**	**70**	**262**	**608**
Net book value:–						
At 30.4.2011	**428**	**324**	**117**	**1,004**	**2,146**	**4,019**
At 30.4.2010	–	431	115	–	–	546

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

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

Construction in progress	Nil
Leasehold improvements	10% to 25%
Furniture, fixtures and equipment	20% to 33%
Plant and machinery	10%
Moulds	10% to 20%

15. INVENTORIES

	2011 **HK$'000**	2010 HK$'000
Raw materials	**803**	–
Work-in-progress	**2,938**	–
Finished goods	**2**	–
Goods held for re-sales	**5,579**	17
	9,322	17

16. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**37,318**	42,200
Deposits and other receivables	**1,947**	3,021
At end of the year	**39,265**	45,221

The Group allows its trade customers with a credit period normally ranging from payment on delivery to 120 days. The aged analysis of the Group's trade receivables (based on invoice date) as at 30 April 2011 and 2010 is as follows:–

	2011 **HK$'000**	2010 HK$'000
Aged:		
0 to 90 days	**29,857**	31,714
91 to 180 days	**7,461**	10,486
	37,318	42,200

16. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivables, the carrying amount of approximately HK$9,735,000 (2010: HK$8,272,000) are past due but not impaired at the end of the reporting period.

Trade receivables that were past due but not impaired are related to independent customers that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Group does not hold any collateral over the balances.

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less at prevailing interest rates. The bank balances are denominated primarily in HKD, RMB and USD.

18. TRADE AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Trade payables	32,537	39,312
Other payables	18,181	16,869
Amount due to a shareholder	22,800	10,500
Amount due to a deconsolidated subsidiary	2,274	2,274
	75,792	68,955

The aged analysis of the Group's trade payables as at 30 April 2011 and 2010 is as follows:–

	2011 HK$'000	2010 HK$'000
Aged:		
0 to 90 days	32,226	29,311
91 to 180 days	–	9,690
Over 180 days	311	311
	32,537	39,312

The amounts due to a shareholder and a deconsolidated subsidiary are unsecured, interest-free and repayable on demand.

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

The amount represents (i) the liability arising from the guarantee arrangements between the Company and two deconsolidated subsidiaries, namely Housely Industries Limited (Housely Industries") and Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee") of approximately HK$299,891,000 (2010: HK$299,891,000); (ii) the accrued liability for potential claims against the Group by the creditors of Housely Industries of approximately HK$16,500,000 (2010: HK$16,500,000); and (iii) the accrued interest of approximately HK$23,955,000 (2010: HK$23,955,000) 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 30 April 2011.

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during the current and preceding years.

20. BANK BORROWINGS

	2011 **HK$'000**	2010 HK$'000
The Group's unsecured bank borrowings comprise:–		
Bank loans	**21,456**	21,456
Trust receipt loans	**1,492**	1,492
	22,948	22,948

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during the year for the bank borrowings.

All bank borrowings are denominated in HKD.

There was no new bank borrowing raised during the current and preceding years.

21. SHARE CAPITAL

(a) Share capital

	Number of Shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:–		
At 1 May 2009, 30 April 2010 and 30 April 2011	**8,000,000**	**80,000**
Issued and fully paid:–		
At 1 May 2009, 30 April 2010 and 30 April 2011	**422,000**	**4,220**

(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 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.

22. 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.

There was no outstanding option pursuant to the Scheme as at 1 May 2009. In addition, no share option was granted during the current and preceding years.

23. 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 Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of comprehensive income of HK$59,000 (2010: HK$16,000) represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

As at 30 April 2011 and 2010, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which was available to reduce the contribution payable in the future years.

24. OPERATING LEASE COMMITMENTS

As at 30 April 2011, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:–

	2011	2010
	HK$'000	HK$'000
Within one year	**871**	629
In the second to fifth year inclusive	**–**	600
	871	1,229

Operating lease payments represent rentals payable by the Group for its office premises, factory and warehouse. The leases are negotiated for terms of one to three years and the lease for the office premises in Hong Kong is guaranteed by Mr. Kan.

25. 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 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 judgement against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The judgement debt has not been settled at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(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 judgment debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011. The indebtedness claimed was subsequently assigned by the Bank of Toyko-Mitsubishi UFJ, Ltd. to an independent third party of the Group.

25. LITIGATIONS *(continued)*

(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 judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

(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 judgement against Housely Industries and the Company for the sum of approximately HK$5,449,000, approximately US$90,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011. 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 judgement 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 judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(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 judgement against Tacho for approximately HK$26,593,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

25. LITIGATIONS *(continued)*

(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 judgement 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 judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(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 judgement 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 judgement. The judgement has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(j) 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 note 25(g) and note 26(i) to the consolidated financial statements. On 23 October 2008, the court granted a judgement against Tacho for the sum of approximately HK$3,206,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

(k) On 10 November 2008, RHT Limited ("RHT") commenced High Court Action No. 2260 of 2008 ("HCA 2260/2008") in the High Court of Hong Kong against the Company for approximately HK$92,565,000 and costs. In July 2010, the Company and RHT reached a settlement agreement (the "Settlement Agreement") in the principal terms that RHT is to withdraw its claims in the HCA 2260/2008 and each party is to bear its own costs HCA2260/2008. A consent order in terms of the Settlement Agreement was filed on 20 July 2010 with the High Court of Hong Kong. Therefore, no liabilities in respect of RHT's claim in HCA2260/2008 have been provided in the consolidated statement of financial position as at 30 April 2011.

(l) On 23 December 2008, PR Asia Consultants Limited commenced the Civil Action No. 5897 of 2008 in the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest, further or other relief and costs. On 22 January 2009, a judgement was granted by the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

25. LITIGATIONS *(continued)*

(m) On 9 March 2009, Bank of China Limited Macau Branch commenced proceedings in the High Court of Hong Kong under HCA 664 of 2009 against the Company for the sum of approximately HK$13,890,000, interest, further or other relief and costs on indemnity basis. On 7 April 2009, a judgement was granted by the High Court of Hong Kong against the Company for the sum of approximately HK$13,890,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the consolidated statement of financial position as at 30 April 2011.

26. BANKING FACILITIES

As at 30 April 2011, the Group had available banking facilities to the extent of HK$10,000,000 which were secured by a corporate guarantee provided by the Company of HK$10,000,000 and a personal guarantee provided by Mr. Kan of HK$10,000,000.

27. SUBSQUENT EVENTS

(i) As disclosed in note 2(d) to the consolidated financial statements, the Company received a letter dated 13 May 2011 from the Stock Exchange in relation to the Listing Decision. On 17 May 2011, the Company submitted an application to the Listing (Review) Committee of the Stock Exchange to seek a review of the Listing Decision.

(ii) On 30 May 2011, the Company entered into an agreement with Ms. Yeung Chui Man (the "Vendor") pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Rich Honest (Europe) Limited ("RHE") at a consideration of HK$5,000,000, which will be fully satisfied in cash, from the Vendor.

The Vendor is an independent third party who is not a connected person of the Company as defined in the Listing Rules and is independent of the Company and connected persons of the Company. RHE is incorporated in Hong Kong with limited liability and is principally engaged in the manufacturing and sale of digital enhanced cordless telephony products to overseas customers.

Further details of the acquisition are set forth in the Company's announcement dated 30 May 2011 and the acquisition of RHE was completed on 22 June 2011.

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2011 which have been included in these consolidated financial statements are as follows:–

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Housely (Macao) Commercial Offshore Company Limited	Macau	HK$98,039	–	100%	Inactive
Olevia Home Appliances Limited ("Olevia")	Hong Kong	HK$1	100%	–	Development and distribution of household electrical appliances
Tacho Company Limited	Hong Kong	HK$1,002	–	100%	Inactive
Up Stand Holdings Limited	Hong Kong	HK$1	100%	–	Trading of household electrical appliances and audio-visual products
Dongguan Up Stand Electrical Manufacturing Company Limited 東莞堅東電器製造有限公司#	PRC	HK$8,000,000 (paid up: HK$7,000,000)	–	100%	Designing, manufacturing, marketing and distribution of household electrical appliances

Registered as a wholly foreign owned enterprise under the PRC laws

None of the subsidiaries had issued debt securities as at 30 April 2011.

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

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 30 April 2011 is as follows:–

	2011 HK$'000	2010 HK$'000
Non-current assets		
Investments in subsidiaries	4,500	–
Current asset		
Bank balances and cash	8	9
Current liabilities		
Other payables	5,496	5,698
Amounts due to subsidiaries	14,445	9,006
Amount due to a deconsolidated subsidiary	2,274	2,274
Guarantor's liability	347,989	347,989
Unsecured bank overdrafts	26	26
	370,230	364,993
Net current liabilities	(370,222)	(364,984)
Net liabilities	(365,722)	(364,984)
Capital and reserves		
Share capital	4,220	4,220
Reserves	(369,942)	(369,204)
Capital deficiencies	(365,722)	(364,984)

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

The remuneration of key management personnel during the year was as follows:–

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**620**	702
Post-employment benefits	**12**	12
	632	714

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of "connected transactions" in Chapter 14A of the Listing Rules.

Financial Summary

RESULTS

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Turnover	187,384	1,285	53,437	150,020	**171,358**
Profit/(loss) before taxation	(684,258)	(1,625)	(20,399)	6,337	**10,288**
Taxation	(23,101)	–	(397)	(1,325)	**(2,242)**
Profit/(loss) for the year	(707,359)	(1,625)	(20,796)	5,012	**8,046**

ASSETS AND LIABILITIES

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total assets	131,198	1,341	20,465	54,074	**70,355**
Total liabilities	498,578	399,071	438,991	467,588	**475,857**
Capital deficiencies	(367,380)	(397,730)	(418,526)	(413,514)	**(405,502)**
Attributable to:					
Equity holders of the Company	(367,419)	(397,769)	(418,526)	(413,514)	**(405,502)**
Minority interests	39	39	–	–	**–**
	(367,380)	(397,730)	(418,526)	(413,514)	**(405,502)**