INTERIM REPORT 2010

WARDERLY INTERNATIONAL HOLDINGS LIMITED
匯多利國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 607)

Interim Financial Information

The board (the "Board") of directors (the "Directors") of Warderly International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2010 (the "Period"), together with comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2010

	Notes	Six months ended 31 October **2010 (Unaudited) HK$'000**	2009 (Unaudited) HK$'000
Turnover	3	**90,015**	86,165
Cost of sales		**(82,054)**	(80,604)
Gross profit		**7,961**	5,561
Other income		**162**	19
Selling expenses		**(936)**	–
Administrative expenses		**(2,743)**	(1,511)
Profit before taxation	4	**4,444**	4,069
Taxation	5	**(1,011)**	(791)
Profit for the period attributable to equity shareholders of the Company		**3,433**	3,278
Other comprehensive loss for the period (after tax)			
Exchange difference arising on translation of foreign operations before and after tax effects		**(11)**	–
Total comprehensive income for the period attributable to equity shareholders of the Company		**3,422**	3,278
Earnings per share	7		
– Basic		**HK$0.01**	HK$0.01

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010

	Notes	**31 October 2010 (Unaudited) HK$'000**	30 April 2010 (Audited) HK$'000
NON-CURRENT ASSET			
Plant and equipment		**3,312**	546
CURRENT ASSETS			
Inventories	8	**7,017**	17
Trade receivables, deposits and other receivables	9	**46,962**	45,221
Bank balances and cash		**12,571**	8,290
		66,550	53,528
CURRENT LIABILITIES			
Trade and other payables	10	**81,110**	68,955
Guarantor's liability and accrued liability for potential claims	11	**340,346**	340,346
Bank borrowings		**22,948**	22,948
Unsecured bank overdrafts		**2,104**	2,104
Taxation payable		**33,446**	33,235
		479,954	467,588
NET CURRENT LIABILITIES		**(413,404)**	(414,060)
NET LIABILITIES		**(410,092)**	(413,514)
CAPITAL AND RESERVES			
Share capital		**4,220**	4,220
Reserves		**(414,312)**	(417,734)
CAPITAL DEFICIENCIES		**(410,092)**	(413,514)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2010

	Share capital	Share premium	Special reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2009	4,220	84,868	1,010	–	(508,624)	(418,526)
Total comprehensive income for the period	–	–	–	–	3,278	3,278
At 31 October 2009 (Unaudited)	4,220	84,868	1,010	–	(505,346)	(415,248)
At 1 May 2010	4,220	84,868	1,010	–	(503,612)	(413,514)
Total comprehensive (loss)/ income for the period	–	–	–	(11)	3,433	3,422
At 31 October 2010 (Unaudited)	**4,220**	**84,868**	**1,010**	**(11)**	**(500,179)**	**(410,092)**

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 2002.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 October 2010

	Six months ended 31 October	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in)/from operating activities	**(5,001)**	2,224
Net cash used in investing activities	**(3,007)**	(613)
Net cash from financing activities	**12,300**	1,500
Net increase in cash and cash equivalents	**4,292**	3,111
Cash and cash equivalents at beginning of the period	**6,186**	487
Effect of foreign exchange rate changes	**(11)**	–
Cash and cash equivalents at end of the period	**10,467**	3,598
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**12,571**	5,702
Bank overdrafts	**(2,104)**	(2,104)
	10,467	3,598

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 October 2010

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Compliance with Hong Kong Financial Reporting Standards

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

A number of new or revised standards, amendments and interpretations (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards") are effective for the financial year beginning on 1 May 2010. The adoption of these Hong Kong Financial Reporting Standards does not have material impact on these condensed consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's annual audited consolidated financial statements for the year ended 30 April 2010.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following new or revised standards, amendments and interpretations in issue at the date of authorisation of these condensed consolidated financial statements have not been applied in the preparation of the Group's condensed consolidated financial statements for the Period since they were not yet effective for the annual period beginning on 1 May 2010:

HKAS 24 (Revised)	Related Party Disclosures [3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HKFRS 7 (Amendment)	Disclosures-Transfers of Financial Assets [4]
HKFRS 9	Financial Instruments [5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of its net liabilities of approximately HK$410 million as at 31 October 2010.

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

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

The major terms of the Hong Kong Scheme and the Cayman Scheme are as follows:

(i) Both the Hong Kong Scheme and the Cayman Scheme will be made with the Scheme Creditors who are all creditors of the Company excluding (a) Up Stand Holdings Limited ("Up Stand") which is a wholly-owned subsidiary of the Company; (b) secured creditors to the extent of the value of their security interests agreed with the scheme administrators (the "Scheme Administrators") under the Schemes or upon realisation, the net proceeds of realisation of their security interests; and (c) persons with claims for the costs incurred by the Company in the negotiation, preparation and implementation of the Resumption Proposal, the proposal for the restructuring of the Company, the Hong Kong Scheme and the Cayman Scheme (the "Restructuring and Scheme Costs"), to the extent of such claims.

(ii) The Company will transfer a sum of HK$37 million (the "Scheme Fund") out of the proceeds of the Open Offer to a scheme trust account to be opened by the Scheme Administrators.

(iii) The Hong Kong Scheme and the Cayman Scheme will be administered by the Scheme Administrators who will hold the Scheme Fund for, firstly, the full payment of the preferential claims of the Scheme Creditors as at the effective date of the Scheme (the "Effective Date") and admitted by the Scheme Administrators or the scheme adjudicators (the "Scheme Adjudicators"), and secondly, settlement of the unsecured and non-preferential claims of the Scheme Creditors as at the Effective Date and admitted by the Scheme Administrators or the Scheme Adjudicators on a pari passu basis.

(iv) Upon the Hong Kong Scheme and the Cayman Scheme becoming effective, each of the Scheme Creditors will discharge and waive all of its claims as at the Effective Date against the Company in consideration of the right to receive full payment of its admitted preferential claims and participate with other Scheme Creditors in the distribution of the Scheme Fund in respect of its admitted non-preferential claims, and each of the Scheme Creditors is barred form taking any proceedings against the Company in respect of its claims.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

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

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

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

The Open Offer is conditional and fully underwritten by Mr. Kan. In particular, the Open Offer is conditional upon the lifting of the suspension of trading in the Shares on the Stock Exchange by the SFC, the approval of the Resumption Proposal from the Stock Exchange having been obtained, the approval of the Open Offer and transactions contemplated thereunder by the independent shareholders of the Company, by way of a poll, at an extraordinary general meeting of the Company and the Underwriting Agreement becoming unconditional. Accordingly, the Open Offer may or may not proceed.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going concern basis (continued)

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

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.

3. TURNOVER AND SEGMENT INFORMATION

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

For management purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:-

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

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

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3. TURNOVER AND SEGMENT INFORMATION (continued)

The measure used for reporting segment result is "adjusted EBIT", i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

	Trading of household electrical appliances		Manufacturing and sale of household electrical appliances		Trading of audio-visual products		Consolidated	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER								
External sales	**40,327**	32,284	**913**	–	**48,775**	53,881	**90,015**	86,165
RESULTS								
Segment results	**1,008**	1,310	**(476)**	–	**5,238**	4,249	**5,770**	5,559
Unallocated other income							**140**	19
Unallocated corporate expenses							**(1,466)**	(1,509)
Profit before taxation							**4,444**	4,069
Taxation							**(1,011)**	(791)
Profit for the period							**3,433**	3,278

Except for the turnover of approximately HK$913,000 generated from Europe during the Period, the Group's turnover for both periods, segment assets and liabilities and capital additions were derived from and located in China (including Hong Kong).

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3. TURNOVER AND SEGMENT INFORMATION (continued)

For the Period, revenues from three customers had contributed to more than 10% of the Group's revenue, of which, amounting to approximately HK$29,203,000 was generated from trading of audio-visual products, approximately HK$25,297,000 was generated from trading of household electrical appliances and approximately HK$24,690,000 was generated from both trading of household electrical appliances and audio-visual products.

For the six-month period ended 31 October 2009, revenues from four customers had contributed to more than 10% of the Group's revenue, of which, amounting to approximately HK$33,766,000 was generated from trading of audio-visual products, approximately HK$23,313,000 and HK$14,609,000 were generated from both trading of household electrical appliances and audio-visual products and approximately HK$14,396,000 was generated from trading of household electrical appliances.

4. PROFIT BEFORE TAXATION

	Six months ended 31 October	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging/(crediting):–		
Depreciation of plant and equipment	**223**	38
Interest income	**(1)**	–

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5. TAXATION

	Six months ended 31 October 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Hong Kong profits tax	**1,009**	791
China enterprise income tax	**2**	–
	1,011	791

Provision of Hong Kong profits tax has been calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit of a subsidiary of the Company operating in Hong Kong for both periods.

Provision of China enterprise income tax has been calculated at the rate of 25% on the estimated assessable profit of a subsidiary of the Company operating in China for the Period. Except for the abovementioned, no provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2009: Nil).

7. 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 attributable to equity shareholders of the Company of approximately HK$3,433,000 (2009: HK$3,278,000) and the weighted average number of 422,000,000 (2009: 422,000,000) Shares in issue.

The Company had no dilutive potential Shares for both periods and as at 31 October 2010.

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8. INVENTORIES

	31 October 2010 (Unaudited) HK$'000	30 April 2010 (Audited) HK$'000
Raw materials	**534**	–
Work in progress	**240**	–
Finished goods	**6,243**	17
	7,017	17

9. TRADE AND OTHER RECEIVABLES

	31 October 2010 (Unaudited) HK$'000	30 April 2010 (Audited) HK$'000
Trade receivables	**46,163**	42,200
Deposits and other receivables	**799**	3,021
	46,962	45,221

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9. TRADE AND OTHER RECEIVABLES (continued)

The Group allows its trade customers with a credit period normally ranging from 60 days to 120 days. The aged analysis of the Group's trade receivables (based on invoice date) as at 31 October 2010 and 30 April 2010 is as follows:–

	31 October 2010 (Unaudited) HK$'000	30 April 2010 (Audited) HK$'000
Aged:		
0 to 90 days	**31,495**	31,714
91 to 180 days	**14,668**	10,486
	46,163	42,200

Included in the Group's trade receivables, the carrying amounts of approximately HK$13,583,000 (30 April 2010: HK$8,272,000) and HK$322,000 (30 April 2010: Nil) were past due within 90 days and 120 days respectively but not impaired at the end of the reporting period.

Trade receivables that were past due but not impaired are related to independent customers that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Group does not hold any collateral over the balances.

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10. TRADE AND OTHER PAYABLES

	31 October 2010 (Unaudited) HK$'000	30 April 2010 (Audited) HK$'000
Trade payables	**37,979**	39,312
Other payables	**18,057**	16,869
Amount due to a shareholder	**22,800**	10,500
Amount due to a deconsolidated subsidiary	**2,274**	2,274
	81,110	68,955

The aged analysis of the Group's trade payables as at 31 October 2010 and 30 April 2010 is as follows:

	31 October 2010 (Unaudited) HK$'000	30 April 2010 (Audited) HK$'000
Aged:		
0 to 90 days	**28,541**	29,311
91 to 180 days	**9,127**	9,690
Over 180 days	**311**	311
	37,979	39,312

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

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

The amount represents (i) the liability arising from the guarantee arrangements between the Company and two deconsolidated subsidiaries, namely Housely Industries Limited ("Housely Industries") and Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee") of approximately HK$299,891,000 (30 April 2010: 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 2010: HK$16,500,000); and (iii) the accrued interest of approximately HK$23,955,000 (30 April 2010: HK$23,955,000) 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 16 March 2009.

According to the Schemes, no interest accruing on debt after the Scheme Creditors' meeting held in March 2009 is provable or admissible as a claim under the Schemes. Accordingly, no interest was accrued during both periods.

12. OPERATING LEASE COMMITMENTS

As at 31 October 2010, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	31 October 2010 (Unaudited) HK$'000	30 April 2010 (Audited) HK$'000
Within one year	**956**	629
In the second to fifth year inclusive	**287**	600
	1,243	1,229

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

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13. 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 judgement against Housely Industries and the Company for approximately HK$1,016,000, interest and costs on indemnity basis. The judgement debt has not been settled at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

(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 judgment debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010. The indebtedness claimed was subsequently assigned by the Bank of Toyko-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 judgement against the Company for the sum of approximately HK$5,060,000 and interest. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010. The indebtedness claimed was subsequently assigned by DBS Bank (Hong Kong) Limited to an independent third party of the Group.

13. LITIGATIONS (continued)

(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 judgement 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 judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010. 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 judgement 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 judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

(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 judgement against Tacho for approximately HK$26,593,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

(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 judgement 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 judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

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13. LITIGATIONS (continued)

(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 judgement 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 judgement. The judgement has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

(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 notes 13(g) and 13(i) to the condensed consolidated financial statements. On 23 October 2008, the court granted a judgement against Tacho for the sum of approximately HK$3,206,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

(k) On 10 November 2008, RHT Limited ("RHT") commenced High Court Action No. 2260 of 2008 ("HCA 2260/2008") in the High Court of Hong Kong against the Company for approximately HK$92,565,000 and costs. In July 2010, the Company and RHT reached a settlement agreement (the "Settlement Agreement") in the principal terms that RHT is to withdraw its claims in the HCA 2260/2008 and each party is to bear its own costs in HCA 2260/2008. A consent order in terms of the Settlement Agreement was filed on 20 July 2010 with the High Court of Hong Kong. Therefore, no liabilities in respect of RHT's claim in HCA 2260/2008 have been provided in the condensed consolidated statement of financial position as at 31 October 2010.

(l) 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. On 22 January 2009, a judgement was granted by the District Court of Hong Kong against the Company for the sum of approximately HK$818,000, interest and costs in the sum of approximately HK$1,000. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

Interim Financial Information

13. LITIGATIONS (continued)

(m) On 9 March 2009, Bank of China Limited Macau Branch commenced proceedings in the High Court of Hong Kong under HCA 664 of 2009 against the Company for the sum of approximately HK$13,890,000, interest, further or other relief and costs on indemnity basis. On 7 April 2009, a judgement was granted by the High Court of Hong Kong against the Company for the sum of approximately HK$13,890,000, interest and costs on indemnity basis. The judgement debt has not been settled as at the date of this report and the liabilities have been included in the condensed consolidated statement of financial position as at 31 October 2010.

14. RELATED PARTY TRANSACTIONS

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

(b) Compensation of key management personnel

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

	Six months ended 31 October	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term benefits	**325**	145
Post-employment benefits	**6**	–
	331	145

Report on Review of Interim Financial Information

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 21, which comprises the condensed consolidated statement of financial position of Warderly International Holdings Limited as of 31 October 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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
30 December 2010

Additional Information Required by the Listing Rules

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, 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, mobile phones, baby monitors, digital TV signal converters, DVD players, turbo fans, water heaters, air-conditioners, HD-TVs and full HD media players.

In April 2010, the Group expanded its business scope by moving upsteam into the design of household appliances. The Group set up a wholly-owned subsidiary, Olevia Home Appliances Limited ("Olevia"), has hired a team of professionals and has become the exclusive licence holder of the "Olevia" brand (the leading set-top box brand in Hong Kong) to engage in the design, marketing and distribution of household appliances such as fans, washing machines, air-conditioners and electric kitchen appliances under the Olevia brand in Hong Kong. The sale of household appliances under "Olevia" brand commenced in May 2010. Existing customers for the Olevia business include branded chain stores and wholesalers.

Besides, in order to re-activate the Group's manufacturing operation, the Group has also, in July 2010, set up Dongguan Up Stand Electrical Manufacturing Co., Ltd ("Dongguan Up Stand"), a wholly-owned subsidiary of the Company established in the People's Republic of China ("PRC"), to engage in the design, manufacturing, marketing and distribution of household appliances such as convection panel heaters, quartz heaters, bathroom panel heaters, electric fans and kitchen electrical appliances. With the setting up of Dongguan Up Stand, the Group now has its own manufacturing operation. Its products will be mainly supplied to overseas customers in Europe and America. Dongguan Up Stand has commenced production in September 2010 and the first sale was made in October 2010.

Additional Information Required by the Listing Rules

During the Period, the Group recorded a turnover of approximately HK$90 million, representing an increase in turnover of approximately HK$4 million from a turnover of approximately HK$86 million during the previous corresponding period in 2009. The average gross profit margin increased from 6.5% to 8.8% compared with the previous corresponding period. The increase in both the turnover and the average gross profit margin were mainly attributed to the Group's expansion into the Olevia business and the manufacturing business and the Group's concentration on sale of products with higher gross profit margin like digital TV signal converters, HD-TVs and full HD media players in the original trading business.

During the Period, the net losses from the Olevia business and the manufacturing business were approximately HK$1 million and HK$0.5 million respectively. The losses were mainly due to the development of the Olevia business and the manufacturing business was at the initial stage.

On the other hand, the gross profit from the original trading business was approximately HK$7.2 million, representing an increase in gross profit of approximately HK$1.6 million. The increase was mainly due to the Group's effort on sale of high technology products with higher profit margin such as HD-TVs and full HD media players.

Resulted from the good performance of the existing trading business, the net profit of the Group was approximately HK$3.4 million, representing an increase of approximately HK$0.2 million compared with the previous corresponding period in 2009.

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 Company also proposed to settle the Company's indebtedness by way of the Schemes.

Additional Information Required by the Listing Rules

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

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

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

Upon completion of the Resumption Proposal, the Company would become almost debt free and additional working capital would be injected into the Group. The Group would continue to expand the product range, develop and explore products with higher profit margins, extend its distribution channels and customer base and develop worldwide market for both its trading and manufacturing operations.

The Directors believe that the manufacturing operation will strengthen the competitive advantage of the Group and generate better returns to the Group. The Directors will also look for new business opportunities and believe that the Group's business will recover gradually.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$13 million as at 31 October 2010 (30 April 2010: approximately HK$8 million). Balance of bank overdrafts, bank borrowings and guarantor's liability were approximately HK$349 million as at 31 October 2010 (30 April 2010: approximately HK$349 million). The gearing ratio of the Group as at 31 October 2010 calculated as a ratio of total bank loans, bank overdrafts and guarantor's liability to total assets was approximately 499% (30 April 2010: approximately 645%). Net liabilities were approximately HK$410 million (30 April 2010: approximately HK$414 million).

Additional Information Required by the Listing Rules

The Group recorded total current asset value of approximately HK$67 million as at 31 October 2010 (30 April 2010: approximately HK$54 million) and total current liability value of approximately HK$480 million (30 April 2010: approximately HK$468 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.14 as at 31 October 2010 (30 April 2010: approximately 0.11).

The Group recorded a profit of approximately HK$3.4 million for the Period and this resulted in an increase in shareholders' funds to a negative value of approximately HK$410 million as at 31 October 2010 (30 April 2010: approximately HK$414 million).

INTERIM DIVIDEND

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

FOREIGN EXCHANGE EXPOSURE

Sales and purchases of the Group were transacted in Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars ("HKD"). Most of the Group's monetary assets and liabilities were denominated in these currencies. The Directors were aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between these currencies and will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

TREASURY POLICIES

The Group's major borrowings are in HKD and at variable interest rates. Bank balances and cash held by the Group were denominated in HKD, USD and RMB. The Group currently did not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

Additional Information Required by the Listing Rules

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 October 2010.

SHARE CAPITAL

As at 31 October 2010, 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

The Group had no significant contingent liabilities as at 31 October 2010.

STAFF AND REMUNERATION POLICIES

As at 31 October 2010, the Group had 125 employees (30 April 2010: 12 employees). The Group's total staff costs amounted to approximately HK$1,287,000 (2009: HK$743,000) 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.

Additional Information Required by the Listing Rules

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code (the "Code") of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. The audit committee of the Company currently comprises the three independent non-executive Directors. The audit committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Group for the Period.

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

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

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 26 November 2002 for the primary purpose of providing incentives to Directors and eligible participants, and will expire on 25 November 2012. Under the Share Option Scheme, the Directors may grant options to eligible participants, including any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors and consultants of the Company or any subsidiaries of the Company, to subscribe for Shares up to a maximum of 10% of the Shares in issue as at the date of commencement of listing of Shares on the Stock Exchange and subject to renewal with Shareholders' approval.

There was no outstanding option to subscribe for Shares as at 1 May 2010 and no option to subscribe for Shares had been granted during the Period. Accordingly, there was no option to subscribe for Shares outstanding as at 31 October 2010.

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

As at 31 October 2010, 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.

Additional Information Required by the Listing Rules

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at 31 October 2010, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

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

Notes:

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

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

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 October 2010.

Additional Information Required by the Listing Rules

Code on Corporate Governance Practices

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

1. CODE PROVISION A.2

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
Li Kai Yien, Arthur Albert
Director

Hong Kong, 30 December 2010

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