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 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Kan Che Kin, Billy Albert
(appointed on 30 August 2011)
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. Kan Che Kin, Billy Albert ("Mr. Kan"), aged 60, was appointed as an executive Director, the chairman and the chief executive officer of the Company on 30 August 2011. He graduated from the University of East Anglia with a Bachelor of Science degree. Mr. Kan is an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute. Mr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accounting, taxation and corporate finance. In addition, Mr. Kan has over 20 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Finance Limited, Burlingame International Company Limited (now renamed Interchina Holdings Company Limited) (stock code: 202) and Greater China Holdings Limited (stock code: 431). Mr. Kan resigned as a director of Interchina Holdings Company Limited in September 2000 and of Greater China Holdings Limited in June 2004. Ms. Li Shu Han, Eleanor Stella is a niece of Mr. Kan, Mr. Li Kai Yien, Arthur Albert is a nephew of Mr. Kan.

Mr. Li Kai Yien, Arthur Albert ("Mr. Li"), aged 39, 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 42, 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 35, 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 42, 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 41, 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 48, 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 32, 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.

Chairman's Statement

On behalf of the board of directors (the "Directors") of Warderly International Holdings Limited (the "Company"), I now present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 April 2012.

BUSINESS REVIEW

Trading in the shares (the "Shares") of 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, began to concentrate its effort in trading business (the "Trading Business") by securing sales orders from distributors and wholesalers and engaging subcontractors of original equipment manufacturer to manufacture the household electrical appliances and audio-visual products. In April 2010, the Group expanded its business scope by moving upsteam into the design of household appliances and distribution of its own designed appliances under the "Olevia" brand (the "Olevia Business"). During the year, the turnover generated from the Trading business and the Olevia Business decreased by approximately HK$152 million to approximately HK$11 million and changed from gross profit of approximately HK$16 million to gross loss of approximately HK$476,000 compared with last year. The decrease in the results of the Trading Business and the Olevia Business was mainly due to scale down of their businesses during the year. Ever since it has been made clear by the Stock Exchange that the Trading Business and the Olevia Business could not justify a listing resumption of its shares, the Company has been concentrating on possible acquisition of manufacturing business with sizable profitable track record.

In order to re-activate the Group's manufacturing operation (the "Manufacturing Business"), the Group, 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. Its products mainly supplied to overseas customers in Europe, Australia and America. Since August 2011, the Group has started to develop the PRC market. The Group generated turnover of over HK$20 million from the PRC market during the year. Resulted from the effort of the Group in expending the production facilities and marketing its products during the year, the turnover and gross profit generated from Manufacturing Business increased significantly from approximately HK$8 million to approximately HK$47 million and from approximately HK$2 million to approximately HK$6 million respectively as compared with last year.

On 22 June 2011, the Company acquired 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5 million. 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 (the "RHE Business"). The RHE Business generated net operating loss (before impairment) and gross loss of approximately HK$2 million and HK$595,000 respectively during the four months operation. However, as the Stock Exchange has casted doubts on the achievability of RHE's forecast profit in the assessment of the listing resumption of its Shares, the Company has no choice but to cease investing in the RHE business.

Chairman's Statement

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 Offer Convertible Notes to the Qualifying Shareholders of the Company, which is fully underwritten by Mr. Kan 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 by way of the Schemes.

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 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 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.

The Company submitted a submission to the Stock Exchange on 31 August 2011 and attended the review hearing with the Listing (Review) Committee to review the Listing Decision on 20 September 2011. However, the Listing (Review) Committee decided to uphold the Listing Decision that the revised Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and that the listing of the Company's shares on the Stock Exchange be cancelled in accordance with PN 17.

On 11 October 2011, the Company submitted an application to the Listing (Appeals) Committee of the Stock Exchange to seek a second review of the Listing Decision. As at the date of the annual report, the date of hearing by the Listing (Appeals) Committee is fixed on 7 September 2012.

In order to convince the Stock Exchange to grant a listing resumption of the Shares, the Directors shall continue to search for suitable acquisition of operations with sizable profitable track records.

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.

Kan Che Kin, Billy Albert
Chairman
Hong Kong, 31 July 2012

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 30 April 2012, the net result of the Group changed from profit of approximately HK$8 million to net loss of approximately HK$14 million compared with last year.

During the year, the Group recorded a turnover of approximately HK$64 million, representing a decrease by 63% compared with last year. The average gross profit margin decreased from 10% to 8% compared with last year. The decrease in turnover was mainly due to scale down operation of the Trading Business and the Olevia Business. Turnover from the Trading Business and the Olevia Business decreased from approximately HK$163 million to approximately HK$11 million. The decrease in gross profit margin was mainly due to decrease in average gross profit margin of Manufacturing Business from 19% to 13% resulted from increasing PRC sales with lower profit margin. Besides, in order to sell out all the stock of the Olevia Business which became outdate, the Group offered large discounts to its wholesalers and end users. Gross loss of approximately HK$1.3 million was generated from the Olevia Business.

In addition, the RHE Business, which the Company acquired on 22 June 2011 and invested over HK$9 million, was not performed as expected, generating net operating loss of approximately HK$2 million and gross loss of approximately HK$595,000 for the period from 22 June 2011 to 31 October 2011. Upon the cessation by the Company in the investing in the RHE Business, a loss provision of approximately HK$8 million was made over certain assets at the year ended. Moreover, the goodwill of approximately HK$5 million deriving from the acquisition of RHE by the Company was also written off at the year ended.

On the positive side, turnover from the Manufacturing Business increased from approximately HK$8 million to approximately HK$47 million and net result changed from a loss of approximately HK$623,000 to a profit of approximately HK$2.2 million compared with last year. The significant achievement is a result of improvement in the effectiveness and efficiency in the use of the production facilities and maturity of the management team after one year operation and in expending the customer base through direct promotion exhibitions.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$2 million as at 30 April 2012 (2011: approximately HK$18 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$351 million as at 30 April 2012 (2011: approximately HK$349 million). The gearing ratio of the Group as at 30 April 2012 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 1,935% (2011: approximately 496%). Net liabilities were approximately HK$420 million (2011: approximately HK$406 million).

The Group recorded total current asset value of approximately HK$12 million as at 30 April 2012 (2011: approximately HK$66 million) and total current liability value of approximately HK$438 million (2011: approximately HK$476 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.03 as at 30 April 2012 (2011: approximately 0.14).

The Group recorded a loss of approximately HK$14 million for the year ended 30 April 2012 (2011: profit of approximately HK$8 million) and this resulted in an decrease in shareholders' funds to a negative value of approximately HK$420 million as at 30 April 2012 (2011: negative value of approximately HK$406 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 2012.

INVESTMENTS

The Group had not held any significant investment for the year ended 30 April 2012.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 22 June 2011, the Company acquired 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5 million. RHE's principal business is manufacturing and sale of household electrical appliances.

Management Discussion and Analysis

SEGMENTAL INFORMATION

Details of segmental information for the year ended 30 April 2012 are set out in note 7 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 April 2012.

STAFF AND REMUNERATION POLICIES

As at 30 April 2012, the Group had about 91 employees (2011: 114 employees). The Group's total staff costs amounted to approximately HK$10,288,000 (2011: HK$3,535,000) for the year ended 30 April 2012.

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 2012. 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 2012, 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 2012 except the followings:

1. **Code Provision A.2.1**

    The roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company were held by Mr. Kan Che Kin, Billy Albert ("Mr. Kan"). The board (the "Board") of directors (the "Directors") of the Company believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to 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.

Corporate Governance Report

BOARD OF DIRECTORS

During the financial year ended 30 April 2012, 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 2012	Attendance rate
Executive Directors:		
Mr. Kan Che Kin, Billy Albert* (appointed on 30 August 2011)	3	100% (during appointment period)
Mr. Li Kai Yien, Arthur Albert*	7	100%
Ms. Li Shu Han, Eleanor Stella*	5	71%
Ms. Seto Ying	6	86%
Independent Non-executive Directors:		
Mr. Lee Kong Leong	6	86%
Mr. Li Siu Yui	7	100%
Mr. Ip Woon Lai	6	86%

* Ms. Li Shu Han, Eleanor Stella is a niece of Mr. Kan, Mr. Li Kai Yien, Arthur Albert is a nephew of Mr. Kan. 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 posts of the chief executive officer and chairman of the Company were both held by Mr. Kan. The reasons have been explained in paragraph 1 on page 11 of this annual 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 2012	Attendance rate
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 2012 are shown in note 11 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.

Corporate Governance Report

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 2011 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 2012	Attendance rate
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 2012 was HK$280,000. 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 2013, subject to approval by the Shareholders at the forthcoming 2012 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 2012. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 30 April 2012 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 21 to 22 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 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 April 2012 are set out in the consolidated statement of comprehensive income on page 23 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 30 April 2012.

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 2012, 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 17 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 24(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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer and five largest customers together accounted for approximately 22% and 55% of the total turnover for the year respectively.

The Group's largest supplier and five largest suppliers together accounted for approximately 18% and 49% 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
Mr. Kan Che Kin, Billy Albert *(Chairman)* (appointed on 30.8.2011)

Independent Non-Executive Directors:

Mr. Lee Kong Leong
Mr. Li Siu Yui
Mr. Ip Woon Lai

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), Mr. Li Kai Yien, Arthur Albert, Ms. Li Shu Han, Eleanor Stella and Mr. Lee Kong Leong will retire by rotation and, being eligible, offer themselves for re-election in the forthcoming 2012 annual general meeting of the Company ("2012 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 2012 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 30 April 2012, the interests and short positions of the Directors and the chief executive of the Company 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, were as follows:

Long positions

Name of Director	Name of company in which interests were held	Nature of interests	Number of issued Shares held	Percentage of the issued share capital of the Company
Kan Che Kin, Billy Albert ("Mr. Kan")	The Company	Beneficial owner	1,840,050,000 (Note 1)	436.03%

Notes:

(1) These Shares represent (i) 152,050,000 Shares held by Mr. Kan; and (ii) 1,688,000,000 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rightes 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.

Save as disclosed above, none of the Directors or chief executives 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 April 2012.

SHARE OPTION

Particulars of the Company's share option scheme (the "Option Scheme") are set out in note 25 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 11 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 30 April 2012, 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 Kung Chuen Lai	1,840,050,000 (Note 1)	436.03%
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500 (Note 2)	10.42%
Liu Su Ke	30,000,000	7.11%

Notes:

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

(2) 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 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

EMOLUMENT POLICY

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

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

The Company has adopted the Option Scheme as an incentive to Directors and eligible employees, details of the Option Scheme are set out in note 25 to the consolidated financial statements.

Report of the Directors

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 26 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 2012 and as at the latest practicable date prior to the issue of this annual report.

SUBSEQUENT EVENTS

No significant events occurred after 30 April 2012.

AUDITORS

Messrs. PKF will retire and a resolution to re-appoint Messrs. PKF as auditors of the Company will be proposed at the 2012 AGM.

On behalf of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong
31 July 2012

Independent Auditor's Report

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 23 to 67, which comprise the consolidated statement of financial position as at 30 April 2012, 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 requirement 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OPINION

As at 30 April 2012, the Group's current liabilities exceeded its current assets and its total liabilities exceeded its total assets by approximately HK$426 million and HK$420 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. We were unable to obtain sufficient appropriate evidence regarding the management's assessment on whether the management's use of the going concern assumption in the consolidated financial statements is appropriate or not.

Independent Auditor's Report

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong
31 July 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6	**63,576**	171,358
Cost of sales		**(58,523)**	(153,611)
Gross profit		**5,053**	17,747
Other income	8	**5,950**	182
Impairment of goodwill		**(5,497)**	–
Selling and distribution expenses		**(2,056)**	(1,653)
Administrative expenses		**(17,752)**	(5,988)
Operating (loss)/profit		**(14,302)**	10,288
Finance costs	10	**(34)**	–
(Loss)/profit before taxation	9	**(14,336)**	10,288
Taxation	12	**(87)**	(2,242)
(Loss)/profit for the year		**(14,423)**	8,046
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		**250**	(34)
Total comprehensive (loss)/income for the year attributable to equity shareholders of the Company		**(14,173)**	8,012
Loss/earnings per share	14		
– Basic		**(HK$0.03)**	HK$0.02
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 30 April 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Goodwill	16	–	–
Property, plant and equipment	17	6,042	4,019
		6,042	4,019
CURRENT ASSETS			
Inventories	18	3,670	9,322
Trade receivables, deposits and other receivables	19	6,748	39,265
Bank balances and cash	20	1,657	17,749
		12,075	66,336
CURRENT LIABILITIES			
Trade and other payables	21	38,259	75,792
Guarantor's liability and accrued liability for potential claims	22	340,346	340,346
Bank borrowings	23	22,948	22,948
Unsecured bank overdrafts		3,710	2,104
Taxation payable		32,529	34,667
		437,792	475,857
NET CURRENT LIABILITIES		(425,717)	(409,521)
NET LIABILITIES		(419,675)	(405,502)
CAPITAL AND RESERVES			
Share capital	24(a)	4,220	4,220
Reserves		(423,895)	(409,722)
CAPITAL DEFICIENCIES		(419,675)	(405,502)

The consolidated financial statements set out on pages 23 to 67 were approved and authorised for issue by the Board of Directors on 31 July 2012 and are signed on its behalf by:

Li Kai Yien, Arthur Albert
Director

Kan Che Kin, Billy Albert
Director

Consolidated Statement of Changes in Equity

For the year ended 30 April 2012

	Attributable to equity holders of the Company					
	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 2010	4,220	84,868	1,010	–	(503,612)	(413,514)
Total comprehensive (loss)/income for the year	–	–	–	(34)	8,046	8,012
At 1 May 2011	4,220	84,868	1,010	(34)	(495,566)	(405,502)
Total comprehensive income/(loss) for the year	–	–	–	250	(14,423)	(14,173)
At 30 April 2012	**4,220**	**84,868**	**1,010**	**216**	**(509,989)**	**(419,675)**

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 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss)/profit before taxation	(14,336)	10,288
Adjustments for:		
Depreciation	1,114	493
Amortisation of intangible asset	8	–
Interest income	(5)	(2)
Impairment of goodwill	5,497	–
Impairment of property, plant and equipment	1,083	–
Impairment of intangible assets	186	–
Impairment of inventories	1,913	–
Impairment of trade receivables	948	–
Written-off of other receivables, prepayments and deposits	3,926	–
Waiver of other payables	(5,000)	–
Loss on disposal of property, plant and equipment	–	18
Finance costs	34	–
Operating cash flows before movements in working capital	(4,632)	10,797
Decrease/(increase) in inventories	3,362	(9,204)
Decrease in trade receivables, deposits and other receivables	32,205	5,906
Decrease in trade and other payables	(33,381)	(5,538)
CASH (USED IN)/FROM OPERATIONS	(2,446)	1,961
Hong Kong Profits Tax paid	(2,334)	(806)
PRC income tax paid	(83)	(4)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(4,863)	1,151
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,362)	(3,956)
Bank overdraft from acquisition of subsidiary-note 31	(1,583)	–
Interest received	5	2
NET CASH USED IN INVESTING ACTIVITIES	(4,940)	(3,954)
FINANCING ACTIVITIES		
Net (repayment to)/advances from a shareholder	(8,070)	12,300
Interest paid	(34)	–
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(8,104)	12,300
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(17,907)	9,497
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	209	(38)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	15,645	6,186
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(2,053)	15,645
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	1,657	17,749
Unsecured bank overdrafts	(3,710)	(2,104)
	(2,053)	15,645

NON CASH TRANSACTION

During the year, the Group settled debts of approximately HK$2,213,000 with property, plant and equipment of approximately HK$1,324,000 and inventories of approximately HK$889,000.

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 the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are manufacturing and trading of household electrical appliances and audio-visual products, details of which are set out in note 30 to the consolidated financial statements.

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

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

2. BASIS OF PREPARATION

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

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

2. BASIS OF PREPARATION *(continued)*

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group's initially applied the following Hong Kong Financial Reporting Standards:-

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKFRS 1	Limited Exemption from Corporative HKFRS 7 Disclosures for First-time Adopters
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	

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

2. BASIS OF PREPARATION *(continued)*

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

The following Hong Kong Financial Reporting Standards in issue 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 2012 since they were not yet effective for the annual period beginning on 1 May 2011:-

HKAS 19 (Revised 2011)	Employee Benefits [4]
HKAS 27 (Revised 2011)	Separate Financial Statements [4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [4]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [5]
Amendments to HKFRS 1	Government Loans [4]
Amendments to HKFRS 7	Disclosures-Transfers of Financial Assets [1]
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities [4]
Amendments to HKFRS 7 and HKFRS 9	Disclosures-Mandatory Effective Date of HKFRS 9 and Transition Disclosures [6]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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 liabilities of approximately HK$420 million as at 30 April 2012.

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 creditors (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 Director and 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 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 was placed into the third stage of the delisting procedures pursuant to Practice Note 17 ("PN17") 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 Company submitted a submission to the Stock Exchange on 31 August 2011 and attended the review hearing of the Listing (Review) Committee to review the Listing Decision on 20 September 2011. However, the Listing (Review) Committee of the Stock Exchange decided to uphold the Listing Decision that the revised Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and that the listing of the Company's shares on the Stock Exchange be cancelled in accordance with PN17.

On 11 October 2011, the Company submitted an application to the Listing (Appeals) Committee of the Stock Exchange to seek a second review of the Listing Decision. As at the date of the annual report, the date of the hearing by the Listing (Appeals) Committee is fixed on 7 September 2012,

3. SIGNIFICANT ACCOUNTING POLICIES

(d) Going concern basis *(continued)*

The Directors consider the conditions precedent to the Open Offer will be satisfied and the Company's liabilities will be settled pursuant to the Schemes. Accordingly, the Directors 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.

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 the consolidated statement of comprehensive income 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.

Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit on loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

Leases

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

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 the 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 necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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.

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 period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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)*

Financial instruments *(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.

Notes to the Consolidated Financial Statements

For the year ended 30 April 2012

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

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:-

– property, plant and equipment;
– intangible assets; and
– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment *(continued)*

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

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 profit or loss 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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 in the 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.

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 possibility of withdrawal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are a joint venture of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close member of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

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, deposit and other 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 and other debtors. If the financial conditions of customers and other debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, allowances may be required. As at 30 April 2012, the carrying value of trade receivables, deposit and other receivables was approximately HK$6,748,000 (2011: HK$39,265,000).

Fair value of identifiable assets and liabilities acquired through business combination

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates and other assumptions.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses these estimates at the end of each reporting period.

Estimated useful lives of property, plant and equipment

Management of the Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives or residual values are different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT *(continued)*

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; and (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. During the year ended 30 April 2012, the Group recognised an impairment loss of HK$5,497,000. Details of the value in use calculation are set out in note 16.

Income tax

As at 30 April 2012, no deferred tax assets had been recognised in respect of the tax losses of approximately HK$31,570,000 (2011: HK$21,050,000) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the 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.

5. FINANCIAL RISK MANAGEMENT *(continued)*

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

Currency risk *(continued)*

As at 30 April 2012, the Group's maximum exposure to credit risk arises from the carrying amounts of 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 24(b) to the consolidated financial statements.

In light of the Group's net liabilities as at 30 April 2012, 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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities as at 30 April 2012 based on the undiscounted cash flows:-

	2012	2011
	HK$'000	HK$'000
Trade and other payables	**38,259**	75,792
Guarantor's liability and accrued liability for potential claims	**340,346**	340,346
Bank borrowings	**22,948**	22,948
Unsecured bank overdrafts	**3,710**	2,104
Due for payment within one year or on demand	**405,263**	441,190

5. FINANCIAL RISK MANAGEMENT *(continued)*

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

Currency risk

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

The 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 form the current accounts among the Company and its subsidiaries which form part of net investment in foreign operation is excluded.

	2012		2011	
	United states Dollars '000	**Hong Kong Dollars '000**	United States Dollars '000	Hong Kong Dollars '000
Trade receivables, deposits and other receivables	**–**	**–**	48	–
Cash and bank balances	**–**	**–**	229	5,560
Trade and other payables	**(53)**	**–**	(108)	–
Net exposure arising from recognised assets and liabilities	**(53)**	**–**	169	5,560

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 2012 and 2011, if RMB appreciated/depreciated 5 percent against HKD with all other variables held constant, there would be no significant change to the Group's loss/profit for both years.

5. FINANCIAL RISK MANAGEMENT *(continued)*

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

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 2012, bank balances of HK$109,000 (2011: HK$9,481,000) and bank overdrafts of HK$3,710,000 (2011: HK$2,104,000) bore interest at rates varies with the then prevailing market condition.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability as at 30 April 2012 and 2011. For variable-rate bank balances, bank borrowings, bank overdrafts and guarantor's liability, the analysis is prepared assuming the amount of assets or liability outstanding as at 30 April 2012 and 2011 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 2012 and 2011 had been 50 basis points higher/lower and all other variables were held constant, there would be no significant change to the Group's loss/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 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.

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 entitiess 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.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at 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.

7. SEGMENT INFORMATION *(continued)*

Reportable segments *(continued)*

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

	Trading of Household Electrical Appliances		Manufacturing and sales of household electrical appliances		Trading of audio-visual products		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER								
External sales	**11,472**	71,045	**52,104**	8,079	**–**	92,234	**63,576**	171,358
RESULT								
Segment result	**(1,283)**	2,929	**(8,554)**	(623)	**–**	10,637	**(9,837)**	12,943
Other operating income							**151**	141
Unallocated corporate expenses							**(4,650)**	(2,796)
(Loss)/profit before taxation							**(14,336)**	10,288
Taxation							**(87)**	(2,242)
(Loss)/profit for the year							**(14,423)**	8,046
ASSETS								
Segment assets	**3**	14,660	**14,671**	9,178	**–**	27,928	**14,674**	51,766
Unallocated corporate assets							**3,443**	18,589
Consolidated total assets							**18,117**	70,355
LIABILITIES								
Segment liabilities	**177**	7,719	**3,684**	3,354	**134**	23,036	**3,995**	34,109
Unallocated corporate liabilities							**433,797**	441,748
Consolidated total liabilities							**437,792**	475,857
OTHER INFORMATION								
Capital additions	**–**	–	**3,362**	3,956	**–**	–	**3,362**	3,956
Capital additions from acquisition of a subsidiary	**–**	–	**2,141**	–	**–**	–	**2,141**	–
Depreciation	**6**	6	**956**	333	**–**	–	**962**	339
Unallocated depreciation	**–**	–	**–**	–	**–**	–	**152**	154
Total depreciation							**1,114**	493
Amortisation of intangible assets	**–**	–	**8**	–	**–**	–	**8**	–
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**5,497**	–
Impairment of property, plant and equipment	**18**	–	**1,065**	–	**–**	–	**1,083**	–
Impairment of intangible asset	**–**	–	**186**	–	**–**	–	**186**	–
Impairment of inventories	**–**	–	**1,913**	–	**–**	–	**1,913**	–
Impairment of trade receivables	**–**	–	**948**	–	**–**	–	**948**	–

7. SEGMENT INFORMATION *(continued)*

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC (including Hong Kong)	**32,069**	163,287	**6,042**	4,019
Europe	**18,136**	4,046	**–**	–
Australia	**1,880**	3,140	**–**	–
United States of America	**11,491**	–	**–**	–
Others	**–**	885	**–**	–
	63,576	171,358	**6,042**	4,019

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.

Information about major customers

For the year ended 30 April 2012, there are two (2011: Nil) customers from segments of manufacturing and sales of household electrical appliances contributing over 10% of the total sales of the Group whose total revenue is approximately HK$22,231,000 (2011: Nil).

For the year ended 30 April 2012, there is one (2011: three) 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$7,145,000 (2011: HK$ 141,761,000).

8. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Change in fair value of contingent consideration in respect of acquisition of a subsidiary	5,000	–
Waiver of accrued directors' remuneration	–	140
Interest income	5	2
Sundry income	945	40
	5,950	182

9. (LOSS)/PROFIT BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
(Loss)/profit before taxation has been arrived at after charging:–		
Auditors' remuneration	280	390
Amortisation of intangible asset	8	–
Depreciation of property, plant and equipment	1,114	493
Loss on disposal of property, plant and equipment	–	18
Impairment of goodwill – Note 16	5,497	–
Impairment of plant and equipment	1,083	–
Impairment of intangible asset	186	–
Impairment of inventories	1,913	–
Impairment of trade receivables	948	–
Written-off of other receivables, prepayments and deposits	3,926	–
Operating lease rentals in respect of rented premises	884	1,578
Staff costs, including Directors' emoluments	10,288	3,535
Retirement benefits scheme contributions, including Directors	261	59
Interest on bank overdrafts	34	–

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expense on bank overdraft	34	–

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

The emoluments paid or payable to each of the seven (2011: eight) 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 2012						
Executive Directors:						
Kan Che Kin, Billy Albert	7	–	–	–	–	7
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
	187	–	–	–	–	187
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:						
Tam Ping Kuen, Daniel	–	–	–	–	–	–
Lau Tai Chim	–	–	–	–	–	–
Lee Kong Leong	50	–	–	–	–	50
Li Siu Yui	50	–	–	–	–	50
Ip Woon Lai	50	–	–	–	–	50
	180	–	–	–	–	180

As at 30 April 2012, the remuneration payable to the Directors was approximately HK$1,096,000 (2011: HK$909,000) which was included in trade and other payables in note 21 to the consolidated financial statements.

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

Employees' emoluments

The emoluments of the five highest paid individual (no Director's are included) for the year ended 30 April 2012 are as follows:-

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	1,173	1,382
Retirement benefits scheme contributions	33	15
	1,206	1,397

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 Directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

Taxation represents:-

	2012 HK$'000	2011 HK$'000
Hong Kong Profits Tax	25	2,224
China Enterprise Income Tax ("EIT")	62	18
	87	2,242

Provision for Hong Kong Profits Tax was calculated at the rate of 16.5% on the estimated assessable profits of a subsidiary of the Company operating in Hong Kong for both years.

Provision for China EIT was calculated at the rate of 25% (2011: 25%) on the estimated assessable profits of a subsidiary of the Company operating in China.

12. TAXATION *(continued)*

Taxation for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of comprehensive income as follows:-

	2012 **HK$'000**	2011 HK$'000
(Loss)/profit before taxation	**(14,336)**	10,288
Tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**(2,365)**	1,697
Hong Kong and PRC tax rates differential	**150**	6
Tax effect of non-taxable income	**(5)**	(23)
Tax effect of non-deductible expenses	**547**	209
Tax effect of deductible temporary differences not recognised	**25**	22
Tax effect of tax loss not recognised	**1,795**	331
Utilisation of tax losses	**(60)**	–
Taxation for the year	**87**	2,242

At 30 April 2012, the Group had unused tax losses of approximately HK$31,570,000 (2011: HK$21,050,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

At 30 April 2012, the Group had deductible temporary differences of approximately HK$293,000 (2011: HK$141,000) 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.

13. DIVIDEND

No dividend was paid or proposed during the year ended 30 April 2012, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic earnings per Share attributable to equity holders of the Company for the year is based on the loss for the year attributable to equity holders of the Company of approximately HK$14,423,000 (2011: profit of HK$8,046,000) and the weighted average number of 422,000,000 (2011: 422,000,000) Shares in issue.

The company had no potential dilutive instruments during the years ended 30 April 2012 and 2011. Accordingly, diluted earnings per share is not presented.

15. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated net loss attributable to equity shareholders of the Company includes a loss of approximately HK$2,917,000 (2011: net profit of HK$738,000) which has been dealt with in the financial statements of the Company.

16. GOODWILL

	HK$'000
Cost:–	
Addition and at 30.4.2012	5,497
Accumulated impairment losses:–	
Impairment loss and at 30.4.2012	5,497
Carrying amount:–	
At 30.4.2012	–

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units ("CGU") identified operating segment as follows:-

	2012 HK$'000
Manufacturing and sales of household electrical appliances	**–**

(a) The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period.

(b) Goodwill arised from an acquisition of a subsidiary in June 2011 (Note 31). However, the subsidiary generated loss during the period after acquisition, the management decided to stop the operation of the subsidiary. Accordingly, the goodwill was impaired and recorded in profit or loss.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Leasehold improvement HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Total HK$'000
Cost:–						
At 1.5.2010	–	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
Acquisition from a subsidiary	–	–	247	677	1,217	2,141
Exchange difference	8	5	1	9	19	42
Additions	865	282	40	956	1,219	3,362
Disposals	–	–	(257)	(1,175)	–	(1,432)
Reallocation	(1,301)	476	–	825	–	–
At 30.4.2012	**–**	**1,320**	**191**	**2,366**	**4,863**	**8,740**
Aggregate depreciation:–						
At 1.5.2010	–	100	15	–	–	115
Charge for the year	–	133	28	70	262	493
At 30.4.2011		233	43	70	262	608
Exchange difference	–	–	–	1	–	1
Charge for the year	–	177	64	264	609	1,114
Elimination on disposals	–	–	(25)	(83)	–	(108)
At 30.4.2012	**–**	**410**	**82**	**252**	**871**	**1,615**
Aggregate impairment:–						
Charge for the year and at 30.4.2012	–	–	18	–	1,065	1,083
Net book value:–						
At 30.4.2012	**–**	**910**	**91**	**2,114**	**2,927**	**6,042**
At 30.4.2011	428	324	117	1,004	2,146	4,019

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

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

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

18. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	1,811	803
Work-in-progress	1,609	2,938
Finished goods	250	2
Goods held for re-sale	–	5,579
	3,670	9,322

The analysis of the amount of inventories recognised on expenses and included in profit or loss is as follows:-

	2012 HK$'000	2011 HK$'000
Carrying amount of inventories sold	58,523	153,611
Write down of inventories	1,913	–
	60,436	153,611

Operation of a subsidiary of the Group was ceased during the year, all unsold goods was fully written off.

19. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	3,413	37,318
Deposits and other receivables	3,335	1,947
At end of the year	6,748	39,265

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

The Group allows its trade customers with a credit period normally ranging from payment on delivery to 120 days. The aged analysis (based on invoice date) of the Group's trade receivables as at 30 April 2012 and 2011 is as follows:-

	2012	2011
	HK$'000	HK$'000
Aged:		
0 to 90 days	**3,413**	29,857
91 to 180 days	**–**	7,461
	3,413	37,318

Included in the Group's trade receivables, the carrying amount of HK$2,054,000 (2011: HK$9,735,000) 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.

20. 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.

21. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	HK$'000
Trade payables	**3,215**	32,537
Other payables	**18,040**	18,181
Amount due to a shareholder	**14,730**	22,800
Amount due to a deconsolidated subsidiary	**2,274**	2,274
	38,259	75,792

21. TRADE AND OTHER PAYABLES *(continued)*

The aged analysis of the Group's trade payables as at 30 April 2012 and 2011 is as follows:-

	2012	2011
	HK$'000	HK$'000
Aged:		
0 to 90 days	**1,439**	32,226
91 to 180 days	**1,391**	–
Over 180 days	**385**	311
	3,215	32,537

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

22. 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 (2011: 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 (2011: HK$16,500,000); and (iii) the accrued interest of approximately HK$23,955,000 (2011: 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 2012.

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.

23. BANK BORROWINGS

	2012 HK$'000	2011 HK$'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.

24. SHARE CAPITAL

(a) Share capital

	Number of Shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:–		
At 1 May 2010, 30 April 2011 and 30 April 2012	**8,000,000**	**80,000**
Issued and fully paid:–		
At 1 May 2010, 30 April 2011 and 30 April 2012	**422,000**	**4,220**

24. SHARE CAPITAL *(continued)*

(b) Capital management

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

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

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares 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.

25. 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 2011. In addition, no share option has been granted during the current and preceding years.

26. 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 employee's 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$261,000 (2011: HK$59,000) represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

As at 30 April 2012 and 2011, 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.

27. OPERATING LEASE COMMITMENTS

As at 30 April 2012, 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:-

	2012	2011
	HK$'000	HK$'000
Within one year	**18**	871

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.

28. 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 2012.

(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 2012. The indebtedness claimed was subsequently assigned by the Bank of Toyko-Mitsubishi UFJ, Ltd. to an independent third party of the Group.

(d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgement against the Company for the sum of approximately HK$5,060,000 and interest. The 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 2012. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

28. LITIGATIONS *(continued)*

(e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK$5,449,000 approximately US$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a 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 2012. 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 2012.

(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 2012.

(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 2012.

(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 2012.

28. LITIGATIONS *(continued)*

(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 27(g) and note 27(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 2012.

(k) 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 2012.

(l) 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 2012.

29. BANKING FACILITIES

There is no banking facility granted as at 30 April 2012. As at 30 April 2011, the Group had 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 its shareholder, Mr. Kan Che Kin, Billy Albert of HK$10,000,000.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 April 2012 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
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 # 東莞堅東電器制造有限公司#	The People's Republi of China (PRC)	HK$8,000,000	–	100%	Designing, manufacturing, marketing and distribution of household appliances

\# Registered as a wholly foreign owned enterprise under PRC laws

None of the subsidiaries had issued debt securities as at 30 April 2012.

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.

31. ACQUISITION OF A SUBSIDIARY

On 22 June 2011, the Company acquired 100% of the issued shares of Rich Honest (Europe) Ltd. for a total purchase consideration of HK$5,000,000. The details of the acquisition are as follows:-

Recognised amounts of identifiable assets acquired and liabilities assumed:-

	HK$'000
Property, plant and equipment	2,141
Intangible asset	194
Inventories	512
Trade and other receivables	4,562
Bank overdraft	(1,583)
Trade and other payables	(6,131)
Taxation payable	(192)
Fair value of total identifiable net liabilities	(497)
Goodwill – Note 16	5,497
Total consideration	5,000
Purchase consideration settled in cash (note)	–
Bank overdraft in a subsidiary acquired	1,583
Cash outflow on acquisition	1,583

From the period between 22 June 2011 and 30 April 2012, the subsidiary contributed turnover of HK$4,702,000 and a net loss of HK$10,239,000 to the consolidated net loss for the year ended 30 April 2012.

If the acquisition had occurred on 1 May 2011, the directors estimates that the Group's turnover would have been HK$64,623,000 and net loss would have been HK$15,391,000 for the year ended 30 April 2012.

Note:–

The purchase consideration of HK$5,000,000 was waived during the year as the earnings target stated in the sales and purchase agreement of acquiring Rich Honest (Europe) Ltd. was not reached.

32. STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 30 April 2012 is as follow:-

	2012 HK$'000	2011 HK$'000
Non-current assets		
Investment in subsidiaries	–	4,500
Current assets		
Deposit	1,000	–
Bank balances and cash	12	8
	1,012	8
Current liabilities		
Other payables	6,160	5,496
Amounts due to subsidiaries	13,202	14,445
Amount due to a deconsolidated subsidiary	2,274	2,274
Guarantor's liability	347,989	347,989
Unsecured bank overdrafts	26	26
	369,651	370,230
Net current liabilities	(368,639)	(370,222)
Net liabilities	(368,639)	(365,722)
Capital and reserves		
Share capital	4,220	4,220
Reserves	(372,859)	(369,942)
Capital deficiencies	(368,639)	(365,722)

33. 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:-

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**635**	620
Post-employment benefits	**12**	12
	647	632

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

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Turnover	1,285	53,437	150,020	171,358	**63,576**
Profit/(loss) before taxation	(1,625)	(20,399)	6,337	10,288	**(14,336)**
Taxation	–	(397)	(1,325)	(2,242)	**(87)**
Profit/(loss) for the year	(1,625)	(20,796)	5,012	8,046	**(14,423)**

ASSETS AND LIABILITIES

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	1,341	20,465	54,074	70,355	**18,117**
Total liabilities	399,071	438,991	467,588	475,857	**437,792**
Capital deficiency	(397,730)	(418,526)	(413,514)	(405,502)	**(419,675)**
Attributable to:					
Equity holders of the Company	(397,769)	(418,526)	(413,514)	(405,502)	**(419,675)**
Minority interests	39	–	–	–	**–**
	(397,730)	(418,526)	(413,514)	(405,502)	**(419,675)**