



World Houseware (Holdings) Limited
世界(集團)有限公司

Interim Report 2001中期報告

The Board of Directors (the "Board") of World Houseware (Holdings) Limited ("Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 together with the comparative figures for the corresponding period in 2000.

RESULTS

As a result of the continuous economic slowdown in the U.S.A. and stagnant performance in the other economies, market demand and export trade during the period under review were depressed. The turnover of the Group dropped by 7% when compared to the turnover of the same period of last year. However, the management of the Company successfully controlled the production costs during the period. The profit attributable to shareholders rose by 22% during the period. The unaudited consolidated interim results of the Group with comparative figures for the corresponding period of last year were highlighted as follows:

The Board of Directors declared an interim dividend of 0.5 cent per share.

- The Group recorded a turnover of HK\$313,405,000 for the six months ended 30 June 2001, which represents a decrease of about 7% when compared to the turnover of HK\$335,666,000 in the same period of last year.
- Gross profit for the period was HK\$58,931,000, which represents a decrease of 2% when compared to gross profit of HK\$60,055,000 for the same period of last year.
- The total turnover of household products was HK\$231,646,000. The turnover of PVC pipes and fittings and other products was HK\$81,759,000. These figures represent a decrease of 12% and an increase of 14%, when compared to the turnover of HK\$263,886,000 and HK\$71,780,000 of the respective categories in last year.
- Profit for the period attributable to shareholders was HK\$15,230,000, which represents an increase of about 22% when compared to the profit of HK\$12,455,000 for the same period of last year.
- Gross profit margin was 19%, which represents an increase of about 1% when compared to gross profit margin of 18% for the same period of last year.
- Basic earnings per share was 2.3 cents which represents an increase of about 21% when compared to the basic earnings per share of 1.9 cents for the same period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	Notes	1.1.2001 to 30.6.2001 HK\$'000 (Unaudited)	1.1.2000 to 30.6.2000 HK\$'000 (Unaudited and restated)
Turnover	3	313,405	335,666
Cost of sales		(254,474)	(275,611)
Gross profit		58,931	60,055
Other revenue		359	3,907
Distribution costs		(5,973)	(8,103)
Administrative expenses		(31,596)	(33,769)
Amortisation of goodwill		—	(182)
Profit from operations	3	21,721	21,908
Finance costs	4	(5,519)	(5,314)
Profit before taxation	5	16,202	16,594
Taxation	6	(972)	(3,962)
Profit after taxation		15,230	12,632
Minority interests		—	(177)
Profit for the period		15,230	12,455
Dividend	7	3,382	3,348
Earnings per share	8		
Basic		2.3 cents	1.9 cents
Diluted		2.0 cents	1.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2001

	Notes	30.6.2001 HK\$'000 (Unaudited)	31.12.2000 HK\$'000 (Audited and restated)
Non-current assets			
Investment properties	9	18,750	18,750
Other properties, plant and equipment	10	628,055	637,576
		<u>646,805</u>	<u>656,326</u>
Current assets			
Inventories		120,331	130,493
Debtors, deposits and prepayments	11	107,014	104,137
Trading securities	12	6,349	8,071
Taxation recoverable		2,551	1,273
Bank balances and cash		40,731	31,936
		<u>276,976</u>	<u>275,910</u>
Current liabilities			
Creditors and accrued charges	13	52,616	74,924
Taxation payable		3,491	6,283
Convertible redeemable note	14	46,200	—
Bank borrowings — amount due within one year		107,573	95,385
		<u>209,880</u>	<u>176,592</u>
Net current assets			
		<u>67,096</u>	<u>99,318</u>
		<u>713,901</u>	<u>755,644</u>
Non-current liabilities			
Bank borrowings — amount due after one year		21,862	26,440
Other balance payable		3,159	6,243
Deferred taxation		253	654
Convertible redeemable note	14	—	46,200
		<u>25,274</u>	<u>79,537</u>
		<u>688,627</u>	<u>676,107</u>
Capital and reserves			
Share capital	15	67,642	67,214
Reserves	16	620,985	608,893
		<u>688,627</u>	<u>676,107</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	<i>Note</i>	<i>HK\$'000</i>
Profit for the period and total recognised gains for the period		<u>15,230</u>
Increase in shareholders' equity at 1 January 2001 as a result of a change in accounting policy due to adoption of a revised Statement of Standard Accounting Practice on dividends proposed or declared after the balance sheet date	2	<u>3,361</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	HK\$'000 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>31,239</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest paid on bank loans and convertible redeemable note	(5,802)
Interest received	98
Dividends received on trading securities	111
Dividend paid in cash	<u>(2,710)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(8,303)</u>
TAXATION	
Profits tax paid outside Hong Kong	<u>(5,443)</u>
INVESTING ACTIVITIES	
Purchase of other properties, plant and equipment	(16,338)
Proceeds from disposal of other properties, plant and equipment	<u>30</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(16,308)</u>
NET CASH INFLOW BEFORE FINANCING	<u>1,185</u>
FINANCING	
New bank loans raised	33,626
Repayment of bank loans	(21,678)
Net increase in trust receipts and import loans	<u>8,567</u>
NET CASH INFLOW FROM FINANCING	<u>20,515</u>
INCREASE IN CASH AND CASH EQUIVALENTS	21,700
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2001	<u>9,286</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2001	<u><u>30,986</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2001

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

The interim financial report has been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures have not been presented in the condensed consolidated statement of recognised gains and losses and in the condensed consolidated cash flow statement. Such departure from SSAP 25 is permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in the first interim financial report relating to accounting periods ended on or after 1 July 2000.

2. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and trading securities.

The accounting policies adopted in these condensed financial statements are consistent with those followed in the Group's annual audited financial statements for the year ended 31 December 2000, except as described below.

The Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) for the first time in the current period. These SSAPs have impacted on the condensed financial statements as follows:

Dividends proposed or declared after the balance sheet date

SSAP 9 (Revised) "Events after the balance sheet date" ("SSAP 9 (Revised)") specifies that dividends declared after the balance sheet date should be disclosed as a separate component of equity. In prior periods, dividends declared after the balance sheet date were recognised as liabilities in the balance sheet.

SSAP 9 (Revised) has been applied retrospectively, resulting in an increase in shareholders' equity of HK\$3,345,000 at 1 January 2000 and HK\$3,361,000 at 1 January 2001.

Goodwill

The Group has adopted SSAP 30 "Business combinations" ("SSAP 30") and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30.

Goodwill is amortised over its estimated useful life of not more than twenty years and accumulated amortisation and any impairment losses in respect of goodwill since the date of acquisition have been recognised retrospectively, resulting in a decrease in retained profits of HK\$11,867,000 at 1 January 2000 and HK\$12,327,000 at January 2001. The effect of these retrospective goodwill amortisation and impairment charges on the results of the prior periods is as follows:

	<i>HK\$'000</i>
Six months ended 30 June 2000	182
Year ended 31 December 2000	460

3. TURNOVER AND PROFIT FROM OPERATIONS

Business segments

The Group is organised into three divisions: household products, PVC pipes and fittings and others. Others comprise mainly trading in building materials and supplies, other than PVC pipes and fittings.

The Group's turnover and contribution to profit (loss) from operations analysed by the three business segments are as follows:

	Turnover		Profit (loss) from operations	
	1.1.2001 to 30.6.2001 HK\$'000	1.1.2000 to 30.6.2000 HK\$'000	1.1.2001 to 30.6.2001 HK\$'000	1.1.2000 to 30.6.2000 HK\$'000
Sales of household products	231,646	263,886	20,564	23,622
Sales of PVC pipes and fittings	79,068	67,500	3,138	(1,790)
Others	2,691	4,280	(370)	24
	<u>313,405</u>	<u>335,666</u>	<u>23,332</u>	<u>21,856</u>
Dividend income from trading securities			111	36
Unrealised (loss) gain on trading securities			(1,722)	16
			<u>21,721</u>	<u>21,908</u>

Geographical segment

The Group manufactures nearly all the products which it sells. Its manufacturing facilities are in the People's Republic of China (the "PRC") outside Hong Kong. Its head office is located in Hong Kong.

For the six months ended 30 June 2001 and 2000, substantially all of the Group's profit from operations arose from the Group's manufacturing activities in the PRC.

4. FINANCE COSTS

	1.1.2001	1.1.2000
	to	to
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000
Interest on bank borrowings	4,589	5,067
Interest on convertible redeemable note	1,213	667
	5,802	5,734
Less: Amount capitalised in buildings under construction	(283)	(420)
	5,519	5,314

5. PROFIT BEFORE TAXATION

	1.1.2001	1.1.2000
	to	to
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	23,046	23,290
Unrealised loss on trading securities	1,722	—
and after crediting:		
Interest income	98	282
Dividend income from trading securities	111	36
Rental income	177	54
Gain on disposal of property held for sale	—	150
Gain on sale of trading securities	—	602
Unrealised gain on trading securities	—	16

6. TAXATION

	1.1.2001	1.1.2000
	to	to
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000
Hong Kong Profits Tax calculated at 16% on the estimated assessable profits for the period	82	251
Non Hong Kong taxation		
– charge for the period	2,842	3,711
– overprovision in prior years	(1,551)	–
	1,373	3,962
Deferred taxation credit	(401)	–
	972	3,962

Non Hong Kong taxation represents income tax calculated on income derived from other parts of the PRC outside Hong Kong.

7. DIVIDEND

During the period, a final dividend of 0.5 cent per share in respect of the year ended 31 December 2000, as approved at the annual general meeting held on 29 May 2001, was paid to the shareholders.

On 18 September 2001, the directors resolved to declare an interim dividend of 0.5 cent per share in respect of the six months ended 30 June 2001 (1.1.2000 to 30.6.2000: 0.5 cent per share) to be satisfied in cash to those shareholders whose names appear on the Company's register of members on 15 October 2001.

8. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share is based on the following data:

	1.1.2001	1.1.2000
	to	to
	30.6.2001	30.6.2000
	HK\$'000	HK\$'000
Earnings for the purpose of calculating basic earnings per share	15,230	12,455
Interest on convertible redeemable note	1,213	667
	<hr/> 16,443	<hr/> 13,122
Earnings for the purpose of calculating diluted earnings per share	16,443	13,122
	<hr/> 1.1.2001	1.1.2000
	to	to
	30.6.2001	30.6.2000
Weighted average number of shares for the purpose of calculating basic earnings per share	672,422,407	668,893,318
Potential dilutive shares issuable under:		
Convertible redeemable note	132,000,000	72,527,473
Share option scheme	—	164,412
	<hr/> 804,422,407	<hr/> 741,585,203

The computation of diluted earnings per share in the current period does not take into consideration the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the period.

9. INVESTMENT PROPERTIES

The Group's investment properties are stated at revalued amounts based on an external professional valuation as at 31 December 2000 on an open market value basis. The directors consider that there has been no significant change in valuation and have adopted the same valuation for 30 June 2001.

10. OTHER PROPERTIES, PLANT AND EQUIPMENT

During the period, additions to other properties, plant and equipment totalled approximately HK\$13,537,000 (1.1.2000 to 31.12.2000: HK\$126,829,000), including interest capitalised in buildings under construction of HK\$283,000 (1.1.2000 to 31.12.2000: HK\$840,000).

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit periods of up to 90 days to its trade customers.

The following is an aged analysis of the Group's trade receivables at the report date:

	30.6.2001	31.12.2000
	HK\$'000	HK\$'000
0 - 30 days	50,044	39,502
31 - 60 days	16,213	15,970
61 - 90 days	10,497	9,486
Over 90 days	12,864	15,278
	<hr/>	<hr/>
	89,618	80,236
Other debtors, deposits and prepayments	17,396	23,901
	<hr/>	<hr/>
	107,014	104,137
	<hr/> <hr/>	<hr/> <hr/>

12. TRADING SECURITIES

Trading securities comprise listed equity shares in Hong Kong and are carried at market value at the balance sheet date.

There was no change in the Group's holding of trading securities in the six months ended 30 June 2001. The change in valuation represents an unrealised loss due to the declining market value of the shares held.

13. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of the Group's trade payables at the report date:

	30.6.2001	31.12.2000
	HK\$'000	HK\$'000
0 - 30 days	15,380	25,985
31 - 60 days	7,039	7,323
61 - 90 days	5,042	3,621
Over 90 days	626	272
	<hr/>	<hr/>
	28,087	37,201
Other creditors and accrued charges	24,529	37,723
	<hr/>	<hr/>
	52,616	74,924
	<hr/> <hr/>	<hr/> <hr/>

14. CONVERTIBLE REDEEMABLE NOTE

The Company issued a convertible redeemable note (the "Note") to an independent third party in the principal sum of HK\$46,200,000 on 23 March 2000. The Note may only be assigned or transferred with the prior written consent of the Company. The Note bears interest at 5.25% per annum and interest is payable semi-annually. The Note is convertible into shares of the Company of HK\$0.10 each at an initial conversion price of HK\$0.35 per share, subject to adjustment. The holder of the Note will have the right to convert the whole or part of the principal amount of the Note into shares in the Company at any time and from time to time, after the date of issue of the Note. But unless previously converted, the outstanding principal amount of the Note, together with all unpaid and accrued interest, will be repaid by the Company upon the maturity of the Note on the last business day preceding the second anniversary of the date of issue of the Note.

On 21 August 2001 the Company gave notice to the holder of the Note for the early redemption of the Note. The holder of the Note has consented and the Note will be redeemed on 22 September 2001.

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Issued and fully paid share capital HK\$'000
Balance at 1 January 2001	672,138,739	67,214
Shares issued to shareholders in lieu of the 2000 final dividend, issued at HK\$0.1523 per share	<u>4,278,662</u>	<u>428</u>
Balance at 30 June 2001	<u><u>676,417,401</u></u>	<u><u>67,642</u></u>

The new shares issued during the period rank pari passu with the then existing shares in all respects.

16. RESERVES

	Share premium HK\$'000	Non-distributable reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2000							
— as previously reported	312,654	12,000	291	(12,232)	—	280,612	593,325
— derecognition of liability in respect of the 1999 final dividend	—	—	—	—	3,345	—	3,345
— restatement of goodwill arising from acquisitions of subsidiaries as an asset and retrospective recognition of past accumulated amortisation and impairment losses	—	—	—	12,232	—	(11,867)	365
— as restated	312,654	12,000	291	—	3,345	268,745	597,035
Premium arising from issue of shares during the year	250	—	—	—	—	—	250
Capitalisation of retained profits by a subsidiary	—	100,806	—	—	—	(100,806)	—
Profit for the year	—	—	—	—	—	18,301	18,301
2000 dividends							
— interim	—	—	—	—	3,348	(3,348)	—
— final proposed	—	—	—	—	3,361	(3,361)	—
Dividends paid	—	—	—	—	(6,693)	—	(6,693)
Balance at 31 December 2000	<u>312,904</u>	<u>112,806</u>	<u>291</u>	<u>—</u>	<u>3,361</u>	<u>179,531</u>	<u>608,893</u>
Balance at 1 January 2001							
— as previously reported	312,904	112,806	291	(12,327)	—	191,858	605,532
— derecognition of liability in respect of the 2000 final dividend	—	—	—	—	3,361	—	3,361
— restatement of goodwill arising from acquisitions of subsidiaries as an asset and retrospective recognition of past accumulated amortisation and impairment losses	—	—	—	12,327	—	(12,327)	—
— as restated	312,904	112,806	291	—	3,361	179,531	608,893
Premium arising from issue of shares during the period	223	—	—	—	—	—	223
Profit for the period	—	—	—	—	—	15,230	15,230
2000 final dividend paid	—	—	—	—	(3,361)	—	(3,361)
2001 interim dividend declared	—	—	—	—	3,382	(3,382)	—
Balance at 30 June 2001	<u>313,127</u>	<u>112,806</u>	<u>291</u>	<u>—</u>	<u>3,382</u>	<u>191,379</u>	<u>620,985</u>

The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.

17. CAPITAL COMMITMENTS

30.6.2001	31.12.2000
HK\$'000	HK\$'000

Capital expenditure contracted for but not provided in the financial statements, net of deposits paid, in respect of buildings under construction

<u>5,898</u>	<u>4,293</u>
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18. CONTINGENT LIABILITIES

30.6.2001	31.12.2000
HK\$'000	HK\$'000

Bills discounted with recourse

<u>3,762</u>	<u>4,059</u>
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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF WORLD HOUSEWARE (HOLDINGS) LIMITED

世界(集團)有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by World Houseware (Holdings) Limited (the “Company”) to review the interim financial report set out on pages 2 to 14.

Directors’ responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants. However, the Listing Rules permit departure from SSAP 25 in that comparative figures for the condensed consolidated statement of recognised gains and losses and for the condensed consolidated cash flow statement are not required to be included in the first interim financial report relating to accounting periods ended on or after 1 July 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” (“SAS 700”) issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of 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 30 June 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six months ended 30 June 2000 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 18 September 2001

INTERIM DIVIDEND

The directors have resolved to declare an interim dividend of 0.5 cent (six months ended 30 June 2000: 0.5 cent) per share for the six months ended 30 June 2001, payable to shareholders whose names appear on the Company's register of members on 15 October 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 October 2001 to 15 October 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registers in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central Hong Kong for registration not later than 4:00 p.m. on 8 October 2001.

PROSPECTS

The performance of export sales of PVC and fabric household products was depressed by the slowed down U.S.A. economy as well as the weak global economy. After the successive interest rate cuts in U.S.A during the first half year of 2001, we believe that the positive effect to the global economy will become more apparent towards the end of this year and during the first quarter of 2002. In concurrence with the expected recovery, the Board will continue to pursue its business strategies to achieving higher turnover, reasonable profit margin and higher market share by developing highly demanded new products.

If PRC accesses into WTO by the end of this year, we can expect an uplift of the quota restriction progressively and a sharp rise in the export sales of our fabric household products.

In order to promote more business in the North America and the other prospective countries, the Company signed a Memorandum of Understanding with Town and Country Linen Corporation ("Town & Country") in August 2001 to establish a Joint Venture in U.S.A.. Town and Country is a notable and well-established importer in U.S.A.. If PRC successfully accesses into WTO, we will consider making more capital investments by purchasing more fabric and dyeing machinery to improve the production line of our household products to a modern and high technology phase. With greater vertical integration, we believe that the Group's profit will improve by better quality control, further reduction of production costs and greater penetration of the market.

The sales performance of Nam Sok Building Material & Plastic Products (Shenzhen) Company Limited was outstanding during the period. The sales volume of our PVC pipes and fittings products during the period increased substantially. The representative office in Pundong region of Shanghai, being established in early 2001, further enlarged our market share of PVC pipes and fittings products in the Huadong region in China. Equipped with the know-how and experience in the business as well as modern machinery, the Group has successfully developed the market for high quality pipes and fittings products by utilizing the strength of the Company in production management, quality control and resources planning. During the period under review, our customers began to accept our newly developed products. Accordingly, turnover and gross profit of PVC pipe and fittings business were improved.

Despite the unfavorable business climate, the board expects an improvement in performance and reasonable profits attributable to shareholders in the second half of 2001.

OPERATIONS AND FINANCIAL REVIEW

For the period under review, the Group's turnover decreased by approximately HK\$22,261,000. It was due to the decrease in sales of household products that amounted to HK\$32,240,000, yet the unfavorable results was partly offset by the good sales performance of PVC pipes and fittings products that increased by HK\$11,568,000 during the period. The U.S.A. household products market remained the single most important contributor to the Group's total revenue, accounting for 49% (2000 same period: 53%) of the total Group revenue during the period.

The decrease in sales of household products was mainly a result of the decrease in export sales to U.S.A. and Europe that amounted to approximately HK\$24 million and HK\$5 million respectively. During the period, due to continuous strong demand in pipes and fittings for construction and cable usage, sales of PVC pipes and fittings rose by 17% to HK\$79,068,000 (2000 same period: HK\$67,500,000).

The gross profit of the Group was HK\$58,931,000 and the gross profit margin was 19% during the period (2000 same period: HK\$60,055,000 and 18% respectively). The average PVC resin import price during the period was about USD580 per ton, which was decreased by approximately 25% when comparing with an average of USD770 per ton in year 2000. This resulted in reduction of costs of production and hence increased gross profit margin.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Basically the Group's working capital requirement has been financed by its internal resources and banking facilities. Total banking facility available to the Group as at 30 June 2001 amounted to HK\$469,907,000; of which HK\$129,435,000 of the banking facility was utilized (utilization rate was at 28%). The Group's borrowings were mainly in Hong Kong Dollars. Overdraft and term loan facilities were granted to the Group at the normal market interest rates.

On 21 August 2001, the Company gave notice to the holder of the convertible redeemable note for the early redemption of the Note. The holder of the Note has consented and the Note will be redeemed on 22 September 2001. The redemption of the Note will be financed by mostly bank loans.

The Group conducts its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi, it is normally unnecessary to make use of financial instruments for hedging purposes.

Total shareholders' funds of the Group as at 30 June 2001 increased by 1.9% to HK\$688,627,000 (31 December 2000: HK\$676,107,000). The total finance costs incurred in the period was HK\$5,519,000 (2000 same period: HK\$5,314,000). The gearing ratio (total liabilities/total shareholders' funds) of the Group in the period was 0.34 (2000 same period: 0.38).

PLEDGE OF ASSETS

At 30 June 2001, the Group's borrowings were secured by the following:

	<i>HK\$'000</i>
Leasehold land and buildings	88,492
Buildings under construction	67,620
Investment properties	18,750
	<hr/>
	174,862
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INVESTMENT PROPERTIES AND TRADING SECURITIES

As at 30 June 2001, the Group owned a number of investment properties with an aggregate book value of \$18,750,000 all of which were rented out.

The market value of the trading securities held by the Group as at 30 June 2001 amounted to HK\$6,349,000. During the period, the Group recorded dividend income totaling HK\$111,000 and an unrealized loss on the portfolio held of HK\$1,722,000.

STAFF AND EMPLOYMENT

At 30 June 2001, the Group employed a total workforce of about 4,000 (30 June 2000: 4,500) including 250 permanent staff and 3,750 contracted staff in our factories located in PRC. The total staff remuneration incurred during the period was HK\$35,270,000. It is our Group policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2001, the interests of the directors and their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Lee Tat Hing	1,755,853	35,971,132 (a)	28,712,551 (c)	280,895,630 (d)
Fung Mei Po	35,971,132	30,468,404 (b)	—	280,895,630 (d)
Lee Pak Tung	2,766,448	—	—	—
Lee Chun Sing	21,815,830	240,000	—	280,895,630 (d)
Wat Kwing Cheung, Alexander	228,000	—	—	—
Cheung Tze Man, Edward	—	—	—	—
Wong Kong Chi	—	—	—	—

Notes:

- (a) Mr. Lee Tat Hing is the husband of Madam Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Madam Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Madam Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company beneficially owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Messrs. Lee Tat Hing and Lee Chun Sing and Madam Fung Mei Po are discretionary objects.

At 30 June 2001, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of director	Name of subsidiary	Number of deferred non-voting shares held
Lee Tat Hing	World Houseware Producing Company Limited	1,555
Fung Mei Po	World Home Linen Manufacturing Company Limited	100
Lee Pak Tung	World Houseware Producing Company Limited	50
	Hong Kong PVC Placemat Manufacturing Company Limited	25,000
Wat Kwing Cheung, Alexander	Hong Kong PVC Placemat Manufacturing Company Limited	75,000
	World Houseware Producing (China) Company Limited	500,000

The deferred shares do not carry any rights to vote at general meetings of these subsidiaries or to participate in any distributions of profits until the net profits of these subsidiaries which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of these subsidiaries.

At 30 June 2001, save as aforesaid and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors or their associates had any interests in the shares or any securities of the Company and its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interest representing 10 per cent or more of the Company's issued shares as at 30 June 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 19 February 2000, options were granted to the following directors of the Company to subscribe for shares in the Company at an exercise price of HK\$0.32 per share:

Name of director	Number of shares for which options have been granted
Lee Tat Hing	860,000
Fung Mei Po	800,000
Lee Chun Sing (<i>see note</i>)	800,000

Note: In addition, the spouse of Mr. Lee Chun Sing, a senior member of the Group's management team, was also granted an option to subscribe for 500,000 shares in the Company on the same terms.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised such right during the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2001, in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited interim financial statements. The unaudited interim financial report was also reviewed by the Company's external auditors.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by paragraph 46(1) and 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

By Order of the Board

Lee Tat Hing

Chairman and Managing Director

Hong Kong, 18 September 2001