

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 Report **2013**

Interim Financial Information

The board (the "Board") of directors (the "Directors") of Warderly International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2013 (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 INCOME

For the six months ended 31 October 2013

		Six months ended 31 October	
		2013	2012
	Note	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(restated)
Continuing operation			
Turnover	3	–	–
Cost of sales		–	–
Gross profit		–	–
Other income		26	–
Administrative expenses		(13,018)	(1,286)
Loss from operation		(12,992)	(1,286)
Finance costs		–	–
Loss before taxation	4	(12,992)	(1,286)
Taxation	5	–	–
Loss for the period from continuing operation		(12,992)	(1,286)
Discontinued operations			
Loss for the period from discontinued operations	6	(922)	(1,089)
Loss for the period attributable to equity shareholders of the Company		(13,914)	(2,375)
Other comprehensive income for the period			
Exchange difference arising on translation of foreign operations		104	50
Total comprehensive loss for the period attributable to equity shareholders of the Company		(13,810)	(2,325)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the six months ended 31 October 2013

	Note	Six months ended 31 October 2013 (Unaudited)	2012 (Unaudited) (restated)
Loss per share	8		
From continuing and discontinued operations			
– Basic		(HK\$0.033)	(HK\$0.006)
– Diluted		N/A	N/A
From continuing operation			
– Basic		(HK\$0.031)	(HK\$0.003)
– Diluted		N/A	N/A
From discontinued operations			
– Basic		(HK\$0.002)	(HK\$0.003)
– Diluted		N/A	N/A

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 October 2013*

	Note	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
NON-CURRENT ASSET			
Plant and equipment		–	–
CURRENT ASSETS			
Deposits		290	290
Bank balances and cash		60	62
		350	352
Assets classified as held for sale	10	14,675	13,500
		15,025	13,852
CURRENT LIABILITIES			
Other payables	9	51,784	38,001
Guarantor's liability	11	347,989	347,989
Unsecured bank overdrafts		–	26
		399,773	386,016
Liabilities directly associated with assets held for sale	10	5,361	4,135
		405,134	390,151
NET CURRENT LIABILITIES		(390,109)	(376,299)
NET LIABILITIES		(390,109)	(376,299)
CAPITAL AND RESERVES			
Share capital		4,220	4,220
Reserves		(394,329)	(380,519)
CAPITAL DEFICIENCIES		(390,109)	(376,299)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2013

	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 2012	4,220	84,868	1,010	216	(509,989)	(419,675)
Total comprehensive income/(loss) for the period	-	-	-	50	(2,375)	(2,325)
Realized on dissolution of a subsidiary	-	-	-	6	-	6
At 31 October 2012 (Unaudited)	4,220	84,868	1,010	272	(512,364)	(421,994)
At 1 May 2013	4,220	84,868	1,010	374	(466,771)	(376,299)
Total comprehensive income/(loss) for the period	-	-	-	104	(13,914)	(13,810)
At 31 October 2013 (Unaudited)	4,220	84,868	1,010	478	(480,685)	(390,109)

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 2013*

	Six months ended	
	31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(1,000)	206
Net cash used in investing activities	(290)	(539)
Net cash from financing activities	1,410	1,044
Net increase in cash and cash equivalents	120	711
Cash and cash equivalents at beginning of the period	1,441	(2,053)
Effect of foreign exchange rate changes	70	30
Cash and cash equivalents at end of the period	1,631	(1,312)
Analysis of balances of cash and cash equivalents		
Bank balances and cash	1,631	2,398
Bank overdrafts	–	(3,710)
	1,631	(1,312)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2013

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 2013. 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 2013.

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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 2013:

HKFRS 9	Financial Instruments ²
HK(IFRIC)-Int 21	Levies ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations are 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\$390 million as at 31 October 2013.

Trading in the shares (the "Shares") of the Company on the Stock Exchange had been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the "SFC") and resumed on 16 December 2013.

Following the completion of an open offer (the "Open Offer") of 1,688,000,000 new Shares to raise HK\$84.4 million on 11 December 2013, the schemes of arrangement (the "Schemes") to be made between the Company and certain creditors (the "Scheme Creditors") of the Company under the Companies Ordinance and the Companies Law (2007 Revision) of the Cayman Islands become effective on 12 December 2013 and the Company's liabilities due to the Scheme Creditors under the Schemes were fully discharged consequentially.

Moreover, after the issuance of convertible bonds (the "Convertible Bonds") by the Company to Magnolia Wealth International Limited ("Magnolia Wealth"), a company incorporated in the British Virgin Islands and Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the previous executive Director and controlling shareholder (the "Shareholder(s)") of the Company with an aggregate principal amount of HK\$500,000,000 on 12 December 2013 for acquisition of the entire equity interest of Nanjing Fullshare Asset Management Limited* (南京豐盛資產管理有限公司) (the "Target") (the "Acquisition"), a company incorporated in the People's Republic of China (the "PRC"), the principal activities of the Group has changed from manufacturing and trading of household electrical appliances and audio-visual products to developing and selling residential complex in the PRC.

Upon completion of the Acquisition, the debt restructuring and the resumption of trading in the Shares on the Stock Exchange, additional working capital had been injected into the Group whereby the Group would have a sufficient level of operations and would become almost debt free. The capital base and the financial and liquidity position of the Group would have been substantially improved. 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.

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3. TURNOVER AND SEGMENT INFORMATION

The Company disposed of the entire interest in Olevia Home Appliances Limited ("Olevia"), Rich Honest (Europe) Limited ("RHE") and Warderly Group Limited ("WGL") on 18 January 2013 and entered into an agreement to dispose of, subject to certain conditions precedent, Up Stand Holdings Limited ("Up Stand") on 5 April 2013. In the circumstances, all businesses of the Group, comprising the operations of manufacturing and sale of household electrical appliances and trading of household electrical appliances and audio-visual products, are classified as discontinued operations. Information of discontinued operations is set out in note 6 to the condensed consolidated financial statements.

No segment information in relation to the continuing operation is disclosed.

4. LOSS BEFORE TAXATION

	Six months ended 31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Loss before taxation has been arrived at after charging:–		
Operating lease rentals in respect of rented premises	490	–
Staff costs, including Directors' emoluments	413	95
Retirement benefits scheme contributions, including Directors	11	–
Legal and professional fees incurred for resumption of trading in Shares	11,578	1,000

5. TAXATION

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group did not have any assessable profit for the Period and the previous corresponding period.

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6. DISCONTINUED OPERATIONS

On 18 January 2013, the Company disposed of the entire interest in WGL, Olevia and RHE (collectively, the "Disposal Companies") at a consideration of HK\$1 each to Mr. Kan. The principal activities of each of the Disposal Companies, namely WGL, Olevia and RHE, were investment holding, trading of household electrical appliances and manufacturing and trading of household electrical appliances respectively.

On 5 April 2013, the Company entered into an agreement (the "Disposal Agreement") to dispose of the entire interest in Up Stand, and its subsidiary, Dongguan Up Stand Electrical Manufacturing Company Limited, whose principal activities are manufacturing and trading of household electrical appliances and audio-visual products, at a consideration of HK\$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with a limit of HK\$1 million. The disposal of Up Stand was complete on 12 December 2013.

After the disposal of the Disposal Companies and Up Stand, all the businesses of the Group would be discontinued and are treated as discontinued operations and the comparative figures in the condensed consolidated statement of comprehensive income are re-presented.

The loss from discontinued operations is as follows:-

	Six months ended 31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss on discontinued operations	(922)	(1,089)

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6. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations are as follows:-

	Six months ended 31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	14,533	9,993
Cost of sales	(12,316)	(8,979)
Gross profit	2,217	1,014
Other income	2	12
Selling and distribution expenses	(279)	(205)
Administrative expenses	(2,839)	(1,875)
Loss before taxation	(899)	(1,054)
Taxation	(23)	(35)
Loss for the period	(922)	(1,089)

Loss from discontinued operations includes the following:-

	Six months ended 31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating lease rentals in respect of rented premises	19	532
Depreciation of property, plant and equipment	463	521
Staff costs, including Directors' emoluments	2,930	2,247
Retirement benefits scheme contributions, including Directors	86	87
Impairment to property, plant and equipment	868	-
Interest income	(2)	(1)

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6. DISCONTINUED OPERATIONS (continued)

The cash flows of the discontinued operations are as follows:–

	Six months ended 31 October	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	322	627
Net cash outflow from investing activities	(290)	(539)
Net cash from financing activities	–	–
Total net cash inflow	32	88

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2012: Nil).

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8. LOSS PER SHARE

The calculation of the basic loss 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\$13,914,000 (2012: HK\$2,375,000) and the weighted average number of 422,000,000 (2012: 422,000,000) Shares in issue.

	Six months ended 31 October			
	2013		2012	
	Loss attributable to Shareholders HK\$'000	Weighted average number of Shares '000	Loss attributable to Shareholders HK\$'000	Weighted average number of Shares '000
Continuing operation	(12,992)	422,000	(1,286)	422,000
Discontinued operations	(922)	422,000	(1,089)	422,000
	(13,914)	422,000	(2,375)	422,000

The Company had no dilutive potential Shares for the both periods. Accordingly, diluted loss per share is not presented.

9. OTHER PAYABLES

	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
Other payables	27,428	15,055
Amount due to a shareholder	19,634	18,224
Amount due to a former subsidiary	2,448	2,448
Amount due to a deconsolidated subsidiary	2,274	2,274
	51,784	38,001

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9. OTHER PAYABLES (continued)

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

Included in other payables of amounts approximately HK\$2,073,000, amount due to a former subsidiary of approximately HK\$2,448,000 and amount due to a deconsolidated subsidiary of approximately HK\$2,274,000 have subsequently been settled under the Schemes. The Schemes become effective on 12 December 2013 and all the claims under the Schemes against the Company were discharged on 12 December 2013 consequentially. Amount due to a shareholder of approximately HK\$19,634,000 have subsequently been repaid, details of which are set out in note 14(v) to the Condensed Consolidated Financial Statements.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 5 April 2013, the Company and Homely Manufacturing Limited ("Homely"), a limited company incorporated in Hong Kong, which is wholly and beneficially owned by Mr. Yeung Kui Wong, who was the founder of the Company and had been the controlling Shareholder and the chairman and the Director of the Company, entered into the Disposal Agreement, pursuant to which, Homely conditionally agreed to acquire and the Company conditionally agreed to sell the 100% issued share capital of Up Stand and its subsidiary, whose principal activities are manufacturing and trading of household electrical appliances and audio-visual products, at a consideration of HK\$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with a limit of HK\$1 million. The disposal of Up Stand was complete on 12 December 2013.

The consolidated assets and liabilities attributable to Up Stand have been classified as held for sale and are presented separately in the condensed consolidated statement of financial position (see below).

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10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

The major classes of consolidated assets and liabilities of Up Stand classified as held for sale are as follows:-

	31 October 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
ASSETS		
Property, plant and equipment	3,610	4,616
Inventories	3,301	2,598
Trade receivables, deposits and other receivables	6,193	4,881
Bank balances and cash	1,571	1,405
	14,675	13,500
LIABILITIES		
Trade and other payables	5,361	3,311
Taxation payable	-	824
	5,361	4,135
Liabilities directly associated with assets held for sale	5,361	4,135
	9,314	9,365

Cumulated income recognised directly in equity relating to Up Stand classified as held for sale:-

	HK\$'000	HK\$'000
Exchange reserve	478	374

Interim Financial Information

11. GUARANTOR'S LIABILITY

The amount represents (i) the liability of the bank borrowings and overdrafts and the accrued interest therein 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\$323,846,000 (30 April 2013: HK\$323,846,000); (ii) the liability of the bank borrowings and overdrafts and the accrued interest therein arising from the guarantee arrangements between the Company and the Disposal Companies of approximately HK\$24,143,000 (30 April 2013: HK\$24,143,000).

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 both periods.

The Schemes become effective on 12 December 2013 and all the claims under the Schemes against the Company were discharged on 12 December 2013.

12. OPERATING LEASE COMMITMENTS

As at 31 October 2013, 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 2013 (Unaudited) HK\$'000	30 April 2013 (Audited) HK\$'000
Within one year	979	998
In the second to fifth year inclusive	620	1,110
	1,599	2,108

Operating lease payments represent rental payable by the Group for its office premises and factory. 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.

Interim Financial Information

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	326	338
Post-employment benefits	8	6

14. EVENTS AFTER THE REPORTING PERIOD

- (i) As mentioned in notes 6 and 10, on 5 April 2013, the Company and Homely entered into the Disposal Agreement, pursuant to which, Homely conditionally agreed to acquire and the Company conditionally agreed to dispose of the entire interest of Up Stand at a consideration of HK\$10,000,000 subject to adjustment by the increase/decrease in the consolidated net asset value of Up Stand during the period from 31 December 2012 to the date of completion of the disposal of Up Stand with a limit of HK\$1 million. Details of the disposal of Up Stand are set out in announcements of the Company on 5 April 2013, 28 June 2013, 28 October 2013, 13 November 2013 and 12 December 2013, and the circular of the Company dated 28 October 2013. The disposal of Up Stand was complete on 12 December 2013 at a consideration of HK\$10 million.

Interim Financial Information

14. EVENTS AFTER THE REPORTING PERIOD (continued)

- (ii) Under a new resumption proposal (the “New Resumption Proposal”) which was submitted to the Stock Exchange on 22 August 2012, the Company acquired the entire equity interest of the Target at a consideration of HK\$500 million which was financed by an Open Offer and the issuance of Convertible Bonds. The Acquisition constitutes a reverse takeover and hence is subject to the Listing Rules applicable to such transactions. Details of the Acquisition and the reverse takeover involving a new listing application are set out in announcements of the Company on 21 March 2013, 25 March 2013, 10 April 2013, 28 June 2013, 19 August 2013, 13 September 2013, 23 October 2013, 25 October 2013, 28 October 2013, 13 November 2013, 25 November 2013, 5 December 2013, 12 December 2013 and 13 December 2013 and the circular dated 28 October 2013. The Acquisition was complete on 12 December 2013. After completion of the disposal of Up Stand and the Acquisition, the Group is solely engaged in property development in the PRC.
- (iii) On 25 October 2013, the Company and Magnolia Wealth entered into an underwriting agreement (the “Underwriting Agreement”) pursuant to which, Magnolia Wealth fully underwrote the Open Offer of HK\$84.4 million without any commission. Details of the Underwriting Agreement are set out in announcements of the Company on 28 October 2013 and 5 December 2013 and 10 December 2013, the circular of the Company dated 28 June 2013 and the prospectus of the Company in respect of the Open Offer on 21 November 2013. The Open Offer and the Underwriting Agreement were complete on 11 December 2013. The issued share capital of the Company was increased from HK\$4,220,000 divided into 422,000,000 Shares to HK\$21,100,000 divided into 2,110,000,000 Shares.
- (iv) On 21 August 2012, the Company and Magnolia Wealth and Mr. Kan entered into a subscription agreement (the “Subscription Agreement”), pursuant to which, Magnolia Wealth and Mr. Kan subscribed for Convertible Bonds with a principal amount of HK\$420,000,000 and HK\$80,000,000, respectively. Details of the Subscription Agreement and the Convertible Bonds are set out in announcements of the Company dated 21 March 2013, 28 June 2013, 13 September 2013, 23 October 2013, 25 October 2013, 28 October 2013, 13 November 2013, 5 December 2013 and 12 December 2013, and the circular of the Company dated 28 October 2013. The Subscription Agreement was complete on 12 December 2013. None of the Convertible Bonds has been converted as at the date of this report.

Interim Financial Information

14. EVENTS AFTER THE REPORTING PERIOD (continued)

- (v) Under the New Resumption Proposal, as part of the restructuring of the Company, the proceeds from the Open Offer should be used to, amongst others, (1) settle all amounts due to the Scheme Creditors under the Schemes, which have been approved by the Grand Court of the Cayman Islands on 16 March 2009 and the High Court of Hong Kong on 6 May 2009; and (2) repay the Shareholder's loan to Mr. Kan, which had been used as general working capital of the Group. As the repayment to Mr. Kan constituted a special deal (the "Special Deal") under Note 5 to Rule 25 of the Takeovers Code and was subject to the Shareholders' approval independent of Mr. Kan, such approval was obtained on 13 November 2013 at an extraordinary general meeting (the "EGM"). Details of the Schemes and the Special Deal are set out in announcements of the Company dated 8 October 2008, 8 January 2009, 22 January 2009, 20 February 2009, 21 March 2009, 6 May 2009, 21 March 2013, 13 September 2013, 23 October 2013, 25 October 2013, 28 October 2013, 13 November 2013 and 12 December 2013, and the circular of the Company dated 28 October 2013. The Schemes became effective on 12 December 2013 and the settlement with the Scheme Creditors of HK\$37 million and the repayment of shareholder's loan to Mr. Kan of approximately HK\$19,864,000 under the Special Deal were made on 12 December 2013.
- (vi) As mentioned above, in order to implement the Open Offer and issuance of the Convertible Bonds, the Company proposed to increase the authorised share capital of the Company from HK\$80,000,000 divided into 8,000,000,000 Shares to HK\$200,000,000 divided into 20,000,000,000 Shares by creation of an additional 12,000,000,000 Shares. Details of the increase in authorised share capital are set out in announcements of the Company dated 21 March 2013 and 13 November 2013, and the circular of the Company dated 28 October 2013. The increase in authorised share capital was effected from 13 November 2013 when it was approved by the Shareholders at the EGM.
- (vii) After the fulfillment of all the resumption conditions imposed by the Stock Exchange and the SFC as mentioned in announcements of the Company dated 12 December 2013 and 16 December 2013, trading in Shares on the Stock Exchange has recommenced since 16 December 2013.

Additional Information Required by the Listing Rules

BUSINESS REVIEW

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC.

During the six months ended 31 October 2013, the operation of the Group only remained the business of manufacturing and sale of household electrical appliances (the "Manufacturing Business") such as convection panel heaters, quartz heaters, bathroom panel heaters and electric fans. Its products are mainly supplied to overseas customers in Europe, Australia and America through a PRC import and export company. The performance of the Manufacturing Business improved during the Period as compared with the previous corresponding period. The turnover of the Manufacturing Business increased by around 45% as compared with the previous corresponding period mainly due to additional sale of electric fans, which represented approximately 10% of total sale for the Period, increase in orders from existing customers and addition of new customers during the Period. The gross profit margin increased from approximately 10% to 15% mainly due to increase in selling price in general and decrease in cost of major raw materials. The gross profit increased from approximately HK\$1,014,000 during the previous corresponding period to approximately HK\$2,217,000 during the Period and, partially offset by the increase in staff salaries for research and development, the result of the Manufacturing Business has changed from a loss of approximately HK\$192,000 for the period ended 31 October 2012 to a loss of approximately HK\$51,000 excluding the loss of written off of moulds of approximately HK\$868,000 for the Period. As the Disposal Agreement was entered into on 5 April 2013, the Company's interest in Up Stand is treated as "assets held for sale". After the completion of the Disposal Agreement, all the existing business of the Group would be discontinued and hence, were treated as discontinued operations for the Period.

In order to fulfill the requirements of the Stock Exchange to maintain the listing of the Shares, the Company submitted a New Resumption Proposal to the Stock Exchange, in respect of, amongst others, the Acquisition, the Open Offer and the subscription of Convertible Bonds, on 22 August 2012 and attended the appeals hearing held by the Listing Appeals Committee of the Stock Exchange (the "Listing Appeals Committee") on 7 September 2012. After the appeal hearing, the Company received a letter dated 10 September 2012 from the Stock Exchange, which states that, having considered all accepted submissions presented by the review parties, the Listing Appeals Committee decided to exercise its discretion to receive and consider the New Resumption Proposal and refer the matter back to the Listing Committee of the Stock Exchange, and to allow the Listing Division of the Stock Exchange and the SFC to complete its usual vetting work for the proposed transactions under the Listing Rules and the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). The Listing Appeals

Additional Information Required by the Listing Rules

Committee considered that the proposed transactions contained in the New Resumption Proposal constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions. Afterward, the Company was taking appropriate steps to comply with the requirements under the Listing Rules and the Takeovers Code in respect of the proposed transactions set out in the New Resumption Proposal.

On 25 March 2013, the Company submitted a new listing application (the "New Listing Application") to fulfill the requirements under the Listing Rules to the Stock Exchange. The hearing of the New Listing Application (the "Hearing") was held by the Listing Committee of the Stock Exchange on 12 September 2013 and they raised no comment at the Hearing. Therefore, a circular (the "Circular"), including but not limited to the Acquisition, the Open Offer, the subscription of Convertible Bonds, the Special Deal and the disposal of Up Stand, was despatched to the Shareholders on 28 October 2013 and an extraordinary general meeting (the "EGM") was held on 13 November 2013.

After obtaining the approval of the resolutions stated in the Circular from the Shareholders at the EGM, the prospectus in relation to the Open Offer was despatched to Shareholders on 21 November 2013.

The Open Offer was completed on 11 December 2013. The Acquisition, the subscription of Convertible Bonds and the disposal of Up Stand, together with all other transactions contained in the New Resumption Proposal and the Circular have been completed by 12 December 2013 and trading in the Shares resumed on the Main Board of the Stock Exchange on 16 December 2013.

Upon resumption, the management of the Group has been changed, the Group has become almost debt free, the Target has become an indirectly wholly-owned subsidiary of the Company and Up Stand has ceased to be a subsidiary of the Company. The Group is now solely engaged in property development industry in the PRC.

FINANCIAL REVIEW

During the Period, the operation of the Group only remained the discontinued operation from the Manufacturing Business. The turnover and the average gross profit margin of the Manufacturing Business increased by 45% from approximately HK\$10 million to approximately HK\$15 million and increased by 50% from 10% to 15% respectively compared with the previous corresponding period. The increase in turnover was mainly due to additional sales of electric fan, which represented approximately 10% of total sale for the Period, increase in orders from existing customers and addition of new customers during

Additional Information Required by the Listing Rules

the Period. The increase in gross profit margin was mainly due to increase in selling price in general and decrease in cost of major raw materials. The gross profit increased from approximately HK\$1,014,000 during the previous corresponding period to approximately HK\$2,217,000 during the Period and, partially offset by the increase in staff salaries for research and development, the result of the Manufacturing Business has changed from a loss of approximately HK\$192,000 for the period ended 31 October 2012 to a loss of approximately HK\$51,000 excluding the loss of written off of moulds of approximately HK\$868,000 for the Period.

On the other hand, the Company was under restructuring and was taking appropriate steps to comply with the requirements under the Listing Rules and the Takeovers Code in respect of the New Resumption Proposal during the Period. Therefore, out of the administrative expenses of the Group, the Company incurred relevant legal and professional fees of approximately HK\$11.6 million for the implementation of the New Resumption Proposal.

As a result, the Group generated a net loss of approximately HK\$14 million for the Period as compared with a net loss of approximately HK\$2 million for the previous corresponding period.

PROSPECT

After the completion of the Acquisition, the debt restructuring and the resumption of trading in the Shares on the Stock Exchange, the Group would have a sufficient level of operation and would become almost debt free and additional working capital would be injected into the Group. The Capital base and the financial and liquidity position of the Group will substantially improve. The Group will participate in the new prospects in the property development industry in the PRC under the new management of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK\$2 million as at 31 October 2013 (30 April 2013: approximately HK\$2 million). Balance of bank overdrafts and guarantor's liability were approximately HK\$348 million as at 31 October 2013 (30 April 2013: approximately HK\$348 million). The gearing ratio of the Group as at 31 October 2013 calculated as a ratio of total bank overdrafts and guarantor's liability to total assets was approximately 2,316% (30 April 2013: approximately 2,512%). Net liabilities were approximately HK\$390 million (30 April 2013: approximately HK\$376 million).

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The Group recorded total current asset value of approximately HK\$15 million as at 31 October 2013 (30 April 2013: approximately HK\$14 million) and total current liability value of approximately HK\$405 million (30 April 2013: approximately HK\$390 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.04 as at 31 October 2013 (30 April 2013: approximately 0.04).

The Group recorded a loss of approximately HK\$14 million for the Period and this resulted in a decrease in shareholders' funds to a negative value of approximately HK\$390 million as at 31 October 2013 (30 April 2013: negative value of approximately HK\$376 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.

TREASURY POLICIES

Bank balances and cash held by the Group were denominated in HKD 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 2013.

SHARE CAPITAL

As at 31 October 2013, the issued share capital of the Company comprised 422,000,000 ordinary Shares of HK\$0.01 each.

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INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 31 October 2013.

SEGMENTAL INFORMATION

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

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 October 2013.

STAFF AND REMUNERATION POLICIES

As at 31 October 2013, the Group had 163 employees (30 April 2013: 113 employees). The Group's total staff costs amounted to approximately HK\$3,441,000 (2012: HK\$2,429,000) for the Period.

Competitive remuneration packages including discretionary bonus and retirement scheme benefits 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 Corporate Governance Code 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.

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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.

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

As at 31 October 2013, 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	1,752,050,000 (Note 1)	415.18%

Notes:

- These Shares represent (i) 152,050,000 Shares held by Mr. Kan; and (ii) 1,600,000,000 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the Convertible Bonds to be subscribed by Mr. Kan pursuant to the Subscription Agreement. The Subscription Agreement forms part of the proposed transactions contemplated in the New Resumption Proposal. The Subscription Agreement was completed on 12 December 2013.

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

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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 2013.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31 October 2013, 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
Magnolia Wealth	10,088,000,000 <i>(Note 1)</i>	2,390.52%
Ji Changqun	10,088,000,000 <i>(Note 2)</i>	2,390.52%
Mrs. Kan Kung Chuen Lai	1,752,050,000 <i>(Note 3)</i>	415.18%
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500 <i>(Note 4)</i>	10.42%
Liu Su Ke	30,000,000	7.11%

Notes:

- (1) These Shares represent (i) 1,688,000,000 Shares to be allotted and issued to Magnolia Wealth pursuant to the Underwriting Agreement; and (ii) 8,400,000,000 Shares to be allotted and issued to Magnolia Wealth upon the exercise in full of the conversion rights attaching to the Convertible Bonds to be subscribed by Magnolia Wealth pursuant to the Subscription Agreement which forms part of the proposed transactions contemplated in the New Resumption Proposal. The Underwriting Agreement was completed on 11 December 2013 and the Subscription Agreement was completed on 12 December 2013.
- (2) Ji Changqun is the sole shareholder of Magnolia Wealth and is deemed to be interested in the same 10,088,000,000 Shares pursuant to the SFO.

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- (3) Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the 1,752,050,000 Shares for which Mr. Kan is interested pursuant to the SFO.
- (4) 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 2013.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code during the Period except for the following deviations:

1. CODE PROVISION A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. During the Period, the positions of chairman and chief executive officer of the Company were held by Mr. Kan. The Board believed that holding of both positions of chairman and chief executive officer by the same person allowed more effective planning and execution of business strategies. On 12 December 2013, Mr. Kan resigned and the positions of chairman and chief executive officer of the Company were taken up by Mr. Ji Changqun.

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. On 12 December 2013, Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong resigned as independent non-executive Directors and Mr. Chi-Keung Lau, Mr. Chow Siu Lui and Mr. Tsang Sai Chung were appointed as independent non-executive Directors.

Additional Information Required by the Listing Rules

3. CODE PROVISION A.1.8

Under the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors. During the Period, the Company has not arranged such insurance coverage for the Directors due to its suspension status.

Following the resumption of trading in Shares, as at the date of this report, the Company has arranged appropriate insurance coverage for the Directors.

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

Ji Changqun

Chairman

Hong Kong, 30 December 2013

As at the date of this report, the Board consists of Mr. Ji Changqun, Mr. Shi Zhiqiang, Mr. Zhou Yanwei and Mr. Eddie Hurip as executive Directors; Mr. Chi-keung Lau, Mr. Chow Siu Lui and Mr. Tsang Sai Chung as independent non-executive Directors.