



WARDERLY INTERNATIONAL HOLDINGS LIMITED

滙多利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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 2005, together with comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 31st October 2005

	NOTES	Six months ended 31st October	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Turnover		134,829	133,018
Cost of sales		(82,282)	(74,732)
Gross profit		52,547	58,286
Other operating income		933	1,112
Administrative expenses		(18,336)	(17,050)
Distribution expenses		(6,493)	(5,120)
Profit from operations	4	28,651	37,228
Finance costs		(5,592)	(3,917)
Profit before taxation		23,059	33,311
Taxation	5	(2,616)	(3,573)
Net profit for the period		20,443	29,738
Interim dividend	6	–	6,330
Earnings per share	7		
– Basic		4.84 HK cents	7.05 HK cents

Condensed Consolidated Balance Sheet

At 31st October 2005

	NOTES	31st October 2005 HK\$'000 (unaudited)	Restated 30th April 2005 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	327,425	263,621
Prepaid lease payment on land use right		11,937	12,068
Investments in securities		–	1,190
Available-for-sale financial assets		1,190	–
Deposits for acquisition of property, plant and equipment		3,012	7,218
		343,564	284,097
Current assets			
Inventories		85,549	68,598
Prepaid lease payment on land use right		131	131
Trade receivables	9	106,471	96,599
Other receivables		25,355	21,701
Investments in securities		–	1,294
Financial assets at fair value through profit or loss		1,284	–
Bank balances and cash		98,723	127,227
		317,513	315,550
Current liabilities			
Trade payables	10	27,591	38,616
Other payables		7,792	14,702
Taxation payable		12,467	18,314
Obligations under finance leases		1,793	2,753
Bank borrowings	11	105,091	98,205
		154,734	172,590
Net current assets		162,779	142,960
Total assets less current liabilities		506,343	427,057
Non-current liabilities			
Obligations under finance leases		942	1,793
Bank borrowings	11	170,872	100,628
Deferred taxation	12	9,519	9,519
		181,333	111,940
Capital and reserves		325,010	315,117
Share capital		4,220	4,220
Reserves		320,790	310,897
		325,010	315,117

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31st October 2005

	Share capital	Share premium account	Special reserve	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st May 2004	4,220	84,868	1,010	556	189,659	280,313
Net profit for the year	-	-	-	-	29,738	29,738
Dividend paid	-	-	-	-	(16,880)	(16,880)
At 31st October 2004	4,220	84,868	1,010	556	202,517	293,171
Net profit for the period	-	-	-	-	28,276	28,276
Dividend paid	-	-	-	-	(6,330)	(6,330)
At 30th April 2005	4,220	84,868	1,010	556	224,463	315,117
Net profit for the period	-	-	-	-	20,443	20,443
Dividend paid (note 7)	-	-	-	-	(10,550)	(10,550)
At 31st October 2005	4,220	84,868	1,010	556	234,356	325,010

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 2005

	Six months ended 31st October	
	2005 <i>HK\$'000</i> <i>(unaudited)</i>	2004 <i>HK\$'000</i> <i>(unaudited)</i>
Net cash from operating activities	23,102	11,592
Net cash used in investing activities	(86,458)	(74,446)
Net cash from financing activities	32,936	31,491
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(30,420)	(31,363)
Cash and cash equivalents at the beginning of the period	127,227	108,377
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	96,807	77,014
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents, being		
Bank balances and cash	98,723	82,362
Bank overdrafts	(1,916)	(5,348)
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	96,807	77,014
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Notes to the Condensed Financial Statements

For the six months ended 31st October 2005

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 and with Hong Kong Accounting standard No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for certain financial instruments which are measured at fair value.

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30th April 2005 except as discussed below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has results in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 has no impact on the condensed consolidated financial statements.

The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

In prior periods, the investments of Group were classified as investments in securities under non-current assets and current assets.

From 1st May 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in profit or loss. "Available-for-sale financial assets" are carried at cost less impairment, as the equity securities do not have a quoted market price in an active market and whose fair value cannot be reliably measured, in accordance with HKAS 39.

On 1st May, 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. Accordingly, investments in securities in prior period, were reclassified as financial assets at fair value through profit or loss and available-for-sale financial assets in 2005 and no prior period adjustments has been required. In addition, the Group's discounted bills with recourse, which were previously treated as contingent liabilities, have been accounted for collateralised bank advances prospectively on or after 1st May 2005, as the financial assets derecognition conditions as stipulated in HKAS 39 have not been fulfilled.

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively and the balance on the Group's property, plant and equipment has been reduced by HK\$12,199,000 while the balance on the Group's prepaid lease payment has been increased by HK\$12,199,000 accordingly as at 30th April 2005.

The Group has not early applied the following new standards or interpretations that have been issue but are not yet effective. The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statement of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – Int 4	Determining whether an Arrangement Contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

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3. SEGMENTAL 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>	South America <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 31st October 2005						
TURNOVER						
External sales	87,169	14,293	–	33,155	212	134,829
RESULT						
Segment profits	33,169	5,592	–	11,302	77	52,140
Unallocated corporate expenses						(23,489)
Profit from operations						28,651
Finance costs						(5,592)
Profit before taxation						23,059

	Europe <i>HK\$'000</i>	North America <i>HK\$'000</i>	South America <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 31st October 2004						
TURNOVER						
External sales	75,650	21,961	216	33,651	1,540	133,018
RESULT						
Segment profits	33,636	9,440	87	13,690	655	57,508
Unallocated corporate expenses						(20,280)
Profit from operations						37,228
Finance costs						(3,917)
Profit before taxation						33,311

4. PROFIT FROM OPERATIONS

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

	Six months ended 31st October	
	2005 HK\$'000	2004 HK\$'000
Interest income	(445)	(211)
Depreciation and amortisation of property, plant and equipment	22,795	17,544
Unrealised holding loss on financial assets	10	714
	<u> </u>	<u> </u>

5. TAXATION

	Six months ended 31st October	
	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,261	3,118
PRC income tax	355	455
Deferred taxation	—	—
	<u> </u>	<u> </u>
	2,616	3,573

Hong Kong Profit Tax and PRC income tax were calculated at 17.5% (2004: 17.5%) and 27% (2004: 27%), respectively, on the respective estimated assessable profits for the six months ended 31st October 2005 and 2004.

6. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period (2004: 1.5 cents).

On 12th October 2005, a dividend of HK2.5 cents per share was paid to shareholders as the final dividend for 2005.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31st October 2005 and 2004 is based on the net profit for the period and on 422,000,000 (2004: 422,000,000) 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 2005 and 2004.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1,672,000 and HK\$80,304,000 and HK\$2,492,000 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\$28,341,000 from construction in progress to production moulds and land and building during the period.

9. TRADE RECEIVABLES

The Group allows its trade customers with credit period normally ranging from 30 days to 90 days.

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

	31st October 2005 HK\$'000	Restated 30th April 2005 HK\$'000
0 to 90 days	107,197	76,783
91 – 180 days	2,583	16,113
181 – 365 days	259	7,271
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	110,039	100,167
Allowances	(3,568)	(3,568)
	<hr/>	<hr/>
	106,471	96,599
	<hr/>	<hr/>

10. TRADE PAYABLES

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

	31st October 2005 <i>HK\$'000</i>	30th April 2005 <i>HK\$'000</i>
0 to 90 days	23,870	32,824
91 – 180 days	3,647	5,792
181 – 365 days	74	–
	<u>27,591</u>	<u>38,616</u>

11. BANK BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately HK\$208,347,000. 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\$139,944,000 during the period.

12. DEFERRED TAXATION

	Accelerated tax depreciation <i>HK\$'000</i>
At 1st May 2004	8,369
Charge to the income statement for the year (<i>note 9</i>)	<u>1,150</u>
At 30th April 2005 and at 31st October 2005	<u>9,519</u>

At 31st October 2005, the Group has unused tax losses of HK\$4,490,000 (30th April 2005: HK\$3,906,000) 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

At 31st October 2005, the Group had capital expenditure amounting to HK\$837,000 (30th April 2005: HK\$7,081,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

The Company has no material capital commitment at the balance sheet date.

14. EVENTS AFTER THE BALANCE SHEET DATE

On 1st November 2005, the Company offers a share option in an aggregate of 8,440,000 shares to the 2 grantees – Mr. Chui Chi Keung Raymond and Ms. Yeung Ying Fong pursuant to the terms of the share option scheme adopted by the Company on 26th November 2002.

Business Review

For the six months ended 31st October 2005, the Group's consolidated turnover amounted to approximately HK\$135 million, representing a year-on-year increase of 1%. Net profit attributable to shareholders decreased by 31% to approximately HK\$20 million as compared to HK\$29 million in the corresponding period last year.

During the period under review, the gross margin of the traditional products such as fans, convection heaters and oil-filled radiators was maintained as compared to the corresponding period in last year. For the newly launched kitchen appliances and electronic products, their gross margin were relatively lower than that of the traditional products. In addition to its core products such as heaters, the Group's kitchen appliances accounted for 9% of total sales.

In addition, apart from its core heaters products, the Group introduced a series of new products such as panel heaters, and received overwhelming market response, particularly in Europe. Therefore, despite the tremendous pressure brought forth by escalating raw material costs, the Group successfully diversified its product range and maintained stable turnover performance.

In the beginning of the year 2005, the Group was appointed as the distributor of home appliances for GE Appliances in Hong Kong and Macau SAR. During the review period, the Group has just developed a sales and distribution network, which commenced sales in July 2005. As the distribution business is still in the initial stage of development, its profit contribution was insignificant during the period.

Prospects

Looking ahead, the Group will further strengthen the sales performance of its core products while allocating sufficient resources and efforts in new product research and development. The Group recently manufactures a transponder for an Australian customer, which is used for tracking and monitoring vehicles. The transponder is a new device for vehicle security. It operates under spread spectrum radio networks. Once the device is installed inside the vehicle, the control centre can remotely monitor and track the location of the vehicle and can demobilize the vehicle in emergency situation. It is expected that the sales contribution of the manufacturing of the transponder will be reflected in the future years.

Moreover, the Group joined hands with Newstart (HK) Limited, a subsidiary of City University of Hong Kong and successfully invented and developed the world's first safest Anti-Virus Ozone Ventilator (the "Ventilator"), with the view of formulating solutions to improve indoor air quality and to inhibit bacteria growth.

The Group will also diversify its market reach and strengthen its efforts in markets with immense growth potential, including Asia, Hong Kong and North America. By leveraging on the Group's well-focused development strategy, experienced management team as well as robust R&D, Warderly is committed and dedicated to becoming a key player in the industry of manufacturing of home appliances, providing quality, environmental friendly and state-of-the-art products to its customers.

Liquidity and Financial Resources

The Group generally financed its operations mainly with internally generated cash flow. As at 31st October 2005, the Group held cash and bank deposits of a total amount of HK\$98.7 million (30th April 2005: HK\$127.2 million). Total bank borrowings amounted to approximately HK\$278.7 million (30th April 2005: HK\$203.3 million) and its gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 42.2% (30th April 2005: 33.9%). All borrowings during the period were charged of floating interest rate. With these strong financial resources, the Group maintained a strong working capital to finance its business operations.

Pledge of Assets

As at 31st October 2005, the Group pledged assets to banks with total value of HK\$8.9 million (30th April 2005: HK\$9.0 million), including the property located in Hong Kong with carrying amount of HK\$8.9 million (30th April 2005: HK\$9.0 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 2005, the capital of the company comprising 422,000,000 ordinary shares of HK\$0.01 each.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the Code of Best Practice as set out in appendix 14 of the Listing Rules which were applicable before 1st January 2005. The primary duties of the audit committee are to review the unaudited interim results for the six months ended 31st October 2005 including the accounting, internal control and financial reporting issues. The audit committee comprises the three independent non-executive directors.

Employees

As at 31st October 2005, the group had approximately 1,800 full time employees. Around 50 staffs 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 Executive's Interests in Share Capital of the Company

At 31st October 2005, 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		201,800,000 <i>(note 1)</i>	47.82%
Yeung Kui Wong	Held by controlled corporation		30,250,000 <i>(note 2)</i>	7.17%
			232,050,000	54.99%

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.

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 2005.

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 31st October 2005, 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 2005, 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	201,800,000	47.82%
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 (<i>Note</i>)	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 2005.

Share Option

No option has been granted under the company's share option scheme during the period.

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 with the Code on Corporate Governance Practices and Model Code

On 1st January 2005, the Code of Best Practices was replaced by the Code of Corporate Governance Practices (the "Code") as contained in Appendix 14 of the Listing Rules.

During the period, the Company has been taking action to comply with the code provisions set out in the Code, such as Remuneration Committee has been established to monitor the Group's development in this area, only with the major areas of deviation detailed below, namely (1) the chairman is not subject to retirement by rotation. The Directors will propose relevant amendments to be made to the articles of association for approval by the shareholders at the next annual general meeting of the Company so that every director including the Chairman of the Board of Directors shall be subject to retirement by rotation at least once every three years. (2) Independent Non-executive directors of the Company are not appointed for a specified term, but are subject to retirement by rotation and re-election at annual general meetings 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, 18th January 2006

As at the date hereof, the Board of Directors of the Company consists of Mr. Yeung Kui Wong, Mr. Hung Kwok Wa, Mr. Lai Wing Chuen and Ms. Yeung Ying Fong as Executive Directors; Mr. Paul Steven Wolansky as Non-Executive Director (with Mr. Leung Ping Chung, Hermann as alternate); Mr. Lau Tai Chim, Mr. Tam Ping Kuen, Daniel and Mr. Lau Yau Cheung as Independent Non-Executive Directors.