



WARDERLY INTERNATIONAL HOLDINGS LIMITED

滙多利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)



2004

INTERIM REPORT



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 31st October 2004, together with comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 31st October 2004

		Six months ended 31st October	
	NOTES	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover		133,018	107,098
Cost of sales		(74,732)	(59,709)
Gross profit		58,286	47,389
Other operating income		1,112	898
Administrative expenses		(17,050)	(12,707)
Distribution expenses		(5,120)	(4,266)
Profit from operations	4	37,228	31,314
Finance costs		(3,917)	(1,638)
Profit before taxation		33,311	29,676
Taxation	5	(3,573)	(3,726)
Net profit for the period		29,738	25,950
Interim dividend	6	6,330	5,064
Earnings per share	7		
– Basic		7.05 HK cents	6.92 HK cents



Condensed Consolidated Balance Sheet

At 31st October 2004

	NOTES	31st October 2004 HK\$'000 (unaudited)	30th April 2004 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	240,089	191,115
Investments in securities		1,190	1,190
Deposit for acquisition of property, plant and equipment		4,700	–
		<u>245,979</u>	<u>192,305</u>
Current assets			
Inventories		53,505	52,190
Bills receivable		4,412	2,796
Trade and other receivables	9	68,489	66,458
Tax recoverable		–	43
Investments in securities		3,228	–
Bank balances and cash		82,362	108,788
		<u>211,996</u>	<u>230,275</u>
Current liabilities			
Trade and other payables	10	24,671	31,492
Bills payable		–	25,485
Tax payable		14,234	12,699
Obligations under finance leases		2,765	2,840
Bank and other borrowings	11	58,950	42,931
		<u>100,620</u>	<u>115,447</u>
Net current assets		<u>111,376</u>	<u>114,828</u>
Total assets less current liabilities		<u>357,355</u>	<u>307,133</u>
Non-current liabilities			
Obligations under finance leases		916	2,247
Bank and other borrowings	11	54,899	16,204
Deferred taxation	12	8,369	8,369
		<u>64,184</u>	<u>26,820</u>
		<u>293,171</u>	<u>280,313</u>
Capital and reserves			
Share capital		4,220	4,220
Reserves		288,951	276,093
		<u>293,171</u>	<u>280,313</u>



Consolidated Statement of Changes In Equity

For the six months ended 31st October 2004

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st May 2003	3,750	35,790	1,010	556	138,090	179,196
Net profit for the period	-	-	-	-	25,950	25,950
Dividend paid	-	-	-	-	(11,250)	(11,250)
At 31st October 2003	3,750	35,790	1,010	556	152,790	193,896
Share issued at premium	470	51,700	-	-	-	52,170
Share issue expenses	-	(2,622)	-	-	-	(2,622)
Net profit for the period	-	-	-	-	41,933	41,933
Dividend paid	-	-	-	-	(5,064)	(5,064)
At 30th April 2004	4,220	84,868	1,010	556	189,659	280,313
Net profit for the period	-	-	-	-	29,738	29,738
Dividend paid (<i>note 6</i>)	-	-	-	-	(16,880)	(16,880)
At 31st October 2004	4,220	84,868	1,010	556	202,517	293,171

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 share issued for the acquisition at the time of the group reorganisation in 2002.



Condensed Consolidated Cash Flow Statement

For the six months ended 31st October 2004

	Six months ended 31st October	
	2004 <i>HK\$'000</i> <i>(unaudited)</i>	2003 <i>HK\$'000</i> <i>(unaudited)</i>
Net cash from operating activities	11,592	56,493
Net cash used in investing activities	(74,446)	(33,649)
Net cash from financing activities	31,491	5,190
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(31,363)	28,034
Cash and cash equivalents at the beginning of the period	108,377	27,425
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	77,014	55,459
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents, being		
Bank balances and cash	82,362	59,841
Bank overdrafts	(5,348)	(4,382)
	<hr/>	<hr/>
	77,014	55,459
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Notes to the Condensed Financial Statements

For the six months ended 31st October 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities other than debt securities that the Group has expressed intention and ability to hold to maturity.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th April 2004. In addition, the Group has adopted the following accounting policy in respect of investments in securities during the period:

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.



3. SEGMENT INFORMATION

All of the Group's turnover, assets and liabilities was derived from the manufacturing and trading of electrical appliances. Accordingly, no analysis of financial information by business segment is presented.

An analysis of the Group's turnover and profits for the period by geographical markets are as follows:

	Europe <i>HK\$'000</i>	North America <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31st October 2004						
TURNOVER						
External sales	<u>75,650</u>	<u>21,961</u>	<u>33,651</u>	<u>1,540</u>	<u>216</u>	<u>133,018</u>
RESULT						
Segment profits	<u>33,636</u>	<u>9,440</u>	<u>13,690</u>	<u>655</u>	<u>87</u>	<u>57,508</u>
Unallocated corporate expenses						<u>(20,280)</u>
Profit from operations						<u>37,228</u>
Finance costs						<u>(3,917)</u>
Profit before taxation						<u>33,311</u>
Six months ended 31st October 2003						
TURNOVER						
External sales	<u>52,210</u>	<u>10,443</u>	<u>339</u>	<u>42,617</u>	<u>15</u>	<u>107,098</u>
RESULT						
Segment profits	<u>23,398</u>	<u>4,532</u>	<u>148</u>	<u>18,679</u>	<u>6</u>	<u>47,389</u>
Unallocated corporate expenses						<u>(16,075)</u>
Profit from operations						<u>31,314</u>
Finance costs						<u>(1,638)</u>
Profit before taxation						<u>29,676</u>



4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Six months ended 31st October	
	2004 HK\$'000	2003 HK\$'000
Interest income	(211)	(18)
Depreciation and amortisation of property, plant and equipment	17,544	12,984
Unrealised holding loss on listed other investments	714	–
	<u>714</u>	<u>–</u>

5. TAXATION

	Six months ended 31st October	
	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	3,118	2,076
PRC income tax	455	407
Deferred taxation (<i>note 12</i>)	–	1,243
	<u>3,573</u>	<u>3,726</u>

Hong Kong Profits Tax and PRC income tax were calculated at 17.5% (2003: 17.5%) and 27% (2003: 27%), respectively, on the respective estimated assessable profits for the six months ended 31st October 2004 and 2003.

6. INTERIM DIVIDEND

The Directors have resolved to declare that an interim dividend of HK1.5 cents per share for the six months ended 31st October 2004 (2003: HK1.2 cents). The interim dividend will be payable on or about 28th February 2005 to shareholders whose names appear on the register of members of the Company on 8th February 2005.

On 7th October 2004, a dividend of HK4 cents per share was paid to shareholders as the final dividend for 2004.



7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31st October 2004 and 2003 is based on the net profit for the period and on 422,000,000 (2003: the weighted average number of 375,000,000) shares in issue during the period.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in 2004 and 2003.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately of HK\$3,732,000 and HK\$62,584,000 and HK\$202,000 on acquisition of plant and machinery, construction in progress, and other assets, respectively, for the purpose of expanding the Group's activities.

In addition, the Group transferred approximately HK\$19,206,000 from construction in progress to production moulds during the period.

9. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit period normally ranging from 30 days to 180 days.

The following is an aged analysis of trade receivable at the reporting date:

	31st October 2004 <i>HK\$'000</i>	30th April 2004 <i>HK\$'000</i>
0 to 90 days	37,933	44,725
91 – 180 days	19,536	5,869
181 – 365 days	<u>2,385</u>	<u>1,239</u>
	59,854	51,833
Allowances	<u>(1,518)</u>	<u>(1,518)</u>
	58,336	50,315
Other receivables	<u>10,153</u>	<u>16,143</u>
	<u>68,489</u>	<u>66,458</u>



10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payable at the reporting date:

	31st October 2004 <i>HK\$'000</i>	30th April 2004 <i>HK\$'000</i>
0 to 90 days	11,925	15,936
91 to 180 days	2,893	2,040
Over 181 days	158	–
	<hr/>	<hr/>
	14,976	17,976
Other payables	9,695	13,516
	<hr/>	<hr/>
	24,671	31,492
	<hr/>	<hr/>

11. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately HK\$75,150,000. The bank borrowings were used to finance the Group trading activities. The borrowings bear interest at market rates and are repayable within one to three years.

In addition, the Group repaid bank borrowings amounting to approximately HK\$25,372,000 during the period.



12. DEFERRED TAXATION

	Accelerated tax depreciation <i>HK\$'000</i>
At 1st May 2003	7,923
Charge for the period	1,243
	<hr/>
At 31st October 2003	9,166
Credit to the income statement for the period	(1,399)
Attributable to a change in tax rate charge to the income statement	602
	<hr/>
At 30th April 2004 and at 31st October 2004	8,369

At 31st October 2004, the Group has unused tax losses of HK\$10,963,000 (30th April 2004: HK\$5,660,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

13. CAPITAL COMMITMENTS

As at 31st October 2004, the Group had capital expenditure amounting to approximately HK\$24,836,000 (30th April 2004: HK\$2,030,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

14. CONTINGENT LIABILITIES

As at 31st October 2004, the Group had discounted bills with recourse amounting to HK\$20,824,000 (30th April 2004: HK\$28,861,000).



Business Review

The Group experienced a challenging period in the first half of financial year 2005. The Group recorded an encouraging increase in turnover by 24% to approximately HK\$133 million, compared to the previous period's approximately HK\$107 million. Profit attributable to shareholders rose by about 15% to HK\$29.7 million, compared to the previous period's HK\$25.9 million.

Traditional products like electric fans and convector heaters contributed a growth of about 8.7% to HK\$99 million, compared to the previous period's HK\$91 million. Popular products like oil-filled radiators and newly developed products, quartz heaters contributed an increase of 97% to about HK\$20.3 million, compared to the previous period's HK\$10.2 million. During the period under review, the Group launched its new air ventilators and its related products and achieved a turnover of HK\$6.8 million. In spite of the rapid increase in the cost of raw materials, the strong marketing effort on high profit margin products sustained the Group's gross profit margin.

Prospects

The Group is planning to expand its production capacity by setting up new factory premises. The new factory premises will be completed in April 2005 and production will be commenced in May 2005. It is expected that the Group's production capacity will be increased by 50% with the expansion in factory premises. The Group will strive to continue its work on research and development of new products. In addition to 21 European design models of kitchenware products, a series of patio heaters will also be introduced in the coming months. The Directors believe that our continuous improvement in the quality and variety of products will steer the Group to achieve a better performance in the future.

Liquidity and Financial Resources

The Group generally financed its operations mainly with internally generated cash flow. As at 31st October 2004, held cash and bank deposits of a total amount of HK\$82 million (30th April 2004: HK\$108 million). Total bank borrowings amounted to approximately HK\$118 million (30th April 2004: HK\$64 million) and its gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 25.7% (30th April 2004: 15.2%). All borrowings during the period were charged at floating interest rate. As at 31st October 2004, the Group had discounted bills with recourse amounting to HK\$20.8 million (30th April 2004: HK\$28.9 million). With the available resources, the Group maintained a strong working capital to finance its business operations.



Pledge of Assets

As at 31st October 2004, the Group pledged assets to banks with total value of HK\$11 million (30th April 2004: HK\$48 million), including the property located in Hong Kong with carrying amount of HK\$8 million (30th April 2004: HK\$43.2 million) and machinery and equipment with carrying amount of HK\$3 million (30th April 2004: HK\$4.8 million), to secure the Group's general banking facilities.

Foreign Exchange Exposure

Most of the Group's business transactions are denominated in either Hong Kong dollars, United State dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

Capital Structure

As at 31st October 2004, the capital of the Company comprising 422,000,000 ordinary shares of HK\$0.01 each.

Audit Committee

The Company established an audit committee (the "Committee"), comprising the three existing independent non-executive directors, with written terms of reference in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules. The Committee has reviewed the unaudited interim results for the six months ended 31st October 2004 including the accounting, internal control and financial reporting issues. At the request of the Directors, the Group's external auditors, Deloitte Touche Tohmatsu, has carried out a review of the unaudited interim financial statements for the six months ended 31st October 2004 in accordance with the Statement of Auditing Standards 700 "Engagement to Review Interim Financial Reports" issued by The Hong Kong Institute of Certified Public Accountants.

Employees

As at 31st October 2004, the Group had approximately 2,100 full time employees. Around 32 staff were based in Hong Kong and the rest were in our plants in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years' of experience.



Directors' Interests and Chief Executives' Interests in Share Capital of the Company

At 31st October 2004, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions:

Name of director		Capacity	Number of issued ordinary shares held	Approximate percentage over the issued share capital of the Company
Yeung Kui Wong	Held by controlled corporation		199,800,000 (note 1)	47.35%
Yeung Kui Wong	Held by controlled corporation		30,250,000 (note 2)	7.17%
			<u>230,050,000</u>	<u>54.52%</u>
Hung Kwok Wa	Held by controlled corporation		15,000,000 (note 3)	3.55%

Notes:

- (1) These shares are held in the name of Imperial Profit Enterprises Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yeung Kui Wong. Under the SFO, Mr. Yeung Kui Wong is deemed to be interested in all the shares registered in the name of Imperial Profit Enterprises Limited.
- (2) These shares are held in the name of Primer Capital Investments Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yeung Kui Wong. Under the SFO, Mr. Yeung Kui Wong is deemed to be interested in all the shares registered in the name of Primer Capital Investments Limited.
- (3) These shares are held in the name of Top Network Profits Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Hung Kwok Wa. Under the SFO, Mr. Hung Kwok Wa is deemed to be interested in all the shares registered in the name of Top Network Profits Limited.



Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 31st October 2004.

Rights to Acquire Shares or Debentures

Pursuant to the written resolutions passed by the then shareholders on 26th November 2002, the Company had adopted a share options scheme (the "Scheme"). Under the Scheme, the directors of the Company may, at their discretion, invite 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, consultants of the Group to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Up to the date hereof, no share options were granted pursuant to the Scheme.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in/or debt securities, including debentures of the Company or any other body corporate.

Substantial Shareholders' Interests in Shares

As at 31st October 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholders	Capacity	Number of issued ordinary shares held	Approximate percentage over the issued share capital of the Company
Imperial Profit Enterprises Limited	Beneficial owner	199,800,000	47.35%
Primer Capital Investments Limited	Beneficial owner	30,250,000	7.17%
The Cathay Investment Fund, Limited	Beneficial owner	43,987,500	10.42%
New China Management Corp.	Others (Note)	43,987,500	10.42%



Note: 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 under the SFO.

All the interests stated above represent long positions, and other than as described above, the Company has not been notified of any other relevant interests or short positions in the issued capital of the Company as at 31st October 2004.

Closure of Register of Members

The register of members of the Company will be closed from 4th February 2005 to 8th February 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the abovementioned interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on 3rd February 2005.

Share Option

No option has been granted under the company's share option scheme since its adoption.

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.



Compliance Code of Best Practice and Model Code

None of the Directors is aware of any information that would reasonably indicate the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that two of the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the period under review and they all confirmed that they have fully complied with the standard set out in the Model Code.

By Order of the Board of Directors

Yeung Kui Wong

Chairman

Hong Kong, 10th January 2005

As at the date of this report, the board of directors of the Company consists of Mr. Yeung Kui Wong, Mr. Hung Kwok Wa and Mr. Lai Wing Chuen as Executive Directors; Mr. Paul Steven Wolansky as Non-Executive Director (with Mr. Leung Ping Chung, Hermann as alternate); Mr. Luo Ben Jin, Mr. Lau Tai Chim and Mr. Tam Ping Kuen, Daniel as Independent Non-Executive Directors.



Deloitte.

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Independent Review Report

TO THE BOARD OF DIRECTORS OF
WARDERLY INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 10.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.



REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st October 2004.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 10th January 2005