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 **2012**

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 2012 (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 2012

	Notes	**Six months ended 31 October 2012 (Unaudited) HK$'000**	2011 (Unaudited) HK$'000
Turnover	3	**9,993**	43,858
Cost of sales		**(8,979)**	(40,026)
Gross profit		**1,014**	3,832
Other income		**12**	798
Selling expenses		**(205)**	(1,310)
Administrative expenses		**(3,161)**	(6,329)
Loss from operation		**(2,340)**	(3,009)
Finance costs		**–**	(63)
Impairment loss on a subsidiary		**–**	(5,935)
Loss before taxation	4	**(2,340)**	(9,007)
Taxation	5	**(35)**	(166)
Loss for the period attributable to equity shareholders of the Company		**(2,375)**	(9,173)
Other comprehensive profit for the period (after tax)			
Exchange difference arising on translation of foreign operations before and after tax effects		**50**	262
Total comprehensive loss for the period attributable to equity shareholders of the Company		**(2,325)**	(8,911)
Loss per share	7		
– Basic		**(HK$0.006)**	(HK$0.02)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2012

	Notes	**31 October 2012 (Unaudited) HK$'000**	30 April 2012 (Audited) HK$'000
NON-CURRENT ASSET			
Plant and equipment		**6,080**	6,042
CURRENT ASSETS			
Inventories	8	**2,917**	3,670
Trade receivables, deposits and other receivables	9	**5,092**	6,748
Bank balances and cash		**2,398**	1,657
		10,407	12,075
CURRENT LIABILITIES			
Trade and other payables	10	**39,008**	38,259
Guarantor's liability and accrued liability for potential claims		**340,346**	340,346
Bank borrowings		**22,948**	22,948
Unsecured bank overdrafts		**3,710**	3,710
Taxation payable		**32,469**	32,529
		438,481	437,792
NET CURRENT LIABILITIES		**(428,074)**	(425,717)
NET LIABILITIES		**(421,994)**	(419,675)
CAPITAL AND RESERVES			
Share capital		**4,220**	4,220
Reserves		**(426,214)**	(423,895)
CAPITAL DEFICIENCIES		**(421,994)**	(419,675)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2012

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 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)
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)**

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 2012

	Six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**206**	(5,405)
Net cash used in investing activities	**(539)**	(4,195)
Net cash from financing activities	**1,044**	3,966
Net increase/(decrease) in cash and cash equivalents	**711**	(5,634)
Cash and cash equivalents at beginning of the period	**(2,053)**	15,645
Effect of foreign exchange rate changes	**30**	222
Cash and cash equivalents at end of the period	**(1,312)**	10,233
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**2,398**	13,943
Bank overdrafts	**(3,710)**	(3,710)
	(1,312)	10,233

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2012

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 2012. 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 2012.

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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 2012:

HKAS 19 (Revised 2011)	Employee Benefits [2]
HKAS 27 (Revised 2011)	Separate Financial Statements [2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 1	Government Loans [2]
Amendments to HKFRS 7(2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
Amendments to HKFRS 7 and HKFRS 9	Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
Amendments to HKFRSs 2011	Improvements to HKFRS published in June 2012 [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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 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$422 million as at 31 October 2012.

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.

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 to be raised by the Company by way of an open offer of zero coupon convertible notes with an aggregate principal amount of HK$84.4 million 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.

Interim Financial Information

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

The proceeds from the proposed open offer of convertible notes 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.

Interim Financial Information

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 ("PN17") to the Listing Rules as the Stock Exchange determined that the Company's Resumption Proposal was not a viable resumption proposal. The Company submitted a revised Resumption Proposal to the Stock exchange on 7 May 2010.

On 13 May 2011, the Stock Exchange issued a letter to the Company stating that the Listing Committee of the Stock Exchange (the "Listing Committee") 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 (the "Listing (Review) Committee") 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 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 Shares on the Stock Exchange be cancelled in accordance with PN17.

On 11 October 2011, the Company submitted an application to the Listing Appeals Committee of the Stock Exchange (the "Listing Appeals Committee") to seek a second review of the Listing Decision.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

The Company submitted a submission (the "Submission") to the Stock Exchange on 22 August 2012 and attended the appeal hearing held by 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 set out in the Submission, and refer the matter back to the Listing Committee, 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 Listing Appeals Committee considered that the proposed transactions contained in the Submission constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions. In addition, the Listing Appeals Committee wishes to emphasize the following:

(i) the Company must appoint a sponsor that fulfils the requirements under the Listing Rules; and

(ii) the Company must submit to the Listing Committee documentation that meets the requirements under the Listing Rules.

The Company is now taking appropriate steps to comply with the requirements under the Listing Rules and the Hong Kong Code on Takeovers and Mergers in respect of the proposed transactions set out in the Submission, which include, amongst other things, a very substantial acquisition (constituting a reverse takeover), an open offer of new shares (instead of the convertible notes) and subscription of convertible notes. The relevant agreements in relation to the proposed very substantial acquisition and the subscription of convertible notes were entered into by the Company with relevant parties on 21 August 2012. The Company has appointed relevant professional parties, including a sponsor, to prepare the required documents relating to those transactions pursuant to the Listing Rules and the Hong Kong Code on Takeovers and Mergers. Further announcements will be made by the Company accordingly.

Interim Financial Information

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

The Directors consider the Company will be able to maintain the listing of the Shares on the Stock Exchange and that the relevant requirements laid down by the Listing Appeals Committee will be fulfilled 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 two 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; and
– Manufacturing and sale of household electrical appliances.

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		Consolidated	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER						
External sales	**–**	11,112	**9,993**	32,746	**9,993**	43,858
RESULTS						
Segment results	**–**	(1,239)	**(157)**	(5,611)	**(157)**	(6,850)
Unallocated other income					**7**	–
Finance costs					**–**	(63)
Unallocated corporate expenses					**(2,190)**	(2,094)
Loss before taxation					**(2,340)**	(9,007)
Taxation					**(35)**	(166)
Loss for the period					**(2,375)**	(9,173)

Interim Financial Information

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	
	31 October		**31 October**	30 April
	2012	2011	**2012**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
People's Republic of China ("PRC") (including Hong Kong)	**9,993**	19,261	**6,080**	6,042
Europe	**–**	13,107	**–**	–
America	**–**	11,490	**–**	–
	9,993	43,858	**6,080**	6,042

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 is one (2011: two) customer(s) from segment of manufacturing and sale of household electrical appliances contributing over 10% of the total sales of the Group whose total revenue is approximately HK$9,993,000 (2011: HK$15,259,000) during the Period.

There is no (2011: one) customer from segment of trading of household electrical appliances contributing over 10% of total sales of the Group whose total revenue is approximately HK$Nil (2011: HK$10,748,000) for the Period.

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4. LOSS BEFORE TAXATION

	Six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging/(crediting):–		
Depreciation of plant and equipment	**521**	787
Amortisation of intangible asset	**–**	8
Impairment of goodwill	**–**	497
Provision for impairment of plant and equipment	**–**	1,194
Provision for impairment of intangible asset	**–**	186
Provision for impairment of inventories	**–**	1,401
Provision for bad debts	**–**	694
Written-off of other receivables, prepayments and deposits	**–**	1,963
Interest on bank overdrafts	**–**	34
Interest income	**(1)**	(2)

5. TAXATION

	Six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong profits tax	**–**	120
China enterprise income tax	**35**	46
	35	166

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.

Interim Financial Information

5. TAXATION (continued)

Provision of Hong Kong profits tax has been calculated at the rate of 16.5% on the estimated assessable profit of a subsidiary of the Company operating in Hong Kong for the preceding period.

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 any assessable profit for both periods.

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2011: Nil).

7. 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$2,375,000 (2011: HK$9,173,000) and the weighted average number of 422,000,000 (2011: 422,000,000) Shares in issue.

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

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8. INVENTORIES

	31 October 2012 (Unaudited) HK$'000	30 April 2012 (Audited) HK$'000
Raw materials	**1,656**	1,811
Work in progress	**474**	1,609
Finished goods	**787**	250
	2,917	3,670

9. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	31 October 2012 (Unaudited) HK$'000	30 April 2012 (Audited) HK$'000
Trade receivables	**3,138**	3,413
Deposits and other receivables	**1,954**	3,335
	5,092	6,748

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 2012 and 30 April 2012 is as follows:–

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9. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES (continued)

	31 October 2012 (Unaudited) HK$'000	30 April 2012 (Audited) HK$'000
Aged:		
0 to 90 days	**3,138**	3,413

Included in the Group's trade receivables, the carrying amounts of approximately HK$413,000 (30 April 2012: HK$2,054,000) 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.

10. TRADE AND OTHER PAYABLES

	31 October 2012 (Unaudited) HK$'000	30 April 2012 (Audited) HK$'000
Trade payables	**2,816**	3,215
Other payables	**18,144**	18,040
Amount due to a shareholder	**15,774**	14,730
Amount due to a deconsolidated subsidiary	**2,274**	2,274
	39,008	38,259

Interim Financial Information

10. TRADE AND OTHER PAYABLES (continued)

The aged analysis of the Group's trade payables as at 31 October 2012 and 30 April 2012 is as follows:

	31 October 2012 (Unaudited) HK$'000	30 April 2012 (Audited) HK$'000
Aged:		
0 to 90 days	**1,921**	1,439
91 to 180 days	**600**	1,391
Over 180 days	**295**	385
	2,816	3,215

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

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11. OPERATING LEASE COMMITMENTS

As at 31 October 2012, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	31 October 2012 (Unaudited) HK$'000	30 April 2012 (Audited) HK$'000
Within one year	**1,109**	18
In the second to fifth year inclusive	**1,599**	–
	2,708	18

Operating lease payments represent rentals 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.

12. LITIGATION

On 5 June 2012, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 1762 of 2012 against Homemax (H.K.) Limited ("Homemax") for the sum of approximately HK$938,000, interest and costs. On 5 July 2012, the court granted a judgment against Homemax for approximately HK$938,000, interest and costs in the sum of approximately HK$7,000. The judgment debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2012.

13. SUBSEQUENT EVENT

On 20 December 2012, the Company received a statutory demand pursuant to Section 178(1)(a) of the Companies Ordinance (Cap.32), Laws of Hong Kong from Anda CPA Limited ("Anda") in relation to an outstanding service fee of HK$158,000. The outstanding service fee has not been settled as at the date of this report, as the Company was in a dispute with Anda about the service fee. However, the outstanding liabilities of HK$158,000 have been included in the condensed consolidated statement of financial position as at 31 October 2012.

14. 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term benefits	**338**	331
Post-employment benefits	**6**	6

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.

Due to the sealing up of its manufacturing facilities in April 2007, the Company, via its subsidiaries, began to concentrate its effort in trading business (the "Trading Business") by securing sales orders from distributors and wholesalers and engaging subcontractors of original equipment manufacturer to manufacture the household electrical appliances and audio-visual products. In April 2010, the Group expanded its business scope by moving upsteam into the design of household appliances and distribution of its own designed appliances under the "Olevia" brand (the "Olevia Business"). However, the Olevia Business did not perform as expected, the Group has decided to scale down its operation and reduced investment in Olevia Business since May 2011. The Olevia Business was completely ceased in April 2012. For the Trading Business, it generated profits for the years ended 30 April 2010 and 2011, however, the Stock Exchange stated that they casted doubts on the sustainability of the Trading Business in May 2011. Therefore, due to limited resources, the Group has scaled down the Trading Business since May 2011 and the Trading Business was completely ceased in August 2011. As both the Trading Business and the Olevia Business could not justify a listing resumption of the Shares, the Company has been concentrating on possible acquisition of manufacturing business with sizable profitable track record.

Besides the above businesses, the Company also put effort in expanding its scale by setting up its own manufacturing operation (the "Manufacturing Business"), Dongguan Up Stand Electrical Manufacturing Co., Ltd ("Dongguan Up Stand") in July 2010. Dongguan Up Stand is a wholly-owned subsidiary of the Group established in the People's Republic of China ("PRC"), to engage in the design, manufacturing, marketing and distribution of household appliances such as convection panel heaters, quartz heaters, bathroom panel heaters and electric fans. Its products are mainly supplied to overseas customers in Europe, Australia and America through a PRC import and export company. However, the Stock Exchange stated that the operating history of the Manufacturing Business was short and its turnover was not significant. Therefore, on 22 June 2011, the Company expanded its manufacturing capabilities by acquisition of 100% interest in Rich Honest (Europe) Limited ("RHE"), which is incorporated in Hong Kong with limited liability, at a cash consideration of HK$5 million. RHE's principal business is the manufacturing and sale of a different type of household appliance-digital enhanced cordless telephony ("DECT") products, CAT-iq handset and 3G wireless local loop products (the "RHE Business"). However, as the Stock Exchange has casted doubt on the achievability of RHE's forecast profit in the assessment of the listing resumption of its Shares, the Company decided to cease investment in the RHE business in October 2011 and the investment in RHE of over HK$9 million was written off during the year ended 30 April 2012.

Additional Information Required by the Listing Rules

As a result, the operation of the Group only remained the Manufacturing Business during the Period.

In order to fulfill the requirements of the Stock Exchange to maintain the listing of the Shares, the Company finally identified a suitable acquisition target with sizable track records and submitted the Submission to the Stock Exchange during the appeal stage in August 2012. On 17 September 2012, the Company was pleased to announce that the Listing Appeals Committee decided to exercise its discretion to receive and consider the new resumption proposal as set out in the Submission and refer the matter back to the Listing Committee, 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 Listing Appeals Committee considered that the proposed transactions contained in the Submission constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions.

FINANCIAL REVIEW

During the Period, the turnover of the Group decreased significantly by 77% from approximately HK$44 million to approximately HK$10 million. The decrease was due to the Company has ceased operations of the Trading Business, Olevia Business and the RHE Business before April 2012. Only the operation of the Manufacturing Business was maintained during the Period. Therefore, the turnover of the Group of approximately HK$10 million was only generated from the Manufacturing Business.

The turnover and the average gross profit margin of the Manufacturing Business decreased by 69% and 9% to approximately HK$10 million and 10% respectively compared with the previous corresponding period. Resulted from the poor economy in Europe and America, the number of customers decreased and the orders from each customer from the markets of Europe and America decreased largely. On the other hand, in order to better control the cashflow, Dongguan Up Stand has sold products to overseas customers through a PRC import and export company since April 2012. Therefore, the average gross profit margin was eroded by the PRC import and export company. Moreover, the increase in cost of materials and appreciation in Renminbi further eroded the gross profit of the Manufacturing Business. As a result, the net profit of the Manufacturing Business changed from a profit of approximately HK$2.2 million to a loss of approximately HK$157,000 for the Period.

The net loss of the Group decreased by 74% from approximately HK$9 million to approximately HK$2 million compared with the previous corresponding period. The loss of approximately HK$9 million for the previous corresponding period was mainly resulted from

Additional Information Required by the Listing Rules

the cessation of RHE Business in October 2011. A loss provision of approximately HK$5.4 million over certain assets was made and goodwill of approximately HK$497,000 deriving from the acquisition of RHE by the Company was written off as at 31 October 2011. Moreover, net loss of approximately HK$2 million was generated from the Olevia Business and the RHE Business respectively during the previous corresponding period. The loss of the Group for the Period of approximately HK$2 million mainly represented the professional fee for the resumption of trading of the Shares in the Stock Exchange and the administrative expenses of the Group.

IMPORTANT EVENTS AND PROSPECTS

On 30 September 2008, the Company submitted the Resumption Proposal in relation to the resumption of trading in the Shares to the Stock Exchange and the SFC. The Resumption Proposal contains, amongst other matters, a restructuring proposal to revitalize the Company's financial position. As part of the Resumption Proposal, the Company proposed to raise HK$84.4 million, before expenses, by way of an open offer of zero coupon convertible notes. The Company also proposed to settle the Company's indebtedness by way of the Schemes.

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

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

On 26 November 2009, the Stock Exchange announced that the Company would be placed into the third stage of delisting procedures pursuant to PN17 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 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, i.e. the Listing Decision.

Additional Information Required by the Listing Rules

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

The Company submitted a submission to the Stock Exchange on 31 August 2011 and attended the review hearing with the Listing (Review) Committee to review the Listing Decision on 20 September 2011. However, the Listing (Review) Committee decided to uphold the Listing Decision that the revised Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 and that the listing of the Shares on the Stock Exchange be cancelled in accordance with PN17.

On 11 October 2011, the Company submitted an application to the Listing Appeals Committee to seek a second review of the Listing Decision.

The Company submitted a submission (the "Submission") to the Stock Exchange on 22 August 2012 and attended the appeal hearing held by 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 set out in the Submission, and refer the matter back to the Listing Committee, 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 Listing Appeals Committee considered that the proposed transactions contained in the Submission constitute a reverse takeover and hence subject to the Listing Rules applicable to such transactions. In addition, the Listing Appeals Committee wishes to emphasize the following:

(i) the Company must appoint a sponsor that fulfils the requirements under the Listing Rules; and

(ii) the Company must submit to the Listing Committee documentation that meets the requirements under the Listing Rules.

The Company is now taking appropriate steps to comply with the requirements under the Listing Rules and the Hong Kong Code on Takeovers and Mergers in respect of the proposed transactions set out in the Submission, which include, amongst other things, a very substantial acquisition (constituting a reverse takeover), an open offer of new shares (instead of zero coupon convertible notes) and subscription of convertible notes. The relevant agreements in relation to the proposed very substantial acquisition and the subscription of convertible notes were entered into by the Company with relevant parties on 21 August 2012.

Additional Information Required by the Listing Rules

The Company has appointed relevant professional parties, including a sponsor, to prepare the required documents relating to those transactions pursuant to the Listing Rules and the Hong Kong Code on Takeovers and Mergers. Further announcements will be made by the Company accordingly.

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.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$2 million as at 31 October 2012 (30 April 2012: approximately HK$2 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$351 million as at 31 October 2012 (30 April 2012: approximately HK$351 million). The gearing ratio of the Group as at 31 October 2012 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 2,126% (30 April 2012: approximately 1,935%). Net liabilities were approximately HK$422 million (30 April 2012: approximately HK$420 million).

The Group recorded total current asset value of approximately HK$10 million as at 31 October 2012 (30 April 2012: approximately HK$12 million) and total current liability value of approximately HK$438 million (30 April 2012: approximately HK$438 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.02 as at 31 October 2012 (30 April 2012: approximately 0.03).

The Group recorded a loss of approximately HK$2 million for the Period and this resulted in a decrease in shareholders' funds to a negative value of approximately HK$422 million as at 31 October 2012 (30 April 2012: negative value of approximately HK$420 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 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 2012.

SHARE CAPITAL

As at 31 October 2012, 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

Save for the entering into the agreement on 21 August 2012 in relation to the proposed very substantial acquisition contemplated in the Submission, which constitutes a reverse takeover, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 31 October 2012. The Company is working together with the relevant professional parties to finalize the announcement and relevant documents relating to the above-mentioned very substantial acquisition. Further announcement will be made by the Company accordingly. As at the date of this report, such acquisition has not been completed yet.

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 2012.

STAFF AND REMUNERATION POLICIES

As at 31 October 2012, the Group had 109 employees (30 April 2012: 91 employees). The Group's total staff costs amounted to approximately HK$2,429,000 (2011: HK$6,946,000) 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 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.

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.

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.

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There was no outstanding option to subscribe for Shares as at 1 May 2012 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 2012.

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

As at 31 October 2012, 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	3,440,050,000 *(Note 1)*	815.18%

Notes:

(1) These Shares represent (i) 152,050,000 Shares held by Mr. Kan; (ii) 1,688,000,000 Shares to be allotted and issued to Mr. Kan upon the exercise in full of the conversion rights attaching to the zero coupon convertible notes underwritten by Mr. Kan under the open offer pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan and (iii) 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 2% coupon convertible notes to be subscribed by Mr. Kan pursuant to the subscription agreement (the "Subscription Agreement") dated 21 August 2012 entered into between the Company, Mr. Kan and Magnolia Wealth International Limited ("Magnolia"). The Subscription Agreement forms part of the proposed transactions contemplated in the Submission. The Company is working together with the relevant professional parties to finalize the announcement and relevant documents relating to the Subscription Agreement. Further announcement will be made by the Company accordingly.

Additional Information Required by the Listing Rules

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 October 2012.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31 October 2012, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

Name of shareholders	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Magnolia	8,400,000,000 *(Note 1)*	1,990.52%
Ji Changqun	8,400,000,000 *(Note 2)*	1,990.52%
Mrs. Kan Kung Chuen Lai	3,440,050,000 *(Note 3)*	815.18%
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500 *(Note 4)*	10.42%
Liu Su Ke	30,000,000	7.11%

Notes:

(1) These Shares represent 8,400,000,000 Shares to be allotted and issued to Magnolia upon the exercise in full of the conversion rights attaching to the 2% coupon convertible notes to be subscribed by Magnolia pursuant to the Subscription Agreement which forms part of the proposed transactions contemplated

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in the Submission. The Company is working together with the relevant professional parties to finalize the announcement and relevant documents relating to the Subscription Agreement. Further announcement will be made by the Company accordingly.

(2) Ji Changqun is the sole shareholder of Magnolia and is deemed to be interested in the same 8,400,000,000 Shares pursuant to the SFO.

(3) Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the 3,440,050,000 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 2012.

CORPORATE GOVERNANCE CODE

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has complied with the code provisions of the CG 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. 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,

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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.

3. CODE PROVISIONS A.5.1 to A.5.5

The Code Provisions A.5.1 to A.5.5 relate to establishment of a nomination committee with written terms of reference and sufficient resources. The Board has not yet established a nomination committee during the Period to allow a more informed and balanced decision to be made by the Board as to suitability of the role. Subsequently, the nomination committee of the Company (the "NC") was established on 9 November 2012. The NC comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong. Mr. Ip Woon Lai was appointed and acted as the chairman of the NC.

4. 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. Up to the date of this report, the Company has not arranged such insurance coverage for the Directors as the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, in order to offer fuller protection to the Directors, the Board is currently under discussions to arrange appropriate insurance coverage for the Directors in future.

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, 28 December 2012

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.