Interim Report **2011**

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)

Interim Financial Information

The board (the "Board") of directors (the "Directors") of Warderly International Holdings Limited (the "Company") announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2011 (the "Period"), together with comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the six months ended 31 October 2011

	Notes	**Six months ended 31 October** **2011** **(Unaudited)** **HK$'000**	2010 (Unaudited) HK$'000
Turnover	3	**43,858**	90,015
Cost of sales		**(40,026)**	(82,054)
Gross profit		**3,832**	7,961
Other income		**798**	162
Selling expenses		**(1,310)**	(936)
Administrative expenses		**(6,329)**	(2,743)
(Loss)/profit from operation		**(3,009)**	4,444
Finance costs		**(63)**	–
Impairment loss on a subsidiary	11	**(5,935)**	–
(Loss)/profit before taxation	4	**(9,007)**	4,444
Taxation	5	**(166)**	(1,011)
(Loss)/profit for the period attributable to equity shareholders of the Company		**(9,173)**	3,433
Other comprehensive profit/(loss) for the period (after tax)			
Exchange difference arising on translation of foreign operations before and after tax effects		**262**	(11)
Total comprehensive (loss)/income for the period attributable to equity shareholders of the Company		**(8,911)**	3,422
(Loss)/earnings per share	7		
– Basic		**(HK$0.02)**	HK$0.01

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2011

	Notes	**31 October 2011 (Unaudited) HK$'000**	30 April 2011 (Audited) HK$'000
NON-CURRENT ASSET			
Plant and equipment		**6,832**	4,019
CURRENT ASSETS			
Inventories	8	**9,148**	9,322
Trade and other receivables	9	**15,470**	39,265
Bank balances and cash		**13,943**	17,749
		38,561	66,336
CURRENT LIABILITIES			
Trade and other payables	10	**60,179**	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
Taxation payable		**32,623**	34,667
		459,806	475,857
NET CURRENT LIABILITIES		**(421,245)**	(409,521)
NET LIABILITIES		**(414,413)**	(405,502)
CAPITAL AND RESERVES			
Share capital		**4,220**	4,220
Reserves		**(418,633)**	(409,722)
CAPITAL DEFICIENCIES		**(414,413)**	(405,502)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2011

	Share capital	Share premium	Special reserve	Translation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2010	4,220	84,868	1,010	–	(503,612)	(413,514)
Total comprehensive (loss)/income for the period	–	–	–	(11)	3,433	3,422
At 31 October 2010 (Unaudited)	4,220	84,868	1,010	(11)	(500,179)	(410,092)
At 1 May 2011	4,220	84,868	1,010	(34)	(495,566)	(405,502)
Total comprehensive income/(loss) for the period	–	–	–	262	(9,173)	(8,911)
At 31 October 2011 (Unaudited)	**4,220**	**84,868**	**1,010**	**228**	**(504,739)**	**(414,413)**

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.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2011

	Six months ended 31 October	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(5,405)**	(5,001)
Net cash used in investing activities	**(4,195)**	(3,007)
Net cash from financing activities	**3,966**	12,300
Net (decrease)/increase in cash and cash equivalents	**(5,634)**	4,292
Cash and cash equivalents at beginning of the period	**15,645**	6,186
Effect of foreign exchange rate changes	**222**	(11)
Cash and cash equivalents at end of the period	**10,233**	10,467
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**13,943**	12,571
Bank overdrafts	**(3,710)**	(2,104)
	10,233	10,467

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Compliance with Hong Kong Financial Reporting Standards

The condensed consolidated financial statements have been prepared using the historical cost basis.

A number of new or revised standards, amendments and interpretations (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards") are effective for the financial year beginning on 1 May 2011. The adoption of these Hong Kong Financial Reporting Standards does not have material impact on these condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's annual audited consolidated financial statements for the year ended 30 April 2011.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Compliance with Hong Kong Financial Reporting Standards (continued)

The following new or revised standards, amendments and interpretations in issue at the date of authorisation of these condensed consolidated financial statements have not been applied in the preparation of the Group's condensed consolidated financial statements for the Period since they were not yet effective for the annual period beginning on 1 May 2011:

HKAS19 (Revised)	Employee Benefits[3]
HKAS 27 (Revised)	Separate Financial Statement[3]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statement[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]

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 January 2013
4 Effective for annual periods beginning on or after 1 July 2012

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis

In preparing the condensed 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$414 million as at 31 October 2011.

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

As part of the Resumption Proposal, the Company proposed to settle all amounts due to the creditors of the Company (the "Scheme Creditors") by way of the schemes of arrangement to be made between the Company and the Scheme Creditors under the Companies Ordinance (Chapter 32 of the Law of Hong Kong) (the "Hong Kong Scheme") and the Companies Law (2007 Revision) of the Cayman Islands (the "Cayman Scheme", together with the Hong Kong Scheme, the "Schemes") respectively.

The implementation of the Schemes will be financed by the proceeds to be raised by the Company by way of the open offer of zero coupon convertible notes (the "Offer Convertible Notes") with an aggregate principal amount of HK$84.4 million (the "Open Offer"). If the conversion rights attaching to the Offer Convertible Notes are fully exercised at the conversion price of HK$0.05 per Share, an aggregate of 1,688,000,000 new Shares will be allotted and issued.

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

Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the controlling shareholder of the Company, is the underwriter to the Open Offer. Pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan (the "Underwriting Agreement"), Mr. Kan has conditionally agreed to underwrite those Offer Convertible Notes not having been subscribed by the Qualifying Shareholders.

Interim Financial Information

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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 Scheme (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 form taking any proceedings against the Company in respect of its claims.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

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

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 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.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

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

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

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

The 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 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.

The Directors consider the Company will be able to maintain the listing of the Shares on the Stock Exchange and that the conditions precedent to the Open Offer will be satisfied and the Company's liabilities will be settled pursuant to the Schemes. Accordingly, the Directors were satisfied with the financial position of the Group and considered the preparation of the consolidated financial statements on a going concern basis as appropriate.

3. TURNOVER AND SEGMENT INFORMATION

The Group's turnover represents the fair value of the amounts received and receivable for goods sold to outside customers, less returns and allowances.

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

Segment revenue, expenses and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and expenses are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group transactions are between group enterprises within a single segment. Unallocated items comprise corporate and financial expenses. This is the measure reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

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.

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3. TURNOVER AND SEGMENT INFORMATION (continued)

	Trading of household electrical appliances		Manufacturing and sale of household electrical appliances		Trading of audio-visual products		Consolidated	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited) HK$'000
TURNOVER								
External sales	**11,112**	40,327	**32,746**	913	**–**	48,775	**43,858**	90,015
RESULTS								
Segment results	**(1,239)**	1,008	**(5,611)**	(476)	**–**	5,238	**(6,850)**	5,770
Unallocated other income							**–**	140
Finance costs							**(63)**	–
Unallocated corporate expenses							**(2,094)**	(1,466)
(Loss)/profit before taxation							**(9,007)**	4,444
Taxation							**(166)**	(1,011)
(Loss)/profit for the period							**(9,173)**	3,433

3. TURNOVER AND 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 Six months ended 31 October		Non-current assets	
	2011	2010	**31 October 2011**	30 April 2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
People's Republic of China ("PRC") (including Hong Kong)	**19,261**	89,102	**6,832**	4,019
Europe	**13,107**	913	**–**	–
America	**11,490**	–	**–**	–
	43,858	90,015	**6,832**	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

There are three customers from segments of manufacturing and sale of household electrical appliances and trading of household electrical appliances contributing over 10% of total sales of the Group whose total revenue is approximately HK$26,007,000 during the Period.

There are three customers from segments of trading of household electrical appliances and trading of audio-visual products contributing over 10% of total sales of the Group whose total revenue is approximately HK$79,190,000 for the six months period ended 31 October 2010.

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4. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 31 October	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit before taxation has been arrived at after charging/(crediting):-		
Depreciation of plant and equipment	**787**	223
Amortisation of intangible asset	**8**	–
Impairment of goodwill – Note 11	**497**	–
Provision for impairment of plant and equipment – Note 11	**1,194**	–
Provision for impairment of intangible asset – Note 11	**186**	–
Provision for impairment of inventories – Note 11	**1,401**	–
Provision for bad debts – Note 11	**694**	–
Written-off of other receivables, prepayments and deposits – Note 11	**1,963**	–
Interest on bank overdrafts	**34**	–
Interest income	**(2)**	(1)

5. TAXATION

	Six months ended 31 October	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong profits tax	**120**	1,009
China enterprise income tax	**46**	2
	166	1,011

Provision of Hong Kong profits tax has been calculated at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit of a subsidiary of the Company operating in Hong Kong for both periods.

5. TAXATION (continued)

Provision of China enterprise income tax has been calculated at the rate of 25% on the estimated assessable profit of a subsidiary of the Company operating in China for both periods.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

6. DIVIDEND

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

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per Share attributable to equity shareholders of the Company for the Period is based on the loss for the Period attributable to equity shareholders of the Company of approximately HK$9,173,000 (2010: profit of HK$3,433,000) and the weighted average number of 422,000,000 (2010: 422,000,000) Shares in issue.

The Company had no dilutive potential Shares for both periods and as at 31 October 2011.

8. INVENTORIES

	31 October 2011 (Unaudited) HK$'000	30 April 2011 (Audited) HK$'000
Raw materials	**3,178**	803
Work in progress	**4,143**	2,938
Finished goods	**1,405**	2
Goods held for re-sale	**422**	5,579
	9,148	9,322

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9. TRADE AND OTHER RECEIVABLES

	31 October 2011 (Unaudited) HK$'000	30 April 2011 (Audited) HK$'000
Trade receivables	**8,197**	37,318
Deposits and other receivables	**7,273**	1,947
	15,470	39,265

The Group allows its trade customers with a credit period normally ranging from payment on delivery to 120 days. The aged analysis of the Group's trade receivables (based on invoice date) as at 31 October 2011 and 30 April 2011 is as follow:-

	31 October 2011 (Unaudited) HK$'000	30 April 2011 (Audited) HK$'000
Aged:		
0 to 90 days	**8,084**	29,857
91 to 180 days	**113**	7,461
	8,197	37,318

Included in the Group's trade receivables, the carrying amounts of approximately HK$1,496,000 (30 April 2011: HK$9,735,000) were 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.

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10. TRADE AND OTHER PAYABLES

	31 October 2011 (Unaudited) HK$'000	30 April 2011 (Audited) HK$'000
Trade payables	**8,922**	32,537
Other payables	**22,183**	18,181
Amount due to a shareholder	**26,800**	22,800
Amount due to a deconsolidated subsidiary	**2,274**	2,274
	60,179	75,792

The aged analysis of the Group's trade payables as at 31 October 2011 and 30 April 2011 is as follows:

	31 October 2011 (Unaudited) HK$'000	30 April 2011 (Audited) HK$'000
Aged:		
0 to 90 days	**7,936**	32,226
91 to 180 days	**675**	–
Over 180 days	**311**	311
	8,922	32,537

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

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11. IMPAIRMENT LOSS ON A SUBSIDIARY

Due to cease operation of a subsidiary of the Company, provisions were made on certain assets of the subsidiary of the Company of approximately HK$5.4 million and goodwill of approximately HK$497,000 deriving from the acquisition of the subsidiary by the Company was written off at the end of October 2011.

12. OPERATING LEASE COMMITMENTS

As at 31 October 2011, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	31 October 2011 (Unaudited) HK$'000	30 April 2011 (Audited) HK$'000
Within one year	**310**	871
In the second to fifth year inclusive	**–**	–
	310	871

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

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13. RELATED PARTY TRANSACTIONS

(a) Apart from the information as disclosed elsewhere in the condensed consolidated financial statements, the Group did not have other material transactions with its related parties during both periods.

(b) Compensation of key management personnel

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

	Six months ended 31 October	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term benefits	**331**	325
Post-employment benefits	**6**	6

Additional Information Required by the Listing Rules

BUSINESS REVIEW AND FINANCIAL REVIEW

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of 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 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 Period, the turnover and gross profit generated from trading business including the Olevia Business (the "Trading Business") decreased by approximately HK$78 million to HK$11 million and changed from gross profit of approximately HK$7.8 million to gross loss of HK$414,000 respectively compared with the corresponding period in 2010. The decrease in the results of the Group's Trading Business was mainly due to the scale down of the Trading Business during the Period. Ever since it has been made clear by the Stock Exchange that the Trading Business conducted by the Company 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 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 distribute its manufactured products in the PRC market. The Group generated turnover from the Manufacturing Business of approximately HK$8 million in the PRC market during the Period. Resulted from the effort of the Group in expending the production facilities and marketing its products during the Period, the turnover and gross profit generated from Manufacturing Business increased by 30 times to approximately HK$28 million and by 24 times to approximately HK$5 million respectively compared with the corresponding period in 2010. The gross profit margin of the Manufacturing Business ranged from 16% to 24%.

Additional Information Required by the Listing Rules

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 a different type of household electrical appliances – 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 and gross loss of approximately HK$2 million and HK$595,000 respectively for the period from 22 June 2011 to 31 October 2011. Due to the doubts casted by the Stock Exchange on the achievability of RHE's forecast profit, the Company ceased investing in the RHE business and made a loss provision of HK$5.4 million over certain assets at the end of October 2011. Moreover, the goodwill of approximately HK$497,000 deriving from the acquisition of RHE by the Company was written off at the end of October 2011.

As a result, the turnover of the Group decreased by 51% to approximately HK$44 million for the Period and changed from a net profit of approximately HK$3 million to a net loss of approximately HK$9 million compared with the corresponding period in 2010.

IMPORTANT EVENTS AND PROSPECTS

On 30 September 2008, the Company submitted the Resumption Proposal 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.

Additional Information Required by the Listing Rules

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of delisting procedures pursuant to PN 17 to the Listing Rules 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 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 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.

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.

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

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

Additional Information Required by the Listing Rules

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$14 million as at 31 October 2011 (30 April 2011: approximately HK$18 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$351 million as at 31 October 2011 (30 April 2011: approximately HK$349 million). The gearing ratio of the Group as at 31 October 2011 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 773% (30 April 2011: approximately 496%). Net liabilities were approximately HK$414 million (30 April 2011: approximately HK$406 million).

The Group recorded total current asset value of approximately HK$39 million as at 31 October 2011 (30 April 2011: approximately HK$66 million) and total current liability value of approximately HK$460 million (30 April 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 0.08 as at 31 October 2011 (30 April 2011: approximately 0.14).

The Group recorded a loss of approximately HK$9 million for the Period and this resulted in a decrease in shareholders' funds to a negative value of approximately HK$414 million as at 31 October 2011 (30 April 2011: negative value of approximately HK$406 million).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period.

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.

Additional Information Required by the Listing Rules

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 31 October 2011.

SHARE CAPITAL

As at 31 October 2011, the issued share capital of the Company comprised 422,000,000 ordinary Shares of HK$0.01 each.

INVESTMENTS

The Group had not held any significant investment for the Period.

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.

SEGMENTAL INFORMATION

Details of segmental information for the Period are set out in note 3 to the condensed consolidated financial statements.

Additional Information Required by the Listing Rules

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 October 2011.

STAFF AND REMUNERATION POLICIES

As at 31 October 2011, the Group had 206 employees (30 April 2011: 114 employees). The Group's total staff costs amounted to approximately HK$6,946,000 (2010: HK$1,287,000) for the Period.

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 (the "Code") of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. 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 currently comprises the three independent non-executive Directors. The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the Period.

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

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

Additional Information Required by the Listing Rules

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option 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 Share Option 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 up to a maximum of 10% of the Shares in issue as at the date of commencement of listing of Shares on the Stock Exchange and subject to renewal with Shareholders' approval.

There was no outstanding option to subscribe for Shares as at 1 May 2011 and no option to subscribe for Shares had been granted during the Period. Accordingly, there was no option to subscribe for Shares outstanding as at 31 October 2011.

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

As at 31 October 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and 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) (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 (including interests and short positions which they have taken or deemed to have taken under such provisions 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions

Name of Director	Name of company in which interests were held	Nature of interests	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Kan	The Company	Beneficial owner	152,050,000	36.03%

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

Additional Information Required by the Listing Rules

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 31 October 2011.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31 October 2011, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

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

Notes:

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

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

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 October 2011.

Additional Information Required by the Listing Rules

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Period, the Company has complied with the code provisions as set out in the Code, save and except certain deviations as described below:

1. CODE PROVISION A.2.1

Under the 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 are held by Mr. Kan. The Board 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 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 Period.

By Order of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 30 December 2011

As at the date of this report, the Board consists of Mr. Kan Che Kin, Billy Albert, Mr. Li Kai Yien, Arthur Albert, Ms. Li Shu Han, Eleanor Stella and Ms. Seto Ying as executive Directors; Mr. Lee Kong Leong, Mr. Li Siu Yui and Mr. Ip Woon Lai as independent non-executive Directors.