

# GRANDE

THE GRANDE HOLDINGS LIMITED

嘉城集團有限公司

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

INTERIM REPORT

2 0 1 1

## FINANCIAL HIGHLIGHTS

	Continuing Operations (Unaudited)		Discontinued Operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended		Six months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
OPERATING RESULTS:						
Revenue ( <i>HK\$ million</i> )	775	980	–	65	775	1,045
(Loss)/profit for the period attributable to the shareholders of the Company ( <i>HK\$ million</i> )	<u>(636)</u>	<u>20</u>	<u>–</u>	<u>(24)</u>	<u>(636)</u>	<u>(4)</u>
PER SHARE DATA:						
Basic (loss)/earnings per share ( <i>HK\$</i> )	(1.38)	0.04	–	(0.05)	(1.38)	(0.01)
Diluted (loss)/earnings per share ( <i>HK\$</i> )	<u>(1.38)</u>	<u>0.04</u>	<u>–</u>	<u>(0.05)</u>	<u>(1.38)</u>	<u>(0.01)</u>

## INTERIM RESULTS

The Board of directors of The Grande Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and the Provisional Liquidators to the Company are pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011, together with the comparative figures for the corresponding period and selected explanatory notes are as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<i>(Unaudited)</i>	
		<i>Six months ended</i>	
		<i>30 June 2011</i>	<i>30 June 2010</i>
		<i>HK\$ million</i>	<i>HK\$ million</i>
<b>CONTINUING OPERATIONS –</b>			
REVENUE	5	775	980
Cost of sales		(627)	(780)
Gross profit		148	200
Other income		27	61
Gain on disposal of subsidiaries		5	3
Distribution costs		(12)	(16)
Administrative expenses		(79)	(101)
Other expenses		(6)	(72)
Finance costs		(43)	(35)
<b>PROFIT BEFORE SETTLEMENT OF COURT PROCEEDINGS, PROVISION FOR LEGAL CLAIMS AND TAX</b>			
		40	40
Settlement of court proceedings	24	(273)	–
Provision for legal claims	25	(369)	–
(LOSS)/PROFIT BEFORE TAX		(602)	40
Tax	6	(27)	(27)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	7	(629)	13
<b>DISCONTINUED OPERATIONS –</b>			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	9	–	(24)
LOSS FOR THE PERIOD	7	(629)	(11)
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX:</b>			
Exchange differences on translating foreign operations		1	14
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</b>	7	<b>(628)</b>	<b>3</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	<i>Notes</i>	(Unaudited)	
		Six months ended	
		30 June 2011	30 June 2010
		<i>HK\$ million</i>	<i>HK\$ million</i>
(LOSS)/PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Shareholders of the Company:			
(Loss)/profit for the period from continuing operations		(636)	20
Loss for the period from discontinued operations		—	(24)
		<u>(636)</u>	<u>(4)</u>
Non-controlling interests:			
Profit/(loss) for the period from continuing operations		7	(7)
		<u>(629)</u>	<u>(11)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of the Company:			
(Loss)/income for the period from continuing operations		(635)	29
Income/(loss) for the period from discontinued operations		7	(26)
		<u>(628)</u>	<u>3</u>
		<i>HK \$</i>	<i>HK \$</i>
(LOSS)/EARNINGS PER SHARE			
10 From continuing and discontinued operations –			
Basic		<u>(1.38)</u>	<u>(0.01)</u>
Diluted		<u>(1.38)</u>	<u>(0.01)</u>
From continuing operations –			
Basic		<u>(1.38)</u>	<u>0.04</u>
Diluted		<u>(1.38)</u>	<u>0.04</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2011	(Audited) As at 31 December 2010
	Notes	HK\$ million	HK\$ million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	24	25
Investment properties		1	1
Available-for-sale investments	12	–	30
Deferred tax assets		32	57
Brands and trademarks	13	1,611	1,609
Other assets		5	7
Goodwill	14	13	13
		<u>1,686</u>	<u>1,742</u>
<b>CURRENT ASSETS</b>			
Inventories	15	160	189
Accounts and bills receivables	16	263	73
Amounts due from related companies	17	3	4
Prepayments, deposits and other receivables	18	23	36
Tax recoverable		1	1
Held-for-trading investments	19	–	6
Pledged deposits with banks		52	30
Cash and bank balances		178	158
		<u>680</u>	<u>497</u>
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	20	134	51
Amounts due to related companies	21	1,885	24
Accrued liabilities and other payables	22,28	414	390
Provision for retirement and long service payments		–	1
Tax liabilities		4	4
Secured bank loans	28	–	19
Debenture	23	45	45
		<u>2,482</u>	<u>534</u>
Provision for legal claims/Settlement obligations of court proceedings	25,24	369	870
		<u>2,851</u>	<u>1,404</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,171)</u>	<u>(907)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(485)</u>	<u>835</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited)	(Audited)
		As at	As at
		30 June 2011	31 December 2010
<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>NON-CURRENT LIABILITIES</b>			
Amounts due to related companies	21	–	671
Obligations under finance leases		1	–
Accrued liabilities and other payables	22	43	61
		<hr/>	<hr/>
		44	732
		<hr/>	<hr/>
<b>NET (LIABILITIES)/ASSETS</b>		<b>(529)</b>	<b>103</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	26	46	46
Share premium		1,173	1,173
Reserves		(2,454)	(1,819)
		<hr/>	<hr/>
<b>DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY</b>			
		(1,235)	(600)
<b>NON-CONTROLLING INTERESTS</b>			
		706	703
		<hr/>	<hr/>
<b>TOTAL (DEFICIENCY)/BALANCE OF EQUITY</b>		<b>(529)</b>	<b>103</b>
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$ million</i>	Share premium <i>HK\$ million</i>	Contributed reserve <i>HK\$ million</i>	Exchange fluctuation reserve <i>HK\$ million</i>	Other reserves <i>HK\$ million</i>	Retained deficits <i>HK\$ million</i>	(Deficiency)/ Balance of equity attributable to the shareholders of the Company <i>HK\$ million</i>	Non-controlling interests <i>HK\$ million</i>	(Unaudited) Total equity <i>HK\$ million</i>
At 1 January 2011	46	1,173	193	(128)	(7)	(1,877)	(600)	703	103
(Loss)/profit for the period from continuing operations	-	-	-	-	-	(636)	(636)	7	(629)
Other comprehensive income: Exchange gain on translating foreign operations from continuing operations	-	-	-	1	-	-	1	-	1
Total comprehensive income/ (loss) for the period	-	-	-	1	-	(636)	(635)	7	(628)
Disposal of subsidiaries	-	-	-	-	-	-	-	(4)	(4)
At 30 June 2011	<u>46</u>	<u>1,173</u>	<u>193</u>	<u>(127)</u>	<u>(7)</u>	<u>(2,513)</u>	<u>(1,235)</u>	<u>706</u>	<u>(529)</u>
At 1 January 2010	46	1,173	193	(59)	23	(1,272)	104	778	882
Profit/(loss) for the period from operations:									
Continuing	-	-	-	-	-	20	20	(7)	13
Discontinued	-	-	-	-	-	(24)	(24)	-	(24)
Loss for the period	-	-	-	-	-	(4)	(4)	(7)	(11)
Other comprehensive income: Exchange gain/(loss) on translating foreign operations:									
Continuing	-	-	-	9	-	-	9	7	16
Discontinued	-	-	-	(2)	-	-	(2)	-	(2)
	-	-	-	7	-	-	7	7	14
Total comprehensive income/ (loss) for the period	-	-	-	7	-	(4)	3	-	3
Partial disposal of subsidiaries	-	-	-	-	(7)	-	(7)	15	8
Dividend paid	-	-	-	-	-	-	-	(101)	(101)
At 30 June 2010	<u>46</u>	<u>1,173</u>	<u>193</u>	<u>(52)</u>	<u>16</u>	<u>(1,276)</u>	<u>100</u>	<u>692</u>	<u>792</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
		(Restated)
Net cash generated from/(used in) operating activities	25	(151)
Net cash generated from investing activities	14	1
Net cash used in financing activities	(19)	(78)
Net increase/(decrease) in cash and cash equivalents	20	(228)
Cash and cash equivalents at 1 January	158	315
Cash and cash equivalents at 30 June	178	87
Analysis of balances of cash and cash equivalents		
Cash and bank balances	178	87



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2011

## 1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These interim consolidated financial statements have been prepared under the historical cost basis except for certain investment properties which are measured at revalued amounts.

On 31 May 2011, an Order was granted by the High Court of the Hong Kong Special Administrative Region to appoint Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited, to act as provisional liquidators to the Company (the "Provisional Liquidators"). The Provisional Liquidators would be undertaking an urgent assessment of the operations of the Company and its subsidiaries in consultation with the management, creditors, regulatory authorities and other relevant parties in order to determine the optimal strategy to maximize the return to stakeholders. Notwithstanding that the Group had net current liabilities of HK\$2,171 million as at 30 June 2011, the Board and the Provisional Liquidators are of the view that the Group is able to continue its normal operation as usual. Accordingly, the Board and the Provisional Liquidators continue to adopt the going concern basis in preparing these consolidated financial statements.

The Provisional Liquidators have commenced but not yet completed an assessment of the operations of the Company and its subsidiaries from 1 June 2011, with a view to establishing the assets and liabilities of the Company. As such, the Provisional Liquidators have not had the opportunity to review or verify these accounts and adjustments to the Company's assets and liabilities may be required within the next reporting period.

## 2. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in preparing the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2011:

HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRSs (Amendments)	Improvements to HKFRSs (2010)
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of right issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, except for as described below:

The improvements to HKFRSs 2010 consist of further amendments to existing standards, including an amendment to HKAS 34 "Interim Financial Reporting". HKAS 34 (Amendment) requires the update of relevant information related to significant events and transactions in the most recent annual financial report. HKAS 34 now specifies events and transactions for which disclosures are required, and guidance has been added covering the application of the requirements for financial instruments. It has had no financial impact on the Group's accounts.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2011, and is in the process of assessing their impact on future accounting periods:

HKFRS 1 (Amendment)	(i)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	(i)	Disclosures: Transfers of financial assets
HKFRS 9	(iii)	Financial instruments
HKFRS 10	(iii)	Consolidated financial statements
HKFRS 11	(iii)	Joint arrangements
HKFRS 12	(iii)	Disclosure of interests in other entities
HKFRS 13	(iii)	Fair value measurement
HKAS 12 (Amendment)	(ii)	Deferred tax: Recovery of underlying assets
HKAS 19 (2011)	(iii)	Employee benefits
HKAS 27 (2011)	(iii)	Separate financial statements
HKAS 28 (2011)	(iii)	Investments in associates and joint ventures

**2. ACCOUNTING POLICIES** (continued)

- (i) Effective for annual periods beginning on or after 1 July 2011.
- (ii) Effective for annual periods beginning on or after 1 January 2012.
- (iii) Effective for annual periods beginning on or after 1 January 2013.

**3. COMPARATIVE FIGURES**

Certain comparative amounts have been represented to conform with the current period's presentation.

**4. SEGMENT INFORMATION**

The Group currently organises its operations into the following reportable operating segments. The Group disposed of its OEM manufacturing services business in December 2010 of which formed principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division for the six months ended 30 June 2010 are presented as discontinued operations.

Operating segments	Principal activities
Continuing operations –	
Branded distribution	Distribution of audio and video products and licensing business
Emerson	– Comprising a group listed on the NYSE Alternext US
Distribution and licensing	– Comprising the brands and trademarks, namely, Akai, Sansui and Nakamichi
Discontinued operations –	
Electronics manufacturing services	Manufacture and trading of electronic products and subcontracting service

**4. SEGMENT INFORMATION** (continued)

(a) **Unaudited revenue and results of the Group by operating segments:**

*For the six months ended 30 June 2011:*

	Branded Distribution			Continuing operations	Discontinued operations	Consolidated
	Emerson <i>HK\$ million</i>	Distribution and licensing <i>HK\$ million</i>	Unallocated <i>HK\$ million</i>			
<b>Revenue</b>						
Sales of goods and provision of services to external customers	700	6	–	706	–	706
Licensing income from external customers	26	43	–	69	–	69
	<u>726</u>	<u>49</u>	<u>–</u>	<u>775</u>	<u>–</u>	<u>775</u>
<b>Results</b>						
Segment results	<u>53</u>	<u>24</u>		77		77
Unallocated corporate expenses			(20)	(20)		(20)
				<u>57</u>		<u>57</u>
<b>Gain on disposal of available-for-sale investments</b>						
	6	–	–	6	–	6
Gain on disposal of subsidiaries			5	5	–	5
Allowance for doubtful debts written back			2	2	–	2
Excessive provisions written back			12	12	–	12
Settlement of court proceedings			(273)	(273)	–	(273)
Provision for legal claims			(369)	(369)	–	(369)
Interest income			1	1	–	1
Finance costs			(43)	(43)	–	(43)
Tax			(27)	(27)	–	(27)
				<u>(629)</u>	<u>–</u>	<u>(629)</u>
Loss for the period				<u>(629)</u>	<u>–</u>	<u>(629)</u>

4. SEGMENT INFORMATION (continued)

(a) Unaudited revenue and results of the Group by operating segments: (continued)

For the six months ended 30 June 2010 (Restated):

	Branded Distribution			Continuing operations	Discontinued operations	Consolidated
	Emerson	Distribution and licensing	Unallocated			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Revenue</b>						
Sales of goods and provision of services to external customers	906	8	–	914	65	979
Licensing income from external customers	28	38	–	66	–	66
Total revenue	934	46	–	980	65	1,045
<b>Results</b>						
Segment results	90	11		101	(9)	92
Unallocated corporate expenses			(24)	(24)		(24)
				77		68
Loss on disposal of property, plant and equipment	(3)	(40)	–	(43)	–	(43)
Impairment loss recognised in respect of property, plant and equipment	–	–	–	–	(4)	(4)
Gain on disposal of subsidiaries			3	3	–	3
Allowance for doubtful debts written back			4	4	–	4
Provision for legal claims written back			52	52	–	52
Loss on financial derivatives			(19)	(19)	–	(19)
Interest income			1	1	–	1
Finance costs			(35)	(35)	(11)	(46)
Tax			(27)	(27)	–	(27)
Profit/(loss) for the period				13	(24)	(11)

**4. SEGMENT INFORMATION** (continued)

(b) **Geographical segments:**

	(Unaudited)		(Unaudited) (Audited)	
	Six months ended		30 June 2011	31 December 2010
	30 June 2011	30 June 2010	30 June 2011	31 December 2010
	Revenue		Carrying amount of segment assets	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Asia	41	42	198	83
North America	732	936	467	422
Europe	2	2	–	–
Unallocated	–	–	1,611	1,609
	<u>775</u>	<u>980</u>	<u>2,276</u>	<u>2,114</u>

**5. REVENUE**

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, sub-contracting service income and licensing income, but excludes intra-group transactions.

The Group disposed of its OEM manufacturing services business in December 2010, which formed principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division for the six months ended 30 June 2010 are presented as discontinued operations.

An analysis of the Group's revenue by principal activity for the period is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
By principal activity:		
Sales of goods and services income	706	914
Licensing income	69	66
Attributable to continuing operations	<u>775</u>	<u>980</u>
Attributable to discontinued operations		
Sales of goods and services income	–	65
	<u>775</u>	<u>1,045</u>

## 6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
The tax charge/(credit) comprises:		
Current period provision		
Hong Kong	(1)	2
Overseas	12	22
Under/(over) provision in prior period		
Hong Kong	1	–
Overseas	(10)	(13)
Deferred tax		
Hong Kong	–	2
Overseas	25	14
	<u>27</u>	<u>27</u>

**7. (LOSS)/PROFIT FOR THE PERIOD**

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	Continuing Operations (Unaudited)		Discontinued Operations (Unaudited)		Consolidated (Unaudited)	
	Six months ended		Six months ended		Six months ended	
	30 June 2011 <i>HK\$ million</i>	30 June 2010 <i>HK\$ million</i>	30 June 2011 <i>HK\$ million</i>	30 June 2010 <i>HK\$ million</i>	30 June 2011 <i>HK\$ million</i>	30 June 2010 <i>HK\$ million</i>
Depreciation of property, plant and equipment:						
Owned assets	2	3	-	18	2	21
Leased assets	-	-	-	7	-	7
	<u>2</u>	<u>3</u>	<u>-</u>	<u>25</u>	<u>2</u>	<u>28</u>
Operating lease rentals:						
Land and buildings	9	11	-	2	9	13
Property, plant and equipment	1	-	-	2	1	2
	<u>10</u>	<u>11</u>	<u>-</u>	<u>4</u>	<u>10</u>	<u>15</u>
Finance costs:						
Interest on bank overdrafts and loans wholly repayable within five years	-	-	-	11	-	11
Interest on debenture	3	3	-	-	3	3
Interest on amounts due to related companies	38	14	-	-	38	14
Interest on settlement obligations of court proceedings	-	11	-	-	-	11
Others	2	7	-	-	2	7
	<u>43</u>	<u>35</u>	<u>-</u>	<u>11</u>	<u>43</u>	<u>46</u>
Staff costs:						
Salaries and other benefits	38	45	-	6	38	51
Retirement benefit costs	2	5	-	1	2	6
	<u>40</u>	<u>50</u>	<u>-</u>	<u>7</u>	<u>40</u>	<u>57</u>
Auditors' remuneration	5	5	-	-	5	5
Amortisation of other assets	2	1	-	-	2	1
Allowance for doubtful debts written back	(2)	(4)	-	-	(2)	(4)
Excessive provisions written back	(12)	(52)	-	-	(12)	(52)
Cost of inventories recognised as expenses	627	773	-	-	627	773
Loss on disposal of property, plant and equipment	-	43	-	-	-	43
Gain on disposal of available-for-sale investments	(6)	-	-	-	(6)	-
Impairment loss recognised in respect of property, plant and equipment	-	-	-	4	-	4
Net foreign exchange loss	3	6	-	1	3	7
Loss on financial derivatives	-	19	-	-	-	19
Interest income	(1)	(1)	-	-	(1)	(1)



## 8. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of material transactions between the Group and other related parties for the period are disclosed below:

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
Related companies:		
Service fees income	1	3
Rental expenses	–	2
Interest expenses	38	14
	<u>38</u>	<u>14</u>

## 9. DISCONTINUED OPERATIONS

(a) The results of the discontinued operations for the period:

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue	–	65
Cost of sales	–	(46)
	<u>–</u>	<u>19</u>
Gross profit	–	19
Other income	–	8
Administrative expenses	–	(34)
Other expenses	–	(6)
Finance costs	–	(11)
	<u>–</u>	<u>(11)</u>
	<u>–</u>	<u>(24)</u>

(b) Net cash outflows on discontinued operations:

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
Operating activities	–	7
Investing activities	–	(1)
Financing activities	–	(21)
	<u>–</u>	<u>(15)</u>
	<u>–</u>	<u>(15)</u>

**10. (LOSS)/EARNINGS PER SHARE**

	(Unaudited)	
	Six months ended	
	30 June 2011	30 June 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
(Loss)/profit:		
(Loss)/profit attributable to shareholders of the Company used in the basic (loss)/earnings per share calculation:		
From continuing operations	(636)	20
From discontinued operations	–	(24)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	30 June 2011	30 June 2010
	Number of	Number of
	Ordinary Shares	Ordinary Shares
	<i>million</i>	<i>million</i>
Shares:		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	460.2	460.2
	<u>          </u>	<u>          </u>

**Discontinued operations:**

Basic loss per share for the discontinued operations is nil (2010: HK\$0.05) per share, based on the loss from the discontinued operations and the weighted average numbers of ordinary shares presented above.

The Company did not have any potential ordinary shares during the above two periods.

**11. PROPERTY, PLANT AND EQUIPMENT**

	(Unaudited)	(Audited)
	30 June 2011	31 December 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
Carrying value at beginning of year	25	213
Foreign currency adjustment	–	12
Additions	1	3
Impairment	–	(13)
Disposal of subsidiaries	–	(40)
Disposals	–	(97)
Depreciation provided during the period/year	(2)	(53)
	<u>          </u>	<u>          </u>
Carrying value at the end of reporting period	<u>          </u>	<u>          </u>

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
Unlisted investments at cost less impairment losses:		
At beginning of year	30	48
Disposals	(30)	(17)
Impairment	–	(1)
	<hr/>	<hr/>
At the end of reporting period	<u>–</u>	<u>30</u>

## 13. BRANDS AND TRADEMARKS

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
At beginning of year	1,609	1,677
Foreign currency adjustment	2	4
Impairment	–	(72)
	<hr/>	<hr/>
At the end of reporting period	<u>1,611</u>	<u>1,609</u>

## 14. GOODWILL

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
At beginning of year	13	530
Impairment	–	(516)
Partial disposal of subsidiaries	–	(1)
	<hr/>	<hr/>
At the end of reporting period	<u>13</u>	<u>13</u>

## 15. INVENTORIES

The amounts represent finished goods at net realisable values.

## 16. ACCOUNTS AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers.

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
Gross amount	337	144
Less: Allowance for doubtful debts	(74)	(71)
	263	73
Net amount	263	73

The carrying amount of accounts and bills receivables approximates their fair value.

The aged analysis of accounts and bills receivables (net of allowance for doubtful debts) is as follows:

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
0 – 3 months	262	72
3 – 6 months	1	–
Over 6 months	–	1
	263	73
	263	73

In addition, some of the unimpaired accounts and bills receivables are past due as at the end of the reporting period. The aged analysis of accounts and bills receivables past due but not impaired is as follows:

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
0 – 3 months	180	57
3 – 6 months	1	–
Over 6 months	–	1
	181	58
	181	58

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivables are still considered to be fully recoverable.

## 17. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
Prepayments	4	6
Deposits	3	8
VAT receivables	5	5
Other receivables	11	17
	<u>23</u>	<u>36</u>

## 19. HELD-FOR-TRADING INVESTMENTS

The amounts represent fine wines held for investment purposes at fair value.

## 20. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
0 – 3 months	127	42
3 – 6 months	–	1
Over 6 months	7	8
	<u>134</u>	<u>51</u>

**21. AMOUNTS DUE TO RELATED COMPANIES**

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
Current portion	1,885	24
Non-current portion	—	671
	1,885	695
	1,885	695

Included in the amounts due to related companies is an amount of HK\$1,870 million (2010: HK\$681 million) which is unsecured, bearing interest at 0.25% above the Hong Kong dollar prime rates per annum and repayable on demand. The remaining balance is unsecured, non-interest bearing and repayable on demand.

**22. ACCRUED LIABILITIES AND OTHER PAYABLES**

	(Unaudited) 30 June 2011		(Audited) 31 December 2010	
	Current <i>HK\$ million</i>	Non-current <i>HK\$ million</i>	Current <i>HK\$ million</i>	Non-current <i>HK\$ million</i>
Accrued expenses and provisions	125	32	116	32
Other payables	289	11	273	29
Deposits received	—	—	1	—
	414	43	390	61
	414	43	390	61

Included in the other payables were amounts in aggregate of HK\$195.9 million (2010: HK\$209.2 million) which were due for payment prior to the end of the reporting period. Such balances were secured by the Group's shareholding interest in its certain subsidiaries.

**23. DEBENTURE**

On 10 December 2008, the Company issued a principal amount of US\$27.6 million (equivalent to HK\$214 million) of Debenture ("Debenture") at par value to an independent third party, which is unsecured and bears an interest at 12% per annum on the outstanding principal. The maturity date of the Debenture pursuant to the agreement was 5 July 2011. Consequent upon the appointment of the Provisional Liquidators on 31 May 2011, the redemption of the outstanding principal of the Debenture will be subject to the terms of any scheme of arrangement that will eventually be binding on all the creditors of the Company.

The principal outstanding at the end of the reporting period was approximately US\$5.8 million (2010: US\$5.8 million).

## 24. SETTLEMENT OF COURT PROCEEDINGS

On 3 October 2009, the Company and all other defendants of the court proceedings in HCCL No. 37 of 2005 and HCCL No. 40 of 2005 entered into a settlement agreement (the "Settlement Agreement") with the plaintiffs, whereby the Company, without admission of liability, took up an amount of HK\$969 million plus interest as its maximum obligations payable to the plaintiffs within twelve months from the date of the Settlement Agreement. The entire settlement amount was accrued and expensed in 2009.

On 23 November 2010, an amendment agreement relating to the Settlement Agreement was entered into with the plaintiffs, under which the plaintiffs had agreed to extend the date of final payment of approximately HK\$801 million inclusive of an extension fee of approximately HK\$47 million by another four months to February 2011. The extension fee and the related expenses up to 31 December 2010 were accrued and expensed in 2010.

On 31 January 2011, the Company discharged its entire outstanding settlement obligations in respect of these court proceedings with the financial assistance from the Company's ultimate holding company. The related financing and administration costs in an aggregate amount of approximately HK\$273 million for discharging the settlement obligations was accrued and expensed during the period.

## 25. PROVISION FOR LEGAL CLAIMS

In 2005, certain plaintiffs (the "Plaintiffs") obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US\$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US\$47 million (approximately HK\$369 million) which includes the aforesaid default judgment amount and the related accrued interest. Such amount was accrued and expensed during the period.

## 26. SHARE CAPITAL

	(Unaudited) 30 June 2011 <i>HK\$ million</i>	(Audited) 31 December 2010 <i>HK\$ million</i>
Authorised share capital:		
1,000,000,000 ordinary shares of HK\$0.10 each	100	100
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK\$0.10 each	46	46

## 27. OPERATING LEASE COMMITMENTS

	(Unaudited)	(Audited)
	30 June 2011	31 December 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
The Group's future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings:		
Not later than one year	5	8
Later than one year and not later than five years	1	18
	6	26
	6	26
Others:		
Not later than one year	-	1
	-	1
	-	1

## 28. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	(Unaudited)	(Audited)
	30 June 2011	31 December 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
(a) Legal charges over available-for-sale investments	-	30
(b) Legal charges over plant and machineries	1	-
(c) Pledge of listed shares of certain subsidiaries	312	312
(d) Pledge of bank deposits	52	30
	365	372
	365	372

## 29. EVENTS AFTER THE REPORTING PERIOD

Emperor Capital Limited was appointed by the Provisional Liquidators as the financial advisor to the Company regarding a proposal submitted by a potential investor independent of the Company for restructuring the Company and its certain subsidiaries. The potential investor has been granted an exclusivity for nine months from 26 July 2011 for the negotiation of a legally binding agreement for the implementation of a restructuring scheme.

## 30. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of directors of the Company and the Provisional Liquidators on 30 August 2011.



## DIVIDENDS

There will not be a payment of an interim dividend for the six months ended 30 June 2011 (2010: nil).

## SUSPENSION OF TRADING OF THE COMPANY SHARES AND APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Trading in the shares of the Company has been suspended from trading on The Stock Exchange of Hong Kong Limited since 30 May 2011.

On 31 May 2011, a substantial creditor of the Company filed an application to the High Court of Hong Kong (the “High Court”) for the winding up petition against the Company. Accordingly, the High Court appointed Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited to act as the Provisional Liquidators to the Company on the same day.

The Provisional Liquidators have been granted the authority to sign, approve, publish and do all such acts in connection with this report pursuant to an order of the High Court.

## BUSINESS REVIEW AND PROSPECTS

The revenue of the Group for the six months ended 30 June 2011 (“current period”) was HK\$775 million as compared to HK\$980 million for 2010 (“corresponding period”). The Group recorded an unaudited net loss attributable to shareholders of HK\$636 million for the current period, as compared to a loss of HK\$4 million for the corresponding period.

The Group comprises the Branded Distribution Division only consequent upon the disposal of the Electronics Manufacturing Services Division in December 2010.

### The Branded Distribution Division

The Division comprises the Emerson operations and the Distribution and Licensing operations for Akai, Sansui and Nakamichi brands.

#### Emerson –

The trade name “Emerson” dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

## **BUSINESS REVIEW AND PROSPECTS (continued)**

Emerson's revenue for the current period was HK\$726 million as compared to HK\$934 million for the corresponding period. It recorded an operating profit of HK\$53 million for the current period as compared to HK\$90 million for the corresponding period. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

### **Distribution and Licensing –**

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the domestic markets.

The revenue of this segment was HK\$49 million for the current period as compared to HK\$46 million for the corresponding period. The operating profit for the current period was HK\$24 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK\$11 million for the corresponding period.

Notwithstanding the net loss of HK\$636 million recorded by the Group during the period, the Board and the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

## **KEY EVENT AFTER THE APPOINTMENT OF THE PROVISIONAL LIQUIDATORS**

The Provisional Liquidators and the Company are in the process of negotiating with a potential investor independent to the Company (the "Investor") with a view to entering into a legally binding agreement for the implementation of a restructuring scheme which involves the acquisition of the control of the Company by the Investor and the payment to the Company's creditors with the cash injected by the Investor. The Investor has been granted with an exclusive period of nine months effective from 26 July 2011 for the reaching a restructuring agreement with the Provisional Liquidators and Company. On 25 July 2011, Emperor Capital Limited was appointed by the Provisional Liquidators as the financial advisor to the Company regarding the restructuring of the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had total assets of HK\$2,366 million. The Group had a current ratio of approximately 0.24 as compared to that of approximately 0.35 at 31 December 2010.

As at 30 June 2011, the Group had HK\$230 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources, borrowings from related companies and short-term borrowings which were charged by banks at floating interest rate.

The Group had inventories of approximately HK\$160 million as at 30 June 2011 representing a decrease of HK\$29 million as compared to that at 31 December 2010.

As at 30 June 2011, the Group had net current liabilities of HK\$2,171 million as compared to HK\$907 million at 31 December 2010.

## CHARGES ON GROUP ASSETS

As at 30 June 2011, certain of the Group's assets with a total carrying value of approximately HK\$365 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 28 to the condensed interim financial statements.

## TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

## EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2011 was approximately 100. The Group remunerated its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

## DIRECTORS

The directors of the Company during the period and up to the date of this report were:

### Executive Directors:

Mrs. Christine L. S. Asprey	
Mr. Christopher W. Ho	
Mr. Duncan T. K. Hon	(appointed on 3 January 2011)
Mr. Paul K. F. Law	(resigned on 3 January 2011)
Mr. Adrian C. C. Ma	(resigned on 23 June 2011)

### Independent Non-executive Directors:

Mr. Henry C. S. Chong	(resigned on 10 June 2011)
Mr. Herbert H. K. Tsoi	(resigned on 10 June 2011)
Mr. Martin I. Wright	

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June 2011, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and HKSE were as follows:

## DIRECTORS' INTERESTS IN SHARE CAPITAL (continued)

### Long positions in shares:

Name of Directors	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho ("Mr. Ho")	Beneficiary of a discretionary trust	328,497,822*	71.37%

- \* Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following persons (other than the directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	328,497,822 *	71.37%
Barrican Investments Corporation	Beneficial owner	328,497,822 #	71.37%
Accolade Inc.	Trustee	328,497,822 #	71.37%

- \* Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.

- # Accolade Inc. is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.

## **SUBSTANTIAL SHAREHOLDERS (continued)**

Save as disclosed above, as at 30 June 2011, none of the directors knew of any person (other than the directors or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

## **CORPORATE GOVERNANCE**

In the opinion of the directors and the Provisional Liquidators, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the period under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2011.

## AUDIT COMMITTEE

Following the resignations of the majority of the Company's independent non-executive directors during the current financial period up to date of this report, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the unaudited interim financial statements of the Group for the six months ended 30 June 2011 have not been reviewed by the audit committee.

For and on behalf of  
**The Grande Holdings Limited**  
(Provisional Liquidators Appointed)

**Fok Hei Yu**  
and

**Roderick John Sutton**  
*Joint and Several Provisional Liquidators*  
*who act without personal liabilities*

By order of the Board  
**The Grande Holdings Limited**  
(Provisional Liquidators Appointed)  
**Ho Wing On, Christopher**  
*Chairman*

Hong Kong, 30 August 2011