



# 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)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2007

The board (the “Board”) of directors (the “Directors”) of Warderly International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2007, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 30 April 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	3	187,384	288,688
Cost of sales		<u>(249,548)</u>	<u>(193,306)</u>
Gross (loss)/profit		(62,164)	95,382
Other income		7,363	5,955
Distribution costs		(12,489)	(15,490)
Administrative expenses		(52,002)	(46,676)
Allowance for doubtful debts		(18,398)	(510)
Interest in and advance to an associate written off		(2,580)	–
Finance costs	4	(15,136)	(13,985)
Loss of a PRC factory	5	<u>(528,852)</u>	<u>–</u>
(Loss)/profit before taxation	6	(684,258)	24,676
Taxation	7	<u>(23,101)</u>	<u>(24,278)</u>
(Loss)/profit for the year attributable to equity holders of the Company		<u>(707,359)</u>	<u>398</u>
Dividend	8	<u>–</u>	<u>10,550</u>
(Loss)/earnings per share	9		
– Basic		<u>HK\$(1.68)</u>	<u>0.1 HK cent</u>
– Diluted		<u>N/A</u>	<u>0.1 HK cent</u>

\* for identification purpose only

## CONSOLIDATED BALANCE SHEET

At 30 April 2007

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>117,539</b>	448,346
Prepaid lease payments		<b>616</b>	630
Interest in an associate		–	2
Advance to an associate		–	748
Fair value through profit and loss investments		–	1,190
Deposits for acquisitions of property, plant and equipment		–	14,098
		<b>118,155</b>	465,014
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>14</b>	14
Held for trading investments		–	1,940
Inventories		–	99,760
Trade and other receivables	<i>10</i>	<b>6,023</b>	118,498
Bank balances and cash		<b>7,006</b>	116,168
		<b>13,043</b>	336,380
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>11</i>	<b>135,712</b>	57,147
Obligations under finance leases		–	1,191
Bank borrowings		<b>307,346</b>	115,109
Bank overdrafts		<b>10,440</b>	11,021
Taxation payable		<b>44,858</b>	26,174
		<b>498,356</b>	210,642
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(485,313)</b>	125,738
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(367,158)</b>	590,752

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		–	376
Bank borrowings		–	199,829
Deferred tax liabilities		<b>222</b>	20,200
		<u>222</u>	<u>220,405</u>
<b>NET (LIABILITIES)/ASSETS</b>		<b><u>(367,380)</u></b>	<b><u>370,347</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>4,220</b>	4,220
Reserves		<b>(371,639)</b>	366,088
		<u>39</u>	<u>39</u>
(Capital deficiency)/equity attributable to equity holders of the Company		<b>(367,419)</b>	370,308
Minority interest		<b>39</b>	39
		<u>39</u>	<u>39</u>
<b>(Capital deficiency)/total equity</b>		<b><u>(367,380)</u></b>	<b><u>370,347</u></b>

## Notes:

### 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revised) of the Cayman Islands. Its shares (the “Shares”) are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are manufacturing and trading of household electrical appliances and audio-visual products and trading of kitchenware.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the Securities and Futures Commission in Hong Kong (the “SFC”) pursuant to sub-Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong).

The consolidated financial statements are presented in Hong Kong dollar which is the functional currency of the Company.

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, as modified for leasehold buildings and certain financial instruments.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new standards, amendment and interpretations (“new HKFRSs”) issued by the HKICPA. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations in issue as at 30 April 2007 that are not yet effective. The Directors anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>4</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>5</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

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

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2008

In preparing the 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\$367 million as at 30 April 2007.

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of 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 “Creditors”) by way of the schemes of arrangement to be made between the Company and the Creditors (the “Schemes”). To fulfil the funding needs for the implementation of the Schemes and to provide general working capital for the Group’s operations, the Company proposed to raise HK\$84.4 million, before expenses, by way of the open offer of zero coupon convertible notes (the “Offer Convertible Notes”) with an aggregate principal amount of HK\$84.4 million (the “Open Offer”). If the conversion rights attaching to the Offer Convertible Notes are fully exercised at the conversion price of HK\$0.05 per Share, an aggregate of 1,688,000,000 new Shares will be allotted and issued.

The proceeds from the Open Offer of HK\$84.4 million will be used as to (i) approximately HK\$37 million for the full settlement of all amounts due to the Creditors pursuant to the Schemes; (ii) approximately HK\$7.7 million for the repayment of shareholder’s loan due to Mr. Kan Che Kin, Billy Albert (“Mr. Kan”), a controlling shareholder of the Company, which were/will be used as general working capital of the Group and settlement of professional fees and costs in relation to the Schemes and the Open Offer; and (iii) the remaining amount for the general working capital of the Group.

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

Mr. Kan, who is beneficially interested in approximately 36.03% of the entire issued share capital of the Company as at 30 April 2008, is the underwriter to the Open Offer. Pursuant to the underwriting agreement dated 8 October 2008 entered into between the Company and Mr. Kan (the “Underwriting Agreement”), Mr. Kan has conditionally agreed to underwrite those Offer Convertible Notes not having been subscribed by the Qualifying Shareholders.

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

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

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the fair value of the amounts received and receivable for goods sold to outside customers less returns and allowances during the year.

All of the Group's turnover, assets and liabilities were derived from the manufacturing and trading of household electrical appliances and audio-visual products and trading of kitchenware. The turnover, (loss)/profit and assets attributable to the manufacturing and trading of audio-visual products and the trading of kitchenware contributed to less than 10% of the Group's turnover, (loss)/profit and assets. Accordingly, no analysis of financial information by business segment is presented.

An analysis of the Group's turnover and (loss)/profit for the year and segment assets and liabilities by geographical market, irrespective of the origin of the goods, is as follows:–

#### Geographical Segments

	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	North America <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated Total <i>HK\$'000</i>
<b>For the year ended 30 April 2007</b>						
<b>TURNOVER</b>						
External sales	123,583	29,782	32,224	1,795	–	187,384
Inter-segment sales	–	126,445	–	–	(126,445)	–
Total	<u>123,583</u>	<u>156,227</u>	<u>32,224</u>	<u>1,795</u>	<u>(126,445)</u>	<u>187,384</u>
<b>RESULT</b>						
Segment results	<u>(51,775)</u>	<u>(17,873)</u>	<u>(10,374)</u>	<u>(701)</u>	–	(80,723)
Unallocated other operating income						7,363
Unallocated corporate expenses						(595,762)
Finance costs						<u>(15,136)</u>
Loss before taxation						(684,258)
Taxation						<u>(23,101)</u>
Loss for the year						<u>(707,359)</u>
<b>Assets and liabilities at 30 April 2007</b>						
<b>ASSETS</b>						
Segment assets	–	6,023	–	–	–	6,023
Unallocated corporate assets						<u>125,175</u>
Consolidated total assets						<u>131,198</u>
<b>LIABILITIES</b>						
Segment liabilities	9,164	74,863	–	321	–	84,348
Unallocated corporate liabilities						<u>414,230</u>
Consolidated total liabilities						<u>498,578</u>

	Europe HK\$'000	Asia HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	Eliminations HK\$'000	Consolidated Total HK\$'000
<b>For the year ended 30 April 2006</b>						
<b>TURNOVER</b>						
External sales	175,961	74,752	35,211	2,764	–	288,688
Inter-segment sales	–	245,154	–	–	(245,154)	–
Total	<u>175,961</u>	<u>319,906</u>	<u>35,211</u>	<u>2,764</u>	<u>(245,154)</u>	<u>288,688</u>
<b>RESULT</b>						
Segment results	<u>63,267</u>	<u>21,840</u>	<u>12,676</u>	<u>857</u>	<u>–</u>	98,640
Unallocated other operating income						5,955
Unallocated corporate expenses						(65,934)
Finance costs						(13,985)
Profit before taxation						24,676
Taxation						(24,278)
Profit for the year						<u>398</u>
<b>Assets and liabilities at 30 April 2006</b>						
<b>ASSETS</b>						
Segment assets	13,952	120,416	2,051	46	–	136,465
Interest in an associate						2
Advance to an associate						748
Unallocated corporate assets						664,179
Consolidated total assets						<u>801,394</u>
<b>LIABILITIES</b>						
Segment liabilities	7,137	58,307	–	250	–	65,694
Unallocated corporate liabilities						365,353
Consolidated total liabilities						<u>431,047</u>

No analysis of the carrying amounts of segment assets nor additions to property, plant and equipment by geographical location is prepared as substantially all the property, plant and equipment are located in the People's Republic of China (the "PRC") and Hong Kong.

#### 4. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on:		
Bank borrowings and overdrafts wholly repayable		
– Within five years	15,067	13,597
– Over five years	–	221
Finance leases	69	167
	<u>15,136</u>	<u>13,985</u>

#### 5. LOSS OF A PRC FACTORY

The Group's factory (the "PRC Factory") situated in Dongguan, Guangdong Province, the PRC is owned and run by its wholly-owned subsidiary, Dongguan Kalee Electrical Co., Ltd. ("Dongguan Kalee") whose production was ceased during the year due to the insolvency of Dongguan Kalee to pay its debts and liabilities.

In April 2007, the PRC Factory was sealed up and closed down by the People's Court in Dongguan City of Guangdong Province following the claims by Dongguan Kalee's creditors. Due to the sealing up of the PRC Factory together with the plant and equipment therein, the manufacturing operations of Dongguan Kalee ceased. Dongguan Kalee filed to Dongguan Intermediate People's Court (the "Court") an application for insolvency, which was accepted by the Court in December 2007. During the period of insolvency, the debt restructuring arrangement proposed by Dongguan Kalee was not accepted by its creditors. The liquidator on behalf of the creditors filed an application to the Court for liquidated settlement of debts. In May 2008, the Court ordered that Dongguan Kalee be liquidated for settlement of the debts by sale of the PRC Factory, land, together with the plant and equipment therein, through auction.

In view of the foregoing, the Directors will not contemplate a debt restructuring arrangement of the indebtedness of Dongguan Kalee and intends to liquidate Dongguan Kalee after the sale of the PRC Factory, land, together with the plant and equipment therein to discharge the claims by its creditors. Accordingly, the Group (i) wrote down the inventories of Dongguan Kalee as at 30 April 2007 to zero value; (ii) provided an allowance for doubtful debts for all the outstanding receivables of Dongguan Kalee as at 30 April 2007; (iii) provided certain provisions for losses; and (iv) recognised an impairment loss to write down the PRC Factory, together with the plant and equipment therein, of Dongguan Kalee as at 30 April 2007 to an aggregate value equivalent to the carrying amounts of the subsidiary's total liabilities less prepaid lease payments and bank balances and cash on the same date.

The assets and liabilities of Dongguan Kalee included in the consolidated balance sheet as at 30 April 2007 are as follows:–

	<i>HK\$'000</i>
Property, plant and equipment	114,669
Prepaid lease payments	630
Amount due from an ultimate holding company	2,274
Bank balances and cash	996
Trade and other payables	(100,885)
Taxation payable	(12,888)
Bank borrowings	<u>(2,522)</u>
	<u>2,274</u>

The aforementioned write-down of inventories, allowance for doubtful debts, provisions for losses and impairment loss on property, plant and equipment were included in loss of a PRC Factory shown on the consolidated income statement.



## 6. (LOSS)/PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss)/profit before taxation has been arrived at after charging:–		
Auditors' remuneration	580	1,350
Depreciation of property, plant and equipment	57,968	47,396
Allowance for doubtful debts – <i>Note (a)</i>	33,825	510
Operating lease rentals in respect of rented premises	1,465	2,008
Release of prepaid lease payments	14	13
Staff costs, including directors' emoluments	23,650	35,638
Retirement benefits scheme contributions, including directors	749	1,406
Loss on disposal of fair value through profit and loss investments	28	–
Write-down of inventories – <i>Note (b)</i>	177,323	–
Loss on disposal of property, plant and equipment	2,517	–
Impairment loss recognised in respect of property, plant and equipment – <i>Note (b)</i>	239,838	–
and after crediting:–		
Gain on disposal of held for trading investments	502	–
Unrealised holding gain on fair value through profit and loss investments	–	112
Interest income	151	810

### Notes:

- (a) Amount of HK\$15,427,000 was included in the loss of a PRC Factory.
- (b) These items were included in the loss of a PRC Factory.

## 7. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The taxation charge comprises:–		
Hong Kong Profits Tax		
– Current year	–	6,538
– Under-provision in prior years	31,775	16,554
PRC enterprise income tax	298	1,733
	32,073	24,825
Deferred taxation	(8,972)	(547)
	23,101	24,278

Hong Kong Profits Tax and PRC enterprise income tax were calculated at 17.5% (2006: 17.5%) and 27% (2006: 27%) respectively, on the respective estimated assessable profits for the year.

The under-provision of Hong Kong Profits Tax for both years is primarily related to a change in estimate by the Directors of the likely outcome of a subsidiary's off-shore claims and depreciation claims of certain plant and machineries used in the PRC in prior years as a result of certain assessments issued by the Inland Revenue Department to the Group.

## 8. DIVIDEND

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Ordinary shares		
Final, paid for 2005 – HK2.5 cents per share	<u>–</u>	<u>10,550</u>

The Directors do not recommend the payment of any dividend for both years.

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per Share attributable to the equity holders of the Company is based on the following data:–

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(707,359)</u>	<u>398</u>
<b>Number of Shares</b>		
Number of ordinary shares for the purposes of basic (loss)/earnings per share	422,000	422,000
Effect of dilutive potential ordinary shares – share options	<u>–</u>	<u>339</u>
Number of ordinary shares for the purposes of diluted (loss)/earnings per share	<u>422,000</u>	<u>422,339</u>

The calculation of diluted loss per Share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the Share during the year.

For 2006, weighted average number of ordinary Shares for the purpose of the computation of diluted earnings per Share had taken into account the dilutive effect of the outstanding share options.

## 10. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	11,416	98,873
Less: Allowance for doubtful debts	<u>(5,393)</u>	<u>(2,560)</u>
	6,023	96,313
Other receivables	28,432	22,185
Less: Allowance for doubtful debts	<u>(28,432)</u>	<u>–</u>
	–	22,185
Total trade and other receivables	<u>6,023</u>	<u>118,498</u>

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

The aged analysis of the Group's trade receivables at the balance sheet date is as follows:–

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
0 to 90 days	<b>6,023</b>	74,313
91 to 180 days	–	19,949
181 to 365 days	–	2,051
	<b>6,023</b>	<b>96,313</b>

As at 30 April 2007, HK\$Nil (2006: HK\$61,440,000) of the balances are denominated in US dollars.

The Directors consider the carrying amounts of trade and other receivables approximate their fair values.

## 11. TRADE AND OTHER PAYABLES

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Trade payables	<b>81,148</b>	35,814
Other payables	<b>51,257</b>	21,333
Amounts due to directors	<b>3,307</b>	–
	<b>135,712</b>	<b>57,147</b>

The aged analysis of the Group's trade payables at the balance sheet date is as follows:–

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
0 to 90 days	<b>5,116</b>	19,663
91 to 180 days	<b>34,201</b>	9,526
Over 180 days	<b>41,831</b>	6,625
	<b>81,148</b>	<b>35,814</b>

As at 30 April 2007, HK\$68,830,000 (2006: HK\$Nil) of the balances of trade payables are denominated in Renminbi.

The amounts due to Directors are interest-free, unsecured and repayable on demand.

The Directors consider the carrying amounts of trade and other payables approximate their fair values.

## 12. EVENTS AFTER THE BALANCE SHEET DATE

- (a) 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 Limited (a wholly-owned subsidiary of the Company) (“Housely Industries”), Housely Technology Limited (a wholly-owned subsidiary of the Company), Housely Trading Company Limited (a wholly-owned subsidiary of the Company) and the Company for approximately HK\$13,652,000 and approximately US\$329,000, interest and costs on indemnity basis. On 16 July 2007, the court granted a judgment against the said companies for approximately HK\$13,652,000 and approximately US\$329,000, interest and fixed costs in the sum of approximately HK\$2,000. The claim has not been settled as at the date of this announcement and the Group has provided for the liabilities in the consolidated financial statements for the year.

- (b) On 25 June 2007, Rei Hsing Electric Co. Limited commenced proceedings in the High Court of Hong Kong under HCA1334 of 2007 against Housely Industries for approximately HK\$1,385,000, interest and costs. On 30 July 2007, the court granted a judgment against Housely Industries for approximately HK\$1,385,000, interest and costs in the sum of HK\$11,000. The claim has not been settled as at the date of this announcement and the Group has provided for the liabilities in the consolidated financial statements for the year.
- (c) On 27 June 2007, TUV Rhineland Hong Kong Limited commenced proceedings in the High Court of Hong Kong under HCA 1352 of 2007 against Housely Industries for approximately HK\$1,130,000. On 18 July 2007, judgment was granted by the court against Housely Industries for approximately HK\$1,130,000, interest and costs in the sum of approximately HK\$2,000. The claim has not been settled as at the date of this announcement and the Group has provided for the liabilities in the consolidated financial statements for the year.
- (d) On 3 September 2007, Fairlady Fashion Limited commenced proceedings in the High Court of Hong Kong under HCMP1669 of 2007 against Housely Industries and China Construction Bank (Asia) Limited for specific performance of a sale and purchase agreement, damages, interest and costs. On 17 January 2008, the court made an order stating, among other things, there be specific performance of the sale and purchase agreement. The transaction has not been completed as at the date of this announcement. The net book value of the property was HK\$2,870,000 as at 30 April 2007.
- (e) On 31 October 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 8694 of 2007 against Tacho Company Limited (“Tacho”) for the sum of approximately HK\$26,593,000, interest and costs. On 14 January 2008, the court granted a judgment against Tacho for approximately HK\$26,583,000, interest and costs in the sum of approximately HK\$1,000. The judgment has not been settled as at the date of this announcement and the Group has provided for the liabilities in the consolidated financial statements for the year.
- (f) On 5 December 2007, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 9371 of 2007 against Tacho for the sum of approximately HK\$62,000, interest and costs. On 18 February 2008, the court granted a judgment against Tacho for approximately HK\$62,000, interest and costs in the sum of approximately HK\$1,000. A writ of fieri facias has been issued against Tacho. The judgment has not been settled as at the date of this announcement and the Group has provided for the liabilities in the consolidated financial statements for the year.
- (g) On 21 January 2008, the Commissioner of Inland Revenue commenced proceedings in District Court of Hong Kong under DCTC 554 of 2007 against Tacho for the sum of approximately HK\$6,089,000, interest and costs. On 19 March 2008, a judgment was granted by the District Court of Hong Kong against Tacho for approximately HK\$6,089,000, interest and costs. A writ of fieri facias has been issued to enforce the judgment. The judgement has not been settled as at the date of this announcement and the Group has provided for the liabilities in the consolidated financial statements for the year.
- (h) On 23 January 2008, the High Court of Hong Kong ordered Housely Industries be wound up under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), and that the Official Receiver be constituted provisional liquidator of the affairs of Housely Industries. Two individuals were appointed as liquidators of Housely Industries.
- (i) On 14 February 2008, Golden China Industrial Limited commenced proceedings against Housely Industries in the High Court of Hong Kong under HCA 237 of 2008 for approximately HK\$1,840,000, interest and costs.
- (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 12(e) and 12(g) to this announcement. The claim has not been settled as at the date of this announcement and the Group will provide for the liabilities in the consolidated financial statements for the year ending 30 April 2008.
- (k) On 8 October 2008, the Company announced the proposed Open Offer of the Offer Convertible Notes in the aggregate principal amount of HK\$84.4 million. Details of the Open Offer are set out in note 2 to this announcement.

## QUALIFICATIONS ON INDEPENDENT AUDITOR'S REPORT

Extracts from the report of the independent auditor of the Company, PKF, are set out as below:

### “Basis for Disclaimer of Opinion

- (1) As detailed in note 26 to the consolidated financial statements, following the claims by creditors of the Company's wholly-owned subsidiary, Dongguan Kalee Electrical Co., Ltd. (“Dongguan Kalee”), the People's Court in Dongguan City of Guangdong Province granted a seal order on the whole factory of Dongguan Kalee and Dongguan Intermediate People's Court contemplated a forced sale order on all the assets owned by Dongguan Kalee including its factory, land, plant and equipment by way of auction for the purpose of discharging claims by its creditors. Due to the seal order, only limited financial information of Dongguan Kalee was available for our inspection.

In addition, certain accounting books and records of the Company's wholly-owned subsidiary, Housely (Macao) Commercial Offshore Company Limited (“Housely Macao”), were lost because they were not properly kept by the former employee in Macau.

As a result of the lack of certain accounting books and records for our inspection, we were unable to carry out audit procedures to satisfy ourselves as to whether certain balances relating to Dongguan Kalee and Housely Macao, which have been included in the consolidated financial statements of the Group, are valid, complete, accurately recorded and properly accounted for in the consolidated financial statements.

They include the following income and expenses for the year ended 30 April 2007:–

Turnover	HK\$133,770,000
Cost of sales	HK\$228,921,000
Other income	HK\$5,112,000
Distribution costs	HK\$3,141,000
Loss of a PRC Factory	HK\$528,852,000

- (2) Included in the Group's trade and other payables of HK\$135,712,000 were recorded payables of HK\$100,885,000 relating to Dongguan Kalee (the “Payables”). No satisfactory replies to our satisfaction on the direct confirmations from the major creditors in respect of the Payables were received as at the date of this audit report. There were no other satisfactory audit procedures that we could adopt as only limited financial information was available for our inspection as disclosed in point (1) above. Consequently, we were unable to satisfy ourselves on the completeness and valuation of the Payables amounting to HK\$100,885,000 stated in the consolidated balance sheet as at 30 April 2007.
- (3) Included in the Group's property, plant and equipment of HK\$117,539,000 was HK\$114,669,000 owned by Dongguan Kalee. As detailed in point (1) above and note 26 to the consolidated financial statements, the whole factory of Dongguan Kalee has been sealed up. As the Directors did not consider the possibility of debt restructuring arrangement and intend to liquidate Dongguan Kalee after the expected forced sale, the Directors estimate the fair value of assets of Dongguan Kalee as at 30 April 2007 by reference to the fair value of its total outstanding liabilities including the Payables of HK\$100,885,000 and other liabilities of HK\$15,410,000 of Dongguan Kalee on the same date.

As we were unable to satisfy ourselves as to the completeness and valuation of the Payables as detailed in (2) above, we were unable to satisfy ourselves on the valuation of the property, plant and equipment of HK\$114,669,000 stated in the consolidated balance sheet as at 30 April 2007.

Any adjustments that might have been found to be necessary in respect of the matters set out in points (1) to (3) above may have a consequential and significant effect on the aforementioned items for the year ended 30 April 2007 and the related disclosures in the consolidated financial statements.

### **Disclaimer of Opinion: Disclaimer on View given by Consolidated Financial Statements**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 30 April 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Report on Matters under Sections 141(4) and 141(6) of the Hong Kong Companies Ordinance**

In respect alone of the limitation on our work as set out in the basis for disclaimer of opinion paragraph of this report:–

- (1) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (2) we were unable to determine whether proper books of account had been kept.”

### **BUSINESS AND FINANCIAL REVIEW**

The year ended 30 April 2007 was a challenging year for the Group. The financial situation of the Group deteriorated during the year and the Group had difficulties in repaying the amounts due to the banks and the suppliers. As a result of the Group's poor financial performance, various creditors of the Group brought legal actions against the Group to demand immediate repayment. Faced with keen competition, lower profit margin, rising production costs and lacking of the necessary working capital support, the Group reduced its scale of operations and recorded a turnover of approximately HK\$187 million for the year ended 30 April 2007, representing a decrease of approximately 35% compared with the last year.

The Group recorded a gross loss of approximately HK\$62 million this year compared with a gross profit of approximately HK\$95 million last year.

In light of the sealing up of the PRC Factory and the aging analysis, the Group had made the provision of trade and other receivables and inventories amounted to approximately HK\$34 million and HK\$177 million respectively this year, which was based on the best estimation of the Directors. The Group had also recognised an impairment loss of approximately HK\$240 million in respect of property, plant and equipment during the year.

The Group, in summary, recorded a loss of approximately HK\$707 million this year and was in substantial financial difficulties.

## **IMPORTANT EVENTS AND PROSPECTS**

Trading in the Shares on the Stock Exchange has been suspended since 14 May 2007 at the request of the SFC. The Company submitted the Resumption Proposal to the Stock Exchange and the SFC on 30 September 2008.

As part of the Resumption Proposal, the Board proposed to undergo the debt restructuring by way of schemes of arrangement with the creditors of the Company to revitalize the Company and settle the Company's indebtedness.

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

Upon the completion of the debt restructuring and the Open Offer, additional working capital will be injected into the Group and the Directors are optimistic about the Group's future prospect. The Directors are looking for business opportunities that offer better returns for our shareholders and are confident 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\$7 million as at 30 April 2007 (2006: approximately HK\$116 million). Balance of bank overdrafts and bank borrowings were approximately HK\$318 million as at 30 April 2007 (2006: approximately HK\$326 million). The gearing ratio of the Group as at 30 April 2007 calculated as a ratio of total bank loans and bank overdrafts, to total assets was approximately 242% (2006: approximately 41%). Net liabilities were approximately HK\$367 million (2006: net assets of approximately HK\$370 million).

The Group recorded total current asset value of approximately HK\$13 million as at 30 April 2007 (2006: approximately HK\$336 million) and total current liability value of approximately HK\$498 million (2006: approximately HK\$211 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was about 0.03 as at 30 April 2007 (2006: approximately 1.60).

The Group recorded a loss for the year ended 30 April 2007 and this attributed to a decrease in shareholders' funds to a negative value of approximately HK\$367 million as at 30 April 2007.

## **FOREIGN EXCHANGE EXPOSURE**

Transactions of the Group were mainly denominated either in Hong Kong dollars, United States dollars or Renminbi. In view of the stability of the exchange rate between these currencies during the year, the Directors did not consider that the Group was significantly exposed to foreign exchange risk for the year.

## **TREASURY POLICIES**

The Group's major borrowings are in Hong Kong dollars and with variable interest rates. The Group currently did not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

## **PLEDGE OF ASSETS**

The Group had no pledged assets as at 30 April 2007.

## **INVESTMENTS**

The Group had not held any significant investment for the year ended 30 April 2007.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES**

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 30 April 2007.

## **SEGMENTAL INFORMATION**

Details of segmental information for the year ended 30 April 2007 are set out in note 3 to this announcement.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 April 2007.

## **STAFF AND REMUNERATION POLICIES**

As at 30 April 2007, the Group had 26 employees (2006: approximately 1,900 employees). The Group's total staff costs amounted to approximately HK\$24 million (2006: HK\$37 million) for the year ended 30 April 2007.

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

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with the Code of Corporate Governance Practices (the "Code") 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 has reviewed the audited annual results of the Group for the year ended 30 April 2007. The audit committee of the Company currently comprises the five independent non-executive Directors.



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

During the year ended 30 April 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Code contained in Appendix 14 to the Listing Rules for the year ended 30 April 2007 except the following deviations:

### **Code Provision A.2**

Mr. Yeung Kui Wong was the chairman of the Company and resigned on 20 March 2007. Mr. Chui Chi Keung, Raymond ("Mr. Chui"), who was appointed as the chief executive officer of the Company, has resigned with effect from 1 July 2006. Since then, the Company has not appointed any individual to take up the posts of the chief executive officer and the chairman of the Company and the daily operation and management of the Group was 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.

### **Code Provision A.3 and Rule 3.10 of the Listing Rules**

Every Board must include at least three independent non-executive Directors. After the resignation of Mr. Wu Wan Chung, Patrick on 11 April 2007, the Board consisted of only two independent non-executive Directors until the appointment of Mr. Chow Yiu Wah, Joseph as an independent non-executive Director on 5 December 2007. Since then, the Board has sufficient number of independent non-executive Directors.

### **Code Provision A.4.1**

During the year, although the non-executive Directors and independent non-executive Directors were not appointed for a specific term, 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 year.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company for approving, among other things, the audited consolidated financial statements of the Group for the year ended 30 April 2007 will be held at 10:00 a.m. on 26 November 2008 details of which are set out in the notice of annual general meeting of the Company which will be published in due course.

By Order of the Board  
**Warderly International Holdings Limited**  
**Hung Kwok Wa**  
*Director*

Hong Kong, 22 October 2008

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