



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report

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The Board of Directors (the “Board”) of World Houseware (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 30 June 2004 together with the comparative figures for the corresponding period in 2003:

CONDENSED CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2004

		1.1.2004	1.1.2003
		to	to
		30.6.2004	30.6.2003
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		378,042	342,724
Cost of sales		(325,892)	(282,116)
Gross profit		52,150	60,608
Other operating income		1,399	3,050
Distribution costs		(4,398)	(3,951)
Administrative expenses		(38,074)	(35,075)
Deficit arising on revaluation of investment properties		—	(680)
Profit from operations		11,077	23,952
Finance costs	4	(1,971)	(1,703)
Profit before taxation	5	9,106	22,249
Taxation credit (charge)	6	2	(1,981)
Profit for the period		9,108	20,268
Dividend	7	3,382	3,382
Earnings per share	8		
Basic		1.3 cents	3.0 cents
Diluted		1.3 cents	3.0 cents





CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

	<i>Notes</i>	30.6.2004 HK\$'000 (Unaudited)	31.12.2003 HK\$'000 (Audited)
Non-current assets			
Investment properties	9	20,121	15,220
Property, plant and equipment	10	702,516	672,116
Deposits paid for acquisition of property, plant and equipment		<u>54,345</u>	<u>12,604</u>
		<u>776,982</u>	<u>699,940</u>
Current assets			
Inventories		182,411	137,531
Trade and other receivables	11	235,992	203,446
Properties held for sale		57,247	—
Trading securities	12	4,327	4,449
Taxation recoverable		—	1,360
Bank balances and cash		<u>56,714</u>	<u>68,636</u>
		<u>536,691</u>	<u>415,422</u>
Current liabilities			
Trade and other payables	13	144,731	145,990
Taxation payable		867	52
Bank borrowings — amount due within one year	14	<u>202,389</u>	<u>173,189</u>
		<u>347,987</u>	<u>319,231</u>
Net current assets			
		<u>188,704</u>	<u>96,191</u>
		<u>965,686</u>	<u>796,131</u>
Non-current liabilities			
Bank borrowings — amount due after one year	14	180,621	15,892
Deferred taxation		<u>5,081</u>	<u>5,981</u>
		<u>185,702</u>	<u>21,873</u>
		<u>779,984</u>	<u>774,258</u>
Capital and reserves			
Share capital	15	67,642	67,642
Reserves		<u>712,342</u>	<u>706,616</u>
		<u>779,984</u>	<u>774,258</u>





CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2004

	Reserves							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Non-		Dividend reserve HK\$'000	Retained profits HK\$'000	Sub- total HK\$'000	
			distributable reserve HK\$'000	Translation reserve HK\$'000				
Balance at 1 January 2003	67,642	313,127	188,354	6,679	3,382	169,351	680,893	748,535
Profit for the six months ended 30 June 2003	—	—	—	—	—	20,268	20,268	20,268
2002 final dividend paid in cash	—	—	—	—	(3,382)	—	(3,382)	(3,382)
2003 interim dividend proposed	—	—	—	—	3,382	(3,382)	—	—
Balance at 30 June 2003	67,642	313,127	188,354	6,679	3,382	186,237	697,779	765,421
Exchange differences arising from translation of overseas operations and net gains not recognised in the consolidated income statement	—	—	—	(4,541)	—	—	(4,541)	(4,541)
Capitalisation of accumulated profits by subsidiaries	—	—	49,032	—	—	(49,032)	—	—
Profit for the six months ended 31 December 2003	—	—	—	—	—	16,760	16,760	16,760
2003 interim dividend paid in cash	—	—	—	—	(3,382)	—	(3,382)	(3,382)
2003 final dividend proposed	—	—	—	—	3,382	(3,382)	—	—
Balance at 1 January 2004	67,642	313,127	237,386	2,138	3,382	150,583	706,616	774,258
Capitalisation of accumulated profits by a subsidiary	—	—	4,007	—	—	(4,007)	—	—
Profit for the six months ended 30 June 2004	—	—	—	—	—	9,108	9,108	9,108
2003 final dividend paid in cash	—	—	—	—	(3,382)	—	(3,382)	(3,382)
2004 interim dividend proposed	—	—	—	—	3,382	(3,382)	—	—
Balance at 30 June 2004	67,642	313,127	241,393	2,138	3,382	152,302	712,342	779,984

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





CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For The Six Months Ended 30 June 2004

	1.1.2004	1.1.2003
	to	to
	30.6.2004	30.6.2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	<u>(41,277)</u>	<u>(18,643)</u>
Net cash outflow from investing activities	<u>(159,221)</u>	<u>(40,351)</u>
Net cash inflow from financing activities		
Bank loans raised	228,617	51,740
Other financing cash flows	<u>(44,626)</u>	<u>(5,169)</u>
	<u>183,991</u>	<u>46,571</u>
Decrease in cash and cash equivalents	(16,507)	(12,423)
Cash and cash equivalents at the beginning of the period	<u>62,069</u>	<u>41,739</u>
Cash and cash equivalents at the end of the period	<u>45,562</u>	<u>29,316</u>
Analysis of the balances of cash and cash equivalent		
Bank balances and cash	56,714	48,353
Bank overdrafts	<u>(11,152)</u>	<u>(19,037)</u>
	<u>45,562</u>	<u>29,316</u>





NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30 June 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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 are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2003, with the addition of the following accounting policy:

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost, which comprises direct purchase cost and, where applicable, other incidental expenses that have been incurred in bringing the properties to their present location and condition. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling costs.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group's primary format for reporting segment information is business segments.

Six Months Ended 30 June 2004

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover				
External sales	208,427	169,615	—	378,042
Inter-segment sales	3,453	790	(4,243)	—
Total	<u>211,880</u>	<u>170,405</u>	<u>(4,243)</u>	<u>378,042</u>
Result				
Segment result	4,650	8,778		13,428
Unallocated corporate expenses				(2,351)
Profit from operations				<u>11,077</u>
Finance costs				(1,971)
Profit before taxation				<u>9,106</u>
Taxation credit				2
Profit for the period				<u>9,108</u>

Inter-segment sales are charged at cost plus certain markup.





Six Months Ended 30 June 2003

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External sales	199,078	143,646	—	342,724
Inter-segment sales	<u>40,668</u>	<u>1,107</u>	<u>(41,775)</u>	<u>—</u>
Total	<u>239,746</u>	<u>144,753</u>	<u>(41,775)</u>	<u>342,724</u>
Result				
Segment result	13,318	13,560		26,878
Unallocated corporate expenses				<u>(2,926)</u>
Profit from operations				23,952
Finance costs				<u>(1,703)</u>
Profit before taxation				22,249
Taxation charge				<u>(1,981)</u>
Profit for the period				<u>20,268</u>

Inter-segment sales are charged at cost plus certain markup.

Geographical segments

Substantially all of the sales of the Group's PVC pipes and fittings were made to customers in the People's Republic of China (the "PRC"), including Hong Kong. An analysis of the Group's sales of household products by geographical market is as follows:

	Turnover	
	1.1.2004 to 30.6.2004 <i>HK\$'000</i>	1.1.2003 to 30.6.2003 <i>HK\$'000</i>
United States of America	142,858	146,259
Asia	38,203	28,500
Europe	10,230	9,198
Canada	9,840	7,695
Latin America	5,913	6,053
Australia	815	909
Other areas	<u>568</u>	<u>464</u>
Total sales of household products	<u>208,427</u>	<u>199,078</u>





4. FINANCE COSTS

	1.1.2004 to 30.6.2004 <i>HK\$'000</i>	1.1.2003 to 30.6.2003 <i>HK\$'000</i>
Interest on bank borrowings		
— wholly repayable within five years	(1,902)	(1,703)
— not wholly repayable within five years	(69)	—
	<u>(1,971)</u>	<u>(1,703)</u>

5. PROFIT BEFORE TAXATION

	1.1.2004 to 30.6.2004 <i>HK\$'000</i>	1.1.2003 to 30.6.2003 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation	24,904	22,960
Unrealised holding loss on trading securities	122	—
Loss on disposal of property, plant and equipment	65	—
and after crediting:		
Dividend income from trading securities	34	162
Interest income	284	292
Realised gain on disposal of trading securities	—	525
Rental income	380	466
Unrealised gain on forward contracts	369	—
Unrealised holding gain on trading securities	—	14
	<u> </u>	<u> </u>

6. TAXATION CREDIT (CHARGE)

	1.1.2004 to 30.6.2004 <i>HK\$'000</i>	1.1.2003 to 30.6.2003 <i>HK\$'000</i>
Current tax outside Hong Kong	(898)	(619)
Deferred taxation credit (charge)	900	(1,362)
	<u>2</u>	<u>(1,981)</u>

No provision for Hong Kong Profits Tax is made in the financial statements as the Group has no assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant tax jurisdictions.





7. DIVIDEND

During the six months ended 30 June 2004, a final dividend of 0.5 cent per share in respect of the year ended 31 December 2003 was approved at the annual general meeting held on 28 May 2004 and subsequently paid to the shareholders during the current period.

The directors have determined that an interim dividend of 0.5 cent per share in respect of the six months ended 30 June 2004 (1.1.2003 to 30.6.2003: 0.5 cent per share) should be paid to the shareholders whose names appear on the Company's register of members on 14 October 2004.

8. EARNINGS PER SHARE

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

	1.1.2004 to 30.6.2004 HK\$'000	1.1.2003 to 30.6.2003 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share	<u>9,108</u>	<u>20,268</u>
	Number of shares	
	1.1.2004 to 30.6.2004	1.1.2003 to 30.6.2003
Weighted average number of shares for the purpose of calculating basic earnings per share	676,417,401	676,417,401
Potential dilutive shares issuable under share options	<u>497,252</u>	<u>27,163</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>676,914,653</u>	<u>676,444,564</u>

9. INVESTMENT PROPERTIES

During the period, the Group acquired three properties in the PRC totalling HK\$4,901,000. Carrying values of the Group's investment properties were considered by the directors at 30 June 2004 and in the opinion of the directors, such carrying values were not significantly different from their open market values at the balance sheet date.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$51,614,000 on additions to the manufacturing plants in the PRC.





11. TRADE AND OTHER RECEIVABLES

The Group allows credit periods of up to 180 days, depending on the product sold, to its trade customers.

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

	30.6.2004 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
Invoice date		
0 — 30 days	61,864	54,950
31 — 60 days	37,015	24,884
61 — 90 days	21,040	14,290
Over 90 days	38,122	27,113
	<hr/>	<hr/>
Total trade receivables	158,041	121,237
Other receivables	77,951	82,209
	<hr/>	<hr/>
Total trade and other receivables	235,992	203,446

12. TRADING SECURITIES

Trading securities comprise equity shares listed on The Stock Exchange of Hong Kong Limited and are carried at market value at the balance sheet date.

The change in valuation of HK\$122,000 of the shares represents an unrealised holding loss due to the decrease in the market value of the shares held.

13. TRADE AND OTHER PAYABLES

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

	30.6.2004 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
0 — 30 days	56,868	53,243
31 — 60 days	20,798	37,922
61 — 90 days	15,037	16,864
Over 90 days	24,958	12,943
	<hr/>	<hr/>
Total trade payables	117,661	120,972
Other payables	27,070	25,018
	<hr/>	<hr/>
Total trade and other payables	144,731	145,990





14. BANK BORROWINGS

During the period, the Group raised new bank loans of approximately HK\$228,617,000 to finance the general working capital of the Group.

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each	Issued and fully paid share capital HK\$'000
At 31 December 2003 and 30 June 2004	<u>676,417,401</u>	<u>67,642</u>

The authorised share capital of the Company is HK\$150 million, comprising 1,500,000,000 shares of HK\$0.10 each. There were no changes in the share capital during the period.

16. CAPITAL COMMITMENTS

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
— leasehold land and buildings	11,141	16,050
— plant and equipment	15,291	12,719
— investment in a joint venture	390	390
	<u>26,822</u>	<u>29,159</u>
Capital expenditure authorised but not contracted for in respect of the acquisition of plant and machinery	<u>109,873</u>	<u>152,520</u>

17. CONTINGENT LIABILITIES

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Bills discounted with recourse	<u>3,528</u>	<u>8,446</u>





Deloitte.

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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 1 to 10.

DIRECTORS’ RESPONSIBILITIES

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

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards No. 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group’s 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 2004.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

17 September 2004





INTERIM DIVIDEND

The directors have resolved to declare an interim dividend of 0.5 cent per share in respect of the six months ended 30 June 2004 payable to shareholders (30.6.2003: 0.5 cent per share) whose names appear on the Company's register of members on 14 October 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 October 2004 to 14 October 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Secretaries Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 8 October 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

- The Group recorded a turnover of HK\$378,042,000 for the six months ended 30 June 2004, representing an increase of 10.3% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded of HK\$52,150,000 and 13.8%, representing a decrease of HK\$8,458,000 and 3.9% respectively as compared to the same period last year.
- Profit for the period attributable to shareholders was HK\$9,108,000, representing a decrease of 55% as compared to the same period last year.
- Basic earnings per share was 1.3 cents, representing a decrease of 56.7% as compared to the same period last year.
- The Board of Directors proposed an interim dividend of 0.5 cent per share.





BUSINESS REVIEW

The oil price has been on a continuous surge and made several record highs, resulting in the dramatic global increase in the prices of various down-stream plastic raw materials ranging from 50% to 100%. Also, the PRC government started to reduce certain export tax refund rate by 2 percent to 13% in 2004. These two factors represented the major challenges for the Group during the period under review.

For the six months ended 30 June 2004, the Group's turnover amounted to HK\$378,042,000, representing an increase of 10.3% or HK\$35,318,000 as compared with HK\$342,724,000 for the same period last year. The turnover of household products of the Group was HK\$208,427,000, an increase of 4.7% or HK\$9,349,000 as compared with HK\$199,078,000 for the same period last year. The turnover of PVC pipes and fittings of the Group amounted to HK\$169,615,000, representing an increase of 18% or HK\$25,969,000 as compared with HK\$143,646,000 for the same period last year. During the period under review, the Group's gross profit amounted to HK\$52,150,000, representing a 14% decrease compared with HK\$60,608,000 for the same period last year; and the gross profit margin for the period under review was 13.8%, representing a decrease of 3.9% as compared with the 17.7% for the same period last year.

The increase in the Group's turnover was mainly attributable to the commencement of production of two subsidiaries located in WangZhuang Town, Changshu City, Jiangsu Province, the PRC, namely Nam Sok Houseware Producing (Changshu) Co., Ltd. and Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd. at the beginning of the year 2004. During the period under review, the boosting in expansion of market share of the newly launched cotton and chemical fibres household products as well as the PVC pipes and fittings products recorded fruitful results. The reduction of gross profit margin was mainly due to the rise in oil price during the period under review that has led to a substantial increase in the prices of the major raw materials. The Board had timely reviewed and adjusted its purchasing strategies by extending its sourcing scope, signing long-term purchase contracts and utilising the Group's vertical production process through establishment of strategic alliances with various suppliers to exercise stringent control over our production cost to mitigate the effect on the substantial increase in the prices of the major raw materials. However, as the Group's business partners and associates in household products were mainly the famous overseas department stores, chain stores and distributors; shifting the increased additional cost





burden to a reasonable level was not acceptable by them. With an aim to maintain the long-established business relationships with our business partners and associates and uphold business opportunities for future development, the Board decided to sacrifice part of the gross profit margin in order to survive the hardships with our various business partners and associates and to provide more competitive prices to maintain the market share. Consequently, the gross profit margin of household products dropped markedly.

The Group's another core business, PVC pipes and fittings, mainly vested in the PRC market, was driven forward by the strong growth momentum of the PRC economy and the continuous and prosperous development of the various types of infrastructure and real estates construction projects. The turnover of PVC pipes and fittings recorded satisfactory growth. However, we were unable to pass on the substantial increase in the prices of the major raw materials to the customers, and as a result, the gross profit margin reduced accordingly.

The Group has put emphasis on the research, enhancement, development and innovation of substituted raw materials that related to the Group's core business, with an aim to control production cost and increase production capacity and eventually improve the operating profits.

The Group is actively pursuing plans to commence, in Sha Xi Town, Zhongshan City, Guangdong Province, the PRC, the businesses of recycling and reborn resources and its related businesses. This new venture is intended to help increase the Group's core business operating profits as well as to achieve cost control effectiveness. Further details of this new investment will be announced as soon as practicable.





PROSPECTS

Success is built on one's ability to strive against the tides. In face of the harsh environment induced by the drastic increase in the prices of the major raw materials, the Group will catch every business opportunities and current trends to adopt more flexible approaches and take corrective action to fine-tune with the changing environment and improve the Group's gross profit margin. Also, the Group will strengthen the co-operation with the business associates and create better business relationships with the business partners. All of these strategies can help the Group to survive and achieve better performance. Accelerating growth and expanding the market share are the key success factors in this stringent environment.

The Group resolves to face the current difficult operating environment as opportunities as much as challenges. Our Board is united, diligent and ready to cope with the difficulties ; our management and staff is devoted to work their best efforts; with the sound goodwill and solid business foundation; and with the full support from our business associates and partners and from the shareholders, we are confident to achieve our target performance.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 30 June 2004, the Group had bank balances and cash of approximately HK\$56,714,000 (31.12.2003: HK\$68,636,000) and had interest-bearing bank borrowings of approximately HK\$383,010,000 (31.12.2003: HK\$189,081,000).

The Group's total banking facilities available as at 30 June 2004 amounted to HK\$765,320,000; of which HK\$435,185,000 were utilised (utilisation rate was at 56.9%). Total term loans banking facilities of HK\$165,000,000 were drawn down from two banks during the period.

The Group conducts its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi. The Group continued to take advantage of the low United States of Americas' exchange risk environment and entered into foreign currency forward contracts to hedge the Group's exposure in making purchases in US Dollars. During the period, an unrealised gain on forward contracts was made in the amount of HK\$369,000.





At 30 June 2004, the Group had current assets of approximately HK\$536,691,000 (31.12.2003: HK\$415,422,000). The Group's current ratio was approximately 1.5 as at 30 June 2004 as compared with approximately 1.3 as at 31 December 2003. Total shareholders' funds of the Group as at 30 June 2004 increased by 0.7% to HK\$779,984,000 (31.12.2003: HK\$774,258,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2004 was 0.68 (31.12.2003: 0.44).

CHARGES ON ASSETS

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK\$109,648,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2004, the Group employed a total workforce of about 5,200 (30.6.2003:4,900) including 280 permanent staff and 4,920 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$36,748,000 (30.6.2003: HK\$32,122,000). It is the Group's 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 the 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 2004, the interests of the directors, chief executive and their respective associates in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (The "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) to be recorded in the register to be kept pursuant to Section 352 of the SFO; or (c) pursuant to Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and The Stock Exchange were as follows:

Name of director	Number of shares		
	Personal interests	Corporate interests	Other interests
Lee Tat Hing	1,756,072	28,712,551 (a)	280,895,630 (b)
Fung Mei Po	37,395,087	—	280,895,630 (b)
Lee Chun Sing	21,815,830	—	280,895,630 (b)
Lai Lai Wah	240,000	—	—
Lee Pak Tung	2,766,448	—	—
Wat Kwing Cheung, Alexander	228,000	—	—
Hui Chi Kuen, Thomas	100,000	—	—

Notes:

- (a) The shares are held by Lees International Investments Limited, a company beneficially owned by Mr. Lee Tat Hing.
- (b) 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 2004, 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.

As at 30 June 2004, 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.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO that, 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 interests representing 5 percent or more of the Company's issued share capital as at 30 June 2004.





SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The following options were granted to the directors of the Company and employees of the Group to subscribe for shares in the Company.

	Date of grant	Exercisable period	Exercise price HK\$	Number of share options outstanding
Directors:				
Lee Tat Hing	19.2.2000	19.8.2000 — 18.2.2005	0.32	860,000
Fung Mei Po	19.2.2000	19.8.2000 — 18.2.2005	0.32	800,000
Lee Chun Sing	19.2.2000	19.8.2000 — 18.2.2005	0.32	800,000
Lai Lai Wah	19.2.2000	19.8.2000 — 18.2.2005	0.32	500,000
				2,960,000
Employees	19.2.2000	19.8.2000 — 18.2.2005	0.32	1,500,000
				4,460,000

No share options were granted to other directors or employees during the period and none of the above share options were exercised, cancelled or lapsed in the same period.

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 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.

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.





CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the share options as disclosed above, the Company had no convertible securities, options, warrants or other similar rights in issue during the period or at 30 June 2004.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2004. The unaudited interim financial statements have also been reviewed by the Company's external auditors.

ADOPTION OF THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (as may be amended from time to time by The Stock Exchange pursuant to the Listing Rules) as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company.

By the Order of the Board
Lee Tat Hing
Chairman and Managing Director

Hong Kong, 17 September 2004

