



**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

**2007**

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 2007 (the “Period”), together with the 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 2007

		<b>Six months ended</b>	
		<b>31 October</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
	Notes	<b>HK\$'000</b>	HK\$'000
Turnover	3	–	154,291
Cost of sales		–	(114,349)
Gross profit		–	39,942
Other income		<b>42</b>	573
Administrative expenses		<b>(2,963)</b>	(22,701)
Distribution costs		–	(9,405)
Gain on deconsolidation of a subsidiary	4	<b>23,929</b>	–
Finance costs	5	<b>(6,770)</b>	(6,204)
Profit before taxation	6	<b>14,238</b>	2,205
Taxation	7	–	(11)
Profit for the period attributable to equity holders of the Company		<b>14,238</b>	2,194
Dividend	8	–	–
Earnings per share	9		
– Basic		<b>HK3.37 cents</b>	HK0.52 cents
– Diluted		<b>N/A</b>	N/A

# Condensed Consolidated Balance Sheet

At 31 October 2007

	Notes	31 October 2007 (Unaudited) HK\$'000	30 April 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,870</b>	117,539
Prepaid lease payments		<u>–</u>	<u>616</u>
		<b>2,870</b>	118,155
<b>CURRENT ASSETS</b>			
Prepaid lease payments		–	14
Trade and other receivables	10	–	6,023
Bank balances and cash		<b>3,489</b>	<u>7,006</u>
		<b>3,489</b>	13,043
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>37,718</b>	135,712
Guarantor's liability	12	<b>2,596</b>	–
Bank borrowings		<b>304,893</b>	307,346
Bank overdrafts		<b>10,827</b>	10,440
Taxation payable		<b>31,970</b>	<u>44,858</u>
		<b>388,004</b>	498,356
<b>NET CURRENT LIABILITIES</b>		<b>(384,515)</b>	(485,313)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(381,645)</b>	(367,158)
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		<b>222</b>	<u>222</u>
<b>NET LIABILITIES</b>		<b>(381,867)</b>	(367,380)
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>4,220</b>	4,220
Reserves		<b>(386,126)</b>	<u>(371,639)</u>
Capital deficiencies attributable to equity holders of the Company		<b>(381,906)</b>	(367,419)
Minority interest		<b>39</b>	<u>39</u>
<b>CAPITAL DEFICIENCIES</b>		<b>(381,867)</b>	(367,380)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 October 2007

	Attributable to equity holders of the Company							Total	Minority interest	Total
	Share capital	Share premium	Special reserve	Share option reserve	Properties revaluation reserve	Translation reserve	Retained profits/ losses (Accumulated)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2006	4,220	84,868	1,010	752	52,943	12,204	214,311	370,308	39	370,347
Surplus on revaluation released on disposal of leasehold properties, net of reversal of deferred tax liabilities arising on valuation of leasehold properties	-	-	-	-	(4,130)	-	-	(4,130)	-	(4,130)
Profit for the period	-	-	-	-	-	-	2,194	2,194	-	2,194
Total recognised income and expenses for the period	-	-	-	-	(4,130)	-	2,194	(1,936)	-	(1,936)
At 31 October 2006 (Unaudited)	4,220	84,868	1,010	752	48,813	12,204	216,505	368,372	39	368,411
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)
<b>At 31 October 2007 (Unaudited)</b>	<b>4,220</b>	<b>84,868</b>	<b>1,010</b>	<b>309</b>	<b>1,048</b>	<b>-</b>	<b>(473,361)</b>	<b>(381,906)</b>	<b>39</b>	<b>(381,867)</b>

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 2007

	Six months ended	
	31 October	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	<b>(3,904)</b>	66,119
Net cash used in investing activities	–	(106,459)
Net cash used in financing activities	–	(58,838)
Net decrease in cash and cash equivalents	<b>(3,904)</b>	(99,178)
Cash and cash equivalents at the beginning of the period	<b>(3,434)</b>	116,168
Cash and cash equivalents at the end of the period	<b>(7,338)</b>	16,990
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<b>3,489</b>	27,775
Bank overdrafts	<b>(10,827)</b>	(10,785)
	<b>(7,338)</b>	16,990

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 October 2007

## 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 ("HKFRSs")

The condensed consolidated financial statements are prepared using the historical cost basis, as modified for leasehold buildings which are measured at revalued amounts.

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 2007.

In the Period, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 May 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these standards, amendment and interpretations had no material effect on the results and the 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) Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new or revised standards, amendments and interpretations in issue at the date of authorisation of these condensed consolidated financial statements that are not yet effective:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>1</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

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\$382 million as at 31 October 2007.

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.

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 (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"). 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Going concern basis (continued)

The proceeds from the Open Offer of HK\$84.4 million will be used as to (i) approximately HK\$37 million for the full settlement of all amounts due to the Creditors pursuant to the Schemes; (ii) approximately HK\$7.7 million for the repayment of shareholder's loan due to Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), a controlling shareholder of the Company, which were/will be used as general working capital of the Group and settlement of professional fees and costs in relation to the Schemes and the Open Offer; 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 is beneficially interested in approximately 36.03% of the entire issued share capital of the Company as at 30 April 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 the 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 are satisfied with the financial position of the Group and consider the preparation of the condensed consolidated financial statements on a going concern basis as appropriate.

### (d) Deconsolidation of a subsidiary

The major assets and production facilities of the Company's wholly-owned subsidiary, Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee"), was sealed up and closed down by the People's Court in Dongguan City of Guangdong Province in April 2007. In May 2008, Dongguan Intermediate People's Court ordered that Dongguan Kalee be liquidated for settlement of 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. Accordingly, 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.

In the opinion of the Directors, the condensed consolidated financial statements for the six months ended 31 October 2007 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 against Dongguan Kalee.

### 3. TURNOVER AND SEGMENT INFORMATION

The Group had no turnover during the Period. For the six months ended 31 October 2006, turnover 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 manufacturing and trading of household electrical appliances and audio-visual products and trading of kitchenware. The turnover, profit and assets attributable to the manufacturing and trading of audio-visual products and the trading of kitchenware contributed to less than 10% of the Group's turnover, profit and assets. Accordingly, no analysis of financial information by business segment is presented.

#### By geographical market

An analysis of the Group's turnover and profit for the six months ended 31 October 2006 is as follows:–

	<b>Europe</b>	<b>North America</b>	<b>Asia</b>	<b>Consolidated Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>				
External sales	128,223	15,316	10,752	154,291
<b>RESULTS</b>				
Segment results	33,338	3,829	2,365	39,532
Unallocated corporate expenses				(31,123)
Finance costs				(6,204)
Profit before taxation				2,205
Taxation				(11)
Profit for the period				2,194

### 4. GAIN ON DECONSOLIDATION OF A SUBSIDIARY

The Group held 100% equity interest in Dongguan Kalee which was established in the People's Republic of China (the "PRC"). As disclosed in note 2(d) 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 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.

#### 4. GAIN ON DECONSOLIDATION OF A SUBSIDIARY (continued)

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:-

	<b>HK\$'000</b> <b>(Unaudited)</b>
Property, plant and equipment	114,669
Prepaid lease payments	630
Amount due from 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)
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	(26,451)
Guarantor's liability (Note)	2,522
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Gain on deconsolidation of a subsidiary	(23,929)
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Note: The Company provided corporate guarantee to a bank to secure the banking facilities granted to Dongguan Kalee. As Dongguan Kalee had net liabilities and was in default on payment of such bank borrowings, the Group recognised a liability of 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

	<b>Six months ended 31 October</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on:-		
Bank borrowings and overdrafts wholly repayable within five years	<b>6,696</b>	6,135
Guarantor's liability	<b>74</b>	-
Finance leases	-	69
	<hr/>	<hr/>
	<b>6,770</b>	6,204
	<hr/>	<hr/>

## 6. PROFIT BEFORE TAXATION

	<b>Six months ended 31 October</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	–	28,861
Gain on disposal of property, plant and equipment	–	(1,290)
Interest income	–	(440)
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## 7. TAXATION

No provision for Hong Kong Profits Tax and PRC enterprise income tax has been made in the condensed consolidated financial statements during the Period as the Group did not have any assessable profit.

For the six months ended 31 October 2006, the income tax expense represented provision of PRC enterprise income tax calculated at 27% on the estimated assessable profits of the Company's subsidiaries operating in the PRC.

## 8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 October 2007 (2006: Nil).

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per Share attributable to equity shareholders of the Company for the Period is based on the profit for the Period of HK\$14,238,000 (2006: HK\$2,194,000) and the weighted average number of 422,000,000 (2006: 422,000,000) Shares in issue.

The calculation of diluted earnings per Share for both periods 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 both periods before the suspension of trading in Shares on the Stock Exchange in May 2007.

## 10. TRADE AND OTHER RECEIVABLES

	<b>31 October 2007 (Unaudited) HK\$'000</b>	30 April 2007 (Audited) HK\$'000
Trade receivables	<b>654</b>	11,416
Less: Allowance for doubtful debts	<b>(654)</b>	(5,393)
	<u>          </u>	<u>          </u>
	-	6,023
	-----	-----
Other receivables	<b>11,961</b>	28,432
Less: Allowance for doubtful debts	<b>(11,961)</b>	(28,432)
	<u>          </u>	<u>          </u>
	-	-
	-----	-----
	<u>          </u>	<u>          </u>
	-	6,023

The Group allows its trade customers with a credit period normally ranging from 30 days to 90 days. The aged analysis of trade receivables (based on invoice date and before allowance for doubtful debts) is as follows:-

	<b>31 October 2007 (Unaudited) HK\$'000</b>	30 April 2007 (Audited) HK\$'000
Aged:-		
0 to 90 days (not past due nor impaired)	-	6,023
Over 180 days (past due and impaired)	<b>654</b>	5,393
	<u>          </u>	<u>          </u>
Total trade receivables	<b>654</b>	11,416
	<u>          </u>	<u>          </u>

## 11. TRADE AND OTHER PAYABLES

	<b>31 October 2007 (Unaudited) HK\$'000</b>	30 April 2007 (Audited) HK\$'000
Trade payables	<b>12,319</b>	81,148
Other payables	<b>23,125</b>	51,257
Amounts due to Directors	–	3,307
Amount due to a deconsolidated subsidiary	<b>2,274</b>	–
	<b>37,718</b>	135,712

The amount due to a deconsolidated subsidiary is unsecured, interest-free and repayable on demand.

The aged analysis of the Group's trade payables as at 31 October 2007 and 30 April 2007 is as follows:

	<b>31 October 2007 (Unaudited) HK\$'000</b>	30 April 2007 (Audited) HK\$'000
Aged:		
0 to 90 days	–	5,116
91 to 180 days	–	34,201
Over 180 days	<b>12,319</b>	41,831
	<b>12,319</b>	81,148

## 12. GUARANTOR'S LIABILITY

The amount represents the liability arising from the guarantee arrangement between the Company and Dongguan Kalee of HK\$2,522,000 as disclosed in note 4 to the condensed consolidated financial statements and the accrued interest of HK\$74,000 on the outstanding bank borrowings of Dongguan Kalee of which the Company acts as a guarantor for the period from the time Dongguan Kalee was excluded from consolidation to October 2007.

## 13. CAPITAL COMMITMENTS

As at 31 October 2007, the Group had no material capital commitment.

## 14. CONTINGENT LIABILITIES

As at 31 October 2007, the Group did not have any significant contingent liabilities.

## 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 Limited ("Housely Industries"), a wholly-owned subsidiary of the Company 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 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.
- (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 judgement 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 Toyko-Mitsubishi UFJ, Ltd. to an independent third party of the Group.
- (d) On 16 April 2007, Kingport Technology Limited commenced proceedings in the District Court of Hong Kong under DCCJ 1670 of 2007 against Housely Industries for approximately HK\$650,000, interest and costs. 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.
- (e) 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 judgement 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.
- (f) 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 USD90,000, 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.

## 15. LITIGATIONS (continued)

- (g) 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.
- (h) On 25 June 2007, Rei Hsing Electric Co. Limited commenced proceedings in the High Court of Hong Kong under HCA1334 of 2007 against Housely Industries for approximately HK\$1,385,000, interest and costs. On 30 July 2007, the court granted a judgment against Housely Industries for approximately HK\$1,385,000, interest and costs in the sum of HK\$11,000. 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.
- (i) On 27 June 2007, TUV Rhineland Hong Kong Limited commenced proceedings in the High Court of Hong Kong under HCA 1352 of 2007 against Housely Industries for approximately HK\$1,130,000. On 18 July 2007, judgment was granted by the court against Housely Industries for approximately HK\$1,130,000, 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.
- (j) On 3 September 2007, Fairlady Fashion Limited commenced proceedings in the High Court of Hong Kong under HCMP1669 of 2007 against Housely Industries and China Construction Bank (Asia) Limited for specific performance of a sale and purchase agreement, damages, interest and costs. On 17 January 2008, the court made an order stating, among other things, there be specific performance of the sale and purchase agreement. The transaction has not been completed as at the date of this report. The net book value of the property was HK\$2,870,000 as at 31 October 2007.
- (k) 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\$26,583,000, 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.

## 16. EVENTS AFTER THE BALANCE SHEET DATE

- (a) 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.
- (b) 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 judgement 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.
- (c) On 23 January 2008, the High Court of Hong Kong ordered Housely Industries 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 appointed as liquidators of Housely Industries.
- (d) On 14 February 2008, Golden China Industrial Limited commenced proceedings against Housely Industries in the High Court of Hong Kong under HCA 237 of 2008 for approximately HK\$1,840,000, interest and costs.
- (e) 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 notes 15(k) and 16(b) to the condensed consolidated financial statements. The claim has not been settled as at the date of this report and the Group will provide for the liabilities in the consolidated financial statements for the year ending 30 April 2008.
- (f) On 8 October 2008, the Company announced the proposed Open Offer of the Offer Convertible Notes with the aggregate principal amount of HK\$84.4 million. Details of the Open Offer are set out in note 2(c) to the condensed consolidated financial statements.



**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 2007 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

22 October 2008

## 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.

For the six months ended 31 October 2007, the Group was seriously affected by poor financial performance and the lack of working capital to finance its trading operation. Most of the subsidiaries of the Company ceased operations during the Period. Besides, the Directors considered that the control over Dongguan Kalee has been lost during the Period due to the sealing up and closed down of the factory of Dongguan Kalee. Accordingly, 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.

The Group had no turnover for the six months ended 31 October 2007. The Group recorded a profit of approximately HK\$14 million for the six months ended 31 October 2007 mainly because of the gain on deconsolidation of a subsidiary of approximately HK\$24 million.

## Important Events and Prospects

The Company submitted the Resumption Proposal to the Stock Exchange and the SFC on 30 September 2008. As part of the Resumption Proposal, the Board proposed to undergo the debt restructuring by way of schemes of arrangement with the creditors of the Company to revitalize the Company and settle the Company's indebtedness.

To fulfil the funding needs for implementation of the Schemes and to provide general working capital for the Group's operations, the Company proposed to issue zero coupon convertible notes with an aggregate principal amount of HK\$84.4 million by way of the Open Offer.

Upon completion of the debt restructuring and the Open Offer, additional working capital will be injected into the Group and the Directors are optimistic about the Group's future prospect. The Directors are looking for new business opportunities that offer better returns for our shareholders and are confident that the Group's business will recover gradually.

## Liquidity and Financial Resources

The Group had total cash and bank balances of approximately HK\$3.5 million as at 31 October 2007 (30 April 2007: approximately HK\$7 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK\$318 million as at 31 October 2007 (30 April 2007: approximately HK\$318 million). The gearing ratio of the Group as at 31 October 2007 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 5,006% (30 April 2007: approximately 242%). Net liabilities were approximately HK\$382 million (30 April 2007: approximately HK\$367 million).

The Group recorded total current asset value of approximately HK\$3 million as at 31 October 2007 (30 April 2007: approximately HK\$13 million) and total current liability value of approximately HK\$388 million (30 April 2007: approximately HK\$498 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.01 as at 31 October 2007 (30 April 2007: approximately 0.03).

## Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 October 2007.

## Treasury Policies

The Group's major borrowings are in Hong Kong dollars and 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 2007.

## Foreign Exchange Exposure

Transactions of the Group were mainly denominated in Hong Kong dollars. The Directors did not consider that the Group was exposed to foreign exchange risk for the Period.

## Share Capital

As at 31 October 2007, 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 six months ended 31 October 2007.

## 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 six months ended 31 October 2007.

## Segmental Information

Details of segmental information for the six months ended 31 October 2007 are set out in note 3 to the condensed consolidated financial statements.

## Contingent Liabilities

The Group had no significant contingent liabilities as at 31 October 2007.

## Staff and Remuneration Policies

As at 31 October 2007, the Group had 8 employees (30 April 2007: 26 employees).

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.

## Purchase, Redemption or Sale of Listed Securities of the Company

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

## 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 in the Company 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 1.5.2007	Exercised/ Lapsed/ Cancelled during the Period	Outstanding as at 31.10.2007
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, who resigned as a Director on 15 January 2007, 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 2007, 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 was known to the Directors and the chief executive of the Company, as at 31 October 2007, 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

<b>Name of shareholders</b>	<b>Number of issued Shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Yeung Kui Wong	152,050,000 (Note 1)	36.03%
Imperial Profit Enterprises Limited	151,800,000	35.97%
The Cathay Investment Fund, Limited	43,987,500	10.42%
New China Management Corp.	43,987,500 (Note 2)	10.42%
Liu Su Ke	30,000,000	7.11%

Notes:

1. These Shares represent 151,800,000 Shares held by Imperial Profit Enterprises Limited and 250,000 Shares held by Primer Capital Investments Limited. Both Imperial Profit Enterprises Limited and Primer Capital Investments Limited are wholly-owned by Mr. Yeung Kui Wong. Therefore, Mr. Yeung Kui Wong is deemed to be interested in the Shares held by both Imperial Profit Enterprises Limited and Primer Capital Investments Limited pursuant to the SFO.
2. New China Management 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 2007.

## Audit Committee

The Company established an audit committee (the "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 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 has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 October 2007. The Audit Committee currently comprises the five independent non-executive Directors.

## Compliance with the Code on Corporate Governance Practices and Model Code

During the six months ended 31 October 2007, the Company has complied with the code provisions as set out in the Code, save and except certain deviations as described below:

### **CODE PROVISION A.1.1**

The Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Period, due to the financial difficulties faced by the Group and resignation of some Directors, only one Board meeting was held during the Period.

### **CODE PROVISION A.2**

The Company has not appointed any individual to take up the posts of the chief executive officer and chairman of the Company during the Period and the daily operation and management of the Group was monitored by the directors as well as the senior management of the Group. The Board was of the view that although there were no chairman and chief executive officer, the balance of power and authority was ensured by the operations of the Board, which comprises experienced individuals 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.

### **CODE PROVISION A.3 AND RULE 3.10 OF THE LISTING RULES**

Under the Code A.3 and pursuant to Rule 3.10 of the Listing Rules, every Board must include at least three independent non-executive Directors. During the Period, the Board consisted of only two independent non-executive Directors. Mr. Chow Yiu Wah, Joseph was appointed as an independent non-executive Director on 5 December 2007. Since then, the Board has sufficient number of independent non-executive Directors.

#### **CODE PROVISION A.4.1**

Non-executive Directors should be appointed for specific term, subject to re-election. The non-executive Directors and 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.

#### **CODE PROVISION B.1.1**

A remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. However, due to the financial difficulties faced by the Group and resignation of some Directors during the Period, the remuneration committee of the Company did not hold any meeting during the Period to discharge its responsibilities in accordance with its terms of reference which are set out in accordance with the requirements of the Listing Rules.

#### **CODE PROVISION C3.3 AND RULE 3.21 OF THE LISTING RULES**

An audit committee should be established with specific written terms of reference which deal clearly with its duties. During the Period, as the Company delayed in the publication of its annual results for the year ended 30 April 2007, the Audit Committee only held one meeting to discuss the update of the Company status and delay in publication of annual results of the Company and did not hold any meeting to discharge its responsibilities in relation to the review of the financial statements of the Company and the effectiveness of the system of internal control of the Group.

An audit committee must comprise a minimum of three members, comprising non-executive Directors and independent non-executive Directors. During the Period, the Audit Committee only comprised two independent non-executive Directors. Mr. Chow Yiu Wah, Joseph was appointed as an independent non-executive Director on 5 December 2007.

## 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, 22 October 2008

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.