



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

2008



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 2008 (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 Income Statement

For the six months ended 31 October 2008

		Six months ended 31 October	
	<i>Notes</i>	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	3	6,974	–
Cost of sales		(6,597)	–
Gross profit		377	–
Other income		46	42
Administrative expenses		(2,764)	(2,963)
Gain on deconsolidation of a subsidiary	4	–	23,929
Finance costs	5	(15,395)	(6,770)
(Loss)/profit before taxation	6	(17,736)	14,238
Taxation	7	(25)	–
(Loss)/profit for the period		(17,761)	14,238
Attributable to:			
Equity holders of the Company		(17,722)	14,238
Minority interest		(39)	–
		(17,761)	14,238
Dividend	8	–	–
(Loss)/earnings per share	9		
– Basic		HK\$(0.04)	HK\$0.03
– Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

At 31 October 2008

	<i>Notes</i>	31 October 2008 (Unaudited) HK\$'000	30 April 2008 (Audited) HK\$'000
CURRENT ASSETS			
Trade and other receivables	10	1,844	1,285
Bank balances and cash		<u>3,128</u>	<u>56</u>
		<u>4,972</u>	<u>1,341</u>
CURRENT LIABILITIES			
Trade payables, accrued charges and other payables	11	32,043	26,071
Guarantor's liability and accrued liability for potential claims	12	332,575	319,019
Bank borrowings		22,302	20,463
Bank overdrafts		1,997	1,997
Taxation payable		<u>31,546</u>	<u>31,521</u>
		<u>420,463</u>	<u>399,071</u>
NET LIABILITIES		<u>(415,491)</u>	<u>(397,730)</u>
CAPITAL AND RESERVES			
Share capital		4,220	4,220
Reserves		<u>(419,711)</u>	<u>(401,989)</u>
Capital deficiencies attributable to equity holders of the Company		<u>(415,491)</u>	<u>(397,769)</u>
Minority interest		<u>-</u>	<u>39</u>
CAPITAL DEFICIENCIES		<u>(415,491)</u>	<u>(397,730)</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Special reserve	Share option reserve	Property revaluation reserve	Translation reserve	Accumulated losses	Total	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2007	4,220	84,868	1,010	309	1,048	28,725	(487,599)	(367,419)	39	(367,380)
Release of translation reserve upon deconsolidation of a subsidiary	-	-	-	-	-	(28,725)	-	(28,725)	-	(28,725)
Profit for the period	-	-	-	-	-	-	14,238	14,238	-	14,238
Total recognised income and expenses for the period	-	-	-	-	-	(28,725)	14,238	(14,487)	-	(14,487)
At 31 October 2007 (Unaudited)	4,220	84,868	1,010	309	1,048	-	(473,361)	(381,906)	39	(381,867)
At 1 May 2008	4,220	84,868	1,010	309	-	-	(488,176)	(397,769)	39	(397,730)
Loss for the period and total recognised expenses for the period	-	-	-	-	-	-	(17,722)	(17,722)	(39)	(17,761)
Surrender of right under share options previously granted to a director	-	-	-	(309)	-	-	309	-	-	-
At 31 October 2008 (Unaudited)	4,220	84,868	1,010	-	-	-	(505,589)	(415,491)	-	(415,491)

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.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 October 2008

	Six months ended 31 October	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash used in operating activities	(2,929)	(3,904)
Net cash from investing activities	1	–
Net cash from financing activities	6,000	–
Net increase/(decrease) in cash and cash equivalents	3,072	(3,904)
Cash and cash equivalents at beginning of the period	(1,941)	(3,434)
Cash and cash equivalents at end of the period	1,131	(7,338)
Analysis of balances of cash and cash equivalents		
Bank balances and cash	3,128	3,489
Bank overdrafts	(1,997)	(10,827)
	1,131	(7,338)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 October 2008

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) Initial application of Hong Kong Financial Reporting Standards

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

The accounting policies and methods of computation followed in the preparation of the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 30 April 2008.

In the Period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 May 2008.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 condensed consolidated financial statements for the Period since they were not yet effective for the annual period beginning on 1 May 2008:

HKFRSs (Amendments)	Improvements to HKFRSs ⁵
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets ¹
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 8	Operating Segments ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ¹
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ²
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ⁴

¹ Effective for annual periods beginning on or after 1 July 2008

² Effective for annual periods beginning on or after 1 October 2008

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(c) 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\$415 million as at 31 October 2008.

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”) pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong). The 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Going concern basis (continued)

As part of the Resumption Proposal, the Company proposed to settle all amounts due to the creditors of the Company (the "Creditors") by way of the schemes of arrangement to be made between the Company and the Creditors under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Companies Law (2007 Revision) of the Cayman Islands respectively (the "Schemes"). To fulfil the funding needs for the implementation of the Schemes and to provide general working capital for the Group's operations, the Company proposed to raise HK\$84.4 million, before expenses, by way of the open offer of zero coupon convertible notes (the "Offer Convertible Notes") with an aggregate principal amount of HK\$84.4 million (the "Open Offer"). The Company announced the Open Offer on 8 October 2008. If the conversion rights attaching to the Offer Convertible Notes are fully exercised at the conversion price of HK\$0.05 per Share, an aggregate of 1,688,000,000 new Shares will be allotted and issued.

The proceeds from the Open Offer of HK\$84.4 million will be used as to (i) HK\$37 million for the full settlement of all amounts due to the Creditors pursuant to the Schemes; (ii) approximately HK\$10.4 million for the payment of the professional fees and costs in relation to the Resumption Proposal, the Schemes and the Open Offer and the repayment of shareholder's loan due to Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), the controlling shareholder of the Company; and (iii) the remaining amount for the general working capital of the Group.

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

Mr. Kan, who was beneficially interested in approximately 36.03% of the entire issued share capital of the Company as at 31 October 2008, is the underwriter to the Open Offer. Pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan (the "Underwriting Agreement"), Mr. Kan has conditionally agreed to underwrite those Offer Convertible Notes not having been subscribed by the Qualifying Shareholders.

The Open Offer is conditional and fully underwritten by Mr. Kan. In particular, the Open Offer is conditional upon the lifting of the suspension of trading in the Shares on the Stock Exchange by the SFC, the approval of the Resumption Proposal from the Stock Exchange having been obtained, the Schemes being sanctioned by the Court of First Instance of the High Court of Hong Kong and the Grand Court of the Cayman Islands (as the case may be), the approval of the Open Offer and transactions contemplated thereunder by the independent shareholders of the Company, by way of a poll, at an extraordinary general meeting of the Company and the Underwriting Agreement becoming unconditional. Accordingly, the Open Offer may or may not proceed.

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

(d) Deconsolidation of subsidiaries

- (i) The factory of the Company's wholly-owned subsidiary, Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee"), were sealed up and closed down by the People's Court in Dongguan City of Guangdong Province in the People's Republic of China (the "PRC") in April 2007. In May 2008, Dongguan Intermediate People's Court ordered that Dongguan Kalee be liquidated for settlement of the debts by sale of its factory, land, together with the plant and equipment therein, through auction. The Directors considered that the Group's control over Dongguan Kalee has been lost. The results, assets and liabilities of Dongguan Kalee were not included into the consolidated financial statements of the Group with effect from 1 May 2007. Further details are set out in note 4 to the condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Deconsolidation of subsidiaries (continued)

- (ii) On 23 January 2008, the High Court of Hong Kong ordered Housely Industries Limited ("Housely Industries"), a wholly-owned subsidiary of the Company, be wound up under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), and that the Official Receiver be constituted provisional liquidator of the affairs of Housely Industries. Two individuals were then appointed as the liquidators of Housely Industries.

The Directors considered that control over Housely Industries has been lost. Accordingly, Housely Industries was excluded from the consolidated financial statements of the Group with effect from 1 February 2008.

In the opinion of the Directors, the condensed consolidated financial statements for the Period prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid seal up order and liquidation against the said subsidiaries.

3. TURNOVER AND SEGMENT INFORMATION

Turnover for the Period represented the fair value of the amounts received and receivable for goods sold to outside customers less returns and allowances and all of the Group's turnover, assets and liabilities were derived from the trading of household electrical appliances and audio-visual products. During the Period, the Group's turnover and segment assets and liabilities were derived solely in Asia. Accordingly, no analysis of financial information by geographical segment is presented.

An analysis of the Group's turnover for the Period by business segments is as follows:

For the six months ended 31 October 2008

	Trading of household electrical appliances HK\$'000	Trading of audio-visual products HK\$'000	Consolidated HK\$'000
TURNOVER			
External sales	4,292	2,682	6,974
Segment results	121	252	373
Unallocated other income			46
Unallocated corporate expenses			(2,760)
Finance costs			(15,395)
Loss before taxation			(17,736)
Taxation			(25)
Loss for the period			(17,761)

The Group had no turnover for the period ended 31 October 2007.

4. GAIN ON DECONSOLIDATION OF A SUBSIDIARY

The Group held 100% equity interest in Dongguan Kalee which was established in the PRC. As disclosed in note 2(d)(i) to the condensed consolidated financial statements, the Directors considered that the control over Dongguan Kalee has been lost as the factory of Dongguan Kalee was sealed up and closed down by the People's Court in Dongguan City of Guangdong Province in the PRC in April 2007 and the Dongguan Intermediate People's Court ordered that Dongguan Kalee be liquidated for settlement of the debts by sale of the factory, land, together with the plant and equipment therein through auction in May 2008.

For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, Dongguan Kalee was excluded from consolidation with effect from 1 May 2007. The details of gain on deconsolidation of a subsidiary were as follows:

	HK\$'000
Property, plant and equipment	114,669
Prepaid lease payments	630
Amount due from the ultimate holding company	2,274
Bank balances and cash	996
Trade and other payables	(100,885)
Taxation payable	(12,888)
Bank borrowings	(2,522)
	<hr/>
Net assets deconsolidated	2,274
Release of translation reserve	(28,725)
	<hr/>
	(26,451)
Guarantor's liability (Note)	2,522
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Gain on deconsolidation of a subsidiary	<u>(23,929)</u>

Note: The Company provided corporate guarantee to a bank to secure the banking facilities granted to Dongguan Kalee. As Dongguan Kalee was in default on payment of such bank borrowings, the Group recognised a liability of approximately HK\$2,522,000, equivalent to the outstanding bank borrowings and accrued interest thereon of Dongguan Kalee, to reflect its obligation under the guarantee arrangement.

5. FINANCE COSTS

	Six months ended 31 October	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	1,839	6,696
Guarantor's liability	13,556	74
	<hr/>	<hr/>
	15,395	6,770
	<hr/>	<hr/>

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after crediting interest income of approximately HK\$1,000 (2007: Nil).

7. TAXATION

Taxation for the Period represents provision for Hong Kong Profits Tax calculated at the rate of 16.5% on the estimated assessable profit of a subsidiary operating in Hong Kong for the Period.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the preceding period as the Group did not have any assessable profit.

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

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2007: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per Share attributable to equity holders of the Company for the Period is based on the loss for the Period attributable to equity holders of the Company of approximately HK\$17,722,000 (2007: profit of approximately HK\$14,238,000) and the weighted average number of 422,000,000 (2007: 422,000,000) Shares in issue.

The calculation of diluted earnings per Share for the period ended 31 October 2007 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the Share during the previous corresponding period before the suspension of trading in Shares on the Stock Exchange in May 2007.

The aforementioned share options were surrendered during the Period and the Company had no dilutive potential Shares as at 31 October 2008.

10. TRADE AND OTHER RECEIVABLES

	31 October 2008 (Unaudited) HK\$'000	30 April 2008 (Audited) HK\$'000
Trade receivables	1,734	1,285
Other receivables	110	–
	<u>1,844</u>	<u>1,285</u>

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The trade receivables as at 31 October 2008 and 30 April 2008 were aged within 90 days (based on invoice date) and were not past due nor impaired.

11. TRADE PAYABLES, ACCRUED CHARGES AND OTHER PAYABLES

	31 October 2008 (Unaudited) HK\$'000	30 April 2008 (Audited) HK\$'000
Trade payables	1,081	1,596
Accrued charges and other payables	22,688	22,201
Amount due to a shareholder	6,000	–
Amount due to a deconsolidated subsidiary	2,274	2,274
	<hr/>	<hr/>
	32,043	26,071
	<hr/>	<hr/>

The aged analysis of the Group's trade payables as at 31 October 2008 and 30 April 2008 is as follows:

	31 October 2008 (Unaudited) HK\$'000	30 April 2008 (Audited) HK\$'000
Aged:		
0 to 90 days	770	1,285
Over 180 days	311	311
	<hr/>	<hr/>
	1,081	1,596
	<hr/>	<hr/>

The amounts due to a shareholder and a deconsolidated subsidiary are unsecured, interest-free and repayable on demand. On 2 January 2009, the Company, Up Stand Holdings Limited (the wholly owned subsidiary of the Company) and Mr. Kan entered into a loan agreement in respect of the amount due to a shareholder. Pursuant to the loan agreement, Mr. Kan agreed not to demand repayment of any part of the amount due to him on or before 30 September 2009.

12. GUARANTOR'S LIABILITY AND ACCRUED LIABILITY FOR POTENTIAL CLAIMS

The amount represents (i) the liability arising from the guarantee arrangements between the Company and Housely Industries and Dongguan Kalee of approximately HK\$299,891,000 (30 April 2008: HK\$299,891,000); (ii) the accrued liability for potential claims against the Group by the creditors of Housely Industries of approximately HK\$16,500,000 (30 April 2008: HK\$16,500,000); and (iii) the accrued interest of approximately HK\$16,184,000 (30 April 2008: HK\$2,628,000) on the outstanding bank borrowings and overdrafts of Housely Industries and Dongguan Kalee of which the Company acts as a guarantor for the period from the respective time Housely Industries and Dongguan Kalee were excluded from consolidation to October 2008.

13. CAPITAL COMMITMENTS

As at 31 October 2008, the Group had no material capital commitment.

14. CONTINGENT LIABILITIES

In May 2006, RHT Limited commenced the High Court Action No. 982 of 2006 ("HCA 982/2006") in the High Court of Hong Kong against Housely Industries. RHT Limited alleged that Housely Industries was in breach of a Chinese written contract (the "Contract") dated 3 September 2004 entered into between RHT Limited and Housely Industries. Pursuant to the Contract, RHT Limited granted Housely Industries certain rights to manufacture and sell certain air purifiers and vacuum cleaners to be produced by the application of certain patented technology.

In HCA 982/2006, RHT Limited claimed against Housely Industries for the payment of HK\$175,000 (the sum of which was revised by RHT Limited on 14 January 2008 to HK\$464,500), damages, interest and costs. Housely Industries filed and served its defence and counterclaim in June 2006.

On 23 January 2008, the High Court of Hong Kong ordered Housely Industries be wound up upon the petition of another creditor of Housely Industries and provisional liquidators were appointed. On 9 May 2008, the provisional liquidators were appointed as the liquidators of Housely Industries. Since 23 January 2008, the control and management of Housely Industries have passed from its board of directors to the provisional liquidators or liquidators.

The legal advisers of the Company opined that RHT Limited continued with the proceedings in HCA 982/2006 without the leave of the Court which was required under section 186 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Two judgments were entered by RHT Limited against Housely Industries in HCA 982/2006 respectively on 14 February 2008 and 17 July 2008, wherein the sum of approximately HK\$92,565,000 was awarded in favour of RHT Limited against Housely Industries, together with costs of HCA 982/2006 and costs of an assessment hearing held on 17 July 2008, taxed if not agreed, with certificate for counsel (collectively, the "Judgment Debt").

On 30 October 2008, the Company received a letter from RHT Limited's solicitors, alleging that the Company should be liable for the payment of the assessed damages of approximately HK\$92,565,000.

In November 2008, RHT Limited commenced the High Court Action No. 2260 of 2008 ("HCA 2260/2008") in the High Court of Hong Kong against the Company. RHT Limited alleged in its statement of claim in HCA 2260/2008 that the Company was jointly and severally liable with Housely Industries under the Contract and claimed against the Company for the payment of approximately HK\$92,565,000, further and/or other relief and costs. The Company in its defence filed on 3 December 2008 denied the above allegation and claim made by RHT Limited against the Company.

The Company, having regard to the advice of its legal advisers, was of the view that the Company should not be liable for the Judgment Debt as the Company was not a party to the Contract or the action HCA 982/2006 and was not bound by the order or judgment made therein. The Company was also of the view that the judgments obtained by RHT Limited against Housely Industries in HCA 982/2006 were irregular and contrary to section 186 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Having regard to the legal advice on the merits of the claim of RHT Limited in HCA 2260/2008 provided by its legal advisers, the Company estimated the value of the disputed claim by RHT Limited as nil. The Company considered that it had a good chance of successfully defending itself and the Company would vigorously do so.

15. LITIGATIONS

- (a) On 7 March 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 438 of 2007 against Housely Industries and the Company for approximately HK\$1,540,000, interest and costs on indemnity basis.
- (b) On 3 April 2007, China Construction Bank (Asia) Limited commenced proceedings in the High Court of Hong Kong under HCA 673 of 2007 against Housely Industries and the Company for approximately HK\$1,016,000, interest and costs on indemnity basis. On 26 April 2007, the court granted a final and interlocutory judgment against Housely Industries and the Company for approximately HK\$1,016,000, interest and costs on indemnity basis. The claim has not been settled at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.
- (c) On 14 April 2007, the Bank of Tokyo-Mitsubishi UFJ, Ltd. commenced proceedings in the High Court of Hong Kong under HCA 733 of 2007 against Housely Industries and the Company for approximately HK\$4,985,000, interest and costs. On 7 June 2007, the court granted a judgment against Housely Industries and the Company for the sum of approximately HK\$4,985,000, interest and costs in the sum of approximately HK\$2,000. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007. The indebtedness claimed was subsequently assigned by the Bank of Tokyo-Mitsubishi UFJ, Ltd. to an independent third party of the Group.
- (d) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 797 of 2007 against the Company for approximately HK\$5,060,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgment against the Company for the sum of approximately HK\$5,060,000 and interest. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.
- (e) On 20 April 2007, DBS Bank (Hong Kong) Limited commenced proceedings in the High Court of Hong Kong under HCA 798 of 2007 against Housely Industries and the Company for approximately HK\$5,449,000, approximately US\$90,000, interest and costs on indemnity basis. On 18 June 2007, the court granted a judgment against Housely Industries and the Company for the sum of approximately HK\$5,449,000, approximately US\$90,000, interest and costs on indemnity basis. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.
- (f) On 1 June 2007, Bank of Communications Co., Ltd. (Hong Kong Branch) commenced proceedings in the High Court of Hong Kong under HCA 1161 of 2007 against Housely Industries, Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK\$13,652,000 and approximately US\$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgment against the said companies for approximately HK\$13,652,000 and approximately US\$329,000, interest and fixed costs in the sum of approximately HK\$2,000. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.

15. LITIGATIONS (continued)

- (g) On 31 October 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 8694 of 2007 against Tacho Company Limited ("Tacho") for the sum of approximately HK\$26,593,000, interest and costs. On 14 January 2008, the court granted a judgment against Tacho for approximately HK\$26,593,000, interest and costs in the sum of approximately HK\$1,000. The judgment has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.
- (h) On 5 December 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 9371 of 2007 against Tacho for the sum of approximately HK\$62,000, interest and costs. On 18 February 2008, the court granted a judgment against Tacho for approximately HK\$62,000, interest and costs in the sum of approximately HK\$1,000. A writ of fieri facias has been issued against Tacho. The judgment has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.
- (i) On 21 January 2008, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 554 of 2007 against Tacho for the sum of approximately HK\$6,089,000, interest and costs. On 19 March 2008, a judgment was granted by the District Court of Hong Kong against Tacho for approximately HK\$6,089,000, interest and costs. A writ of fieri facias has been issued to enforce the judgment. The judgment has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2007.
- (j) On 23 July 2008, the Commissioner of Inland Revenue commenced proceedings in the District Court of Hong Kong under DCTC 5918 of 2008 against Tacho for approximately HK\$3,206,000, interest and costs. The amount of approximately HK\$3,206,000 represented tax surcharge for the unpaid taxes mentioned in note 15(g) and note 15(i) to the condensed consolidated financial statements. The claim has not been settled as at the date of this report and the Group has provided for the liabilities in the consolidated financial statements for the year ended 30 April 2008.

16. EVENTS AFTER THE BALANCE SHEET DATE

- (a) In November 2008, RHT Limited commenced HCA 2260/2008 in the High Court of Hong Kong against the Company. The details of HCA 2260/2008 were mentioned in note 14 to the condensed consolidated financial statements.
- (b) On 23 December 2008, PR Asia Consultants Limited commenced the Civil Action No. 5897 of 2008 in the District Court of Hong Kong against the Company for the sum of approximately HK\$818,000, interest, further or other relief and costs. No judgment in the action has been served on the Company as at the date of this report and the liabilities have been included in the condensed consolidated balance sheet as at 31 October 2008.
- (c) On 8 January 2009, the Company applied to the High Court of Hong Kong for leave to convene a meeting with the Creditors to be held in Hong Kong for the purpose of considering and, if thought fit, approving (with or without modification) the scheme of arrangement proposed to be made between the Company and the Creditors under section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

17. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 October 2008 is as follow:–

	31 October 2008 (Unaudited) HK\$'000	30 April 2008 (Audited) HK\$'000
Current asset		
Bank balances and cash	–	1
Current liabilities		
Other payables	8,959	8,780
Amounts due to subsidiaries	4,679	2,448
Amount due to a deconsolidated subsidiary	2,274	2,274
Guarantor's liability	339,571	302,519
Bank overdraft	24	24
	355,507	316,045
Net current liabilities	(355,507)	(316,044)
Net liabilities	(355,507)	(316,044)
Capital and reserves		
Share capital	4,220	4,220
Reserves	(359,727)	(320,264)
Capital deficiencies	(355,507)	(316,044)



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF WARDERLY INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 15, which comprises the condensed consolidated balance sheet of Warderly International Holdings Limited as of 31 October 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

PKF

Certified Public Accountants
Hong Kong

15 January 2009

Business and Financial Review

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

Due to the sealing up of its manufacturing facilities in April 2007, since April 2007, the Company, via its subsidiaries, began to concentrate its effort in trading business by securing sales orders from distributors and wholesalers and engaging subcontractors of original equipment manufacturer to manufacture the products. The Company, via its subsidiaries, now offers a wide range of products, including digital photo frames, Digital Enhanced Cordless Technology phones, turbo fans, water heaters and air-conditioners.

During the Period, the Group recorded a turnover of approximately HK\$7 million and a loss of approximately HK\$18 million. The loss mainly came from the finance costs of approximately HK\$15 million in relation to interests accrued on the bank borrowings and overdrafts and guarantor's liability.

Important Events and Prospects

On 30 September 2008, the Company submitted the Resumption Proposal to the Stock Exchange and the SFC. The Resumption Proposal contains, amongst other matters, a restructuring proposal to revitalize the Company's financial position. As part of the Resumption Proposal, the Company proposed to raise HK\$84.4 million, before expenses, by way of the Open Offer of the Offer Convertible Notes to the Qualifying Shareholders, which is fully underwritten by Mr. Kan pursuant to the Underwriting Agreement entered into between the Company and Mr. Kan on 8 October 2008. The Board also proposed to settle the Company's indebtedness by way of the Schemes.

On 8 January 2009, the Company applied to the High Court of Hong Kong for leave to convene a meeting with the Creditors to be held in Hong Kong for the purpose of considering and, if thought fit, approving (with or without modification) the scheme of arrangement proposed to be made between the Company and the Creditors under section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

Upon completion of the Resumption Proposal, the Company would become almost debt free and additional working capital will be injected into the Group. The Directors would continue to expand the product range and explore products with higher profit margins. Besides, the Directors would look for new business opportunities that offer better returns for the shareholders of the Company and believed that the Group's business would recover gradually.

Liquidity, Financial Resources and Gearing Ratio

The Group had total cash and bank balances of approximately HK\$3 million as at 31 October 2008 (30 April 2008: approximately HK\$0.06 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK\$340 million as at 31 October 2008 (30 April 2008: approximately HK\$325 million). The gearing ratio of the Group as at 31 October 2008 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 6,846% (30 April 2008: approximately 24,234%). Net liabilities were approximately HK\$415 million (30 April 2008: approximately HK\$398 million).

The Group recorded total current asset value of approximately HK\$5 million as at 31 October 2008 (30 April 2008: approximately HK\$1 million) and total current liability value of approximately HK\$420 million (30 April 2008: approximately HK\$399 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.012 as at 31 October 2008 (30 April 2008: approximately 0.003).

The Group recorded a loss of approximately HK\$18 million for the Period and this resulted in a decrease in shareholders' funds to a negative value of approximately HK\$415 million as at 31 October 2008 (30 April 2008: approximately HK\$398 million).

Interim Dividend

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

Foreign Exchange Exposure

Transactions of the Group were mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollar is pegged to United States dollar, the Directors did not consider that the Group was significantly exposed to foreign exchange risk for the Period.

Treasury Policies

The Group's major borrowings are in Hong Kong dollars and at variable interest rates. 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 2008.

Share Capital

As at 31 October 2008, 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

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the Period.

Segmental Information

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

Contingent Liabilities

Details of contingent liabilities as at 31 October 2008 are set out in note 14 to the condensed consolidated financial statements.

Staff and Remuneration Policies

As at 31 October 2008, the Group had 6 employees (30 April 2008: 5 employees). The Group's total staff costs amounted to approximately HK\$229,000 (2007: HK\$1,800,000) for the Period.

Competitive remuneration packages including discretionary bonus, retirement scheme benefits and share options are structured to commensurate with individual job duties, qualifications, performance and years of experience.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the Code (the "Code") of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. The audit committee of the Company currently comprises the five 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 "Scheme") was adopted pursuant to a resolution passed on 26 November 2002 for the primary purpose of providing incentives to Directors and eligible participants, and will expire on 25 November 2012. Under the Scheme, the Directors may grant options to eligible participants, including any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors and consultants of the Company or any subsidiaries of the Company, to subscribe for Shares 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.

Movements in the share options under the Scheme during the Period are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of Shares to be subscribed under the share options		
					Outstanding as at 1.5.2008	Exercised/ Lapsed/ Cancelled during the Period	Outstanding as at 31.10.2008
Yeung Ying Fong (former Director)	1 November 2005	1 November 2005 to 30 October 2008	1 November 2008 to 30 October 2013	0.668	4,220,000	(4,220,000)	-

No share option has been granted during the Period.

On 9 July 2008, Ms. Yeung Ying Fong, a former Director, irrevocably and unconditionally agreed to forfeit and surrender all rights attached to all outstanding share options granted to her on 1 November 2005.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 31 October 2008, none of the Directors or the chief executive 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which (i) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company; or (ii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at 31 October 2008, 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		Percentage
Name of shareholders	Number of issued Shares held	of the issued share capital of the Company
Kan Che Kin, Billy Albert ("Mr. Kan")	152,050,000	36.03%
Kan Kung Chuen Lai	152,050,000	36.03%
	<i>(Note 1)</i>	
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500	10.42%
	<i>(Note 2)</i>	
Liu Su Ke	30,000,000	7.11%

Notes:

- (1) Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the 152,050,000 Shares held by Mr. Kan pursuant to the SFO.
- (2) New China Managements Corp. is the investment manager of The Cathay Investment Fund, Limited and is deemed to be interested in the same 43,987,500 Shares pursuant to the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 October 2008.

Code on Corporate Governance Practices

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

1. CODE PROVISION A.2

The Company has not appointed any individual to take up the posts as the chief executive officer and chairman of the Company during the Period and the daily operations and management of the Group were monitored by the directors as well as the senior management of the Group. The balance of power and authority was ensured by the operations of the Board and the Board considered that the current structure would not impair the balance and authority between the Board and the senior management of the Group.

2. CODE PROVISION A.4.1

Non-executive Directors should be appointed for specific term, subject to re-election. The independent non-executive Directors were not appointed for a specific term, but they were subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company at least once every three years.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

By Order of the Board

Hung Kwok Wa

Director

Hong Kong, 15 January 2009

As at the date of this report, the Board consists of Mr. Hung Kwok Wa, Mr. Lau Man Tak, Mr. Li Kai Yien, Arthur Albert, Ms. Li Shu Han, Eleanor Stella and Ms. Seto Ying as executive Directors; Mr. Lau Tai Chim, Mr. Tam Ping Kuen, Daniel, Mr. Lee Kong Leong, Mr. Li Siu Yui and Mr. Ip Woon Lai as independent non-executive Directors.