World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2005

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 2005 together with the comparative figures for the corresponding period in 2004:

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	Notes	1.1.2005 to 30.6.2005 *HK$'000* *(Unaudited)*	1.1.2004 to 30.6.2004 *HK$'000* *(Unaudited)*
Turnover		394,244	378,042
Cost of sales		(342,809)	(325,892)
Gross profit		51,435	52,150
Other operating income		1,667	1,399
Distribution costs		(4,765)	(4,398)
Administrative expenses		(40,794)	(38,074)
Gain on disposal of property held for sale		3,540	—
Fair value changes on investment properties		1,875	—
Fair value changes on derivative financial instruments		3,563	—
Finance costs	*4*	(5,130)	(1,971)
Profit before taxation	*5*	11,391	9,106
Taxation (charge) credit	*6*	(2,090)	2
Profit for the period		9,301	9,108
Dividend	*7*	—	3,382
Earnings per share	*8*		
Basic		1.4 cents	1.3 cents
Diluted		N/A	1.3 cents

Condensed Consolidated Balance Sheet

At 30 June 2005

	Notes	30.6.2005 HK$'000 (Unaudited)	31.12.2004 HK$'000 (Audited and restated)
Non-current assets			
Investment properties	9	25,545	23,670
Property, plant and equipment	10	575,497	577,699
Prepaid lease payments		119,860	121,120
Deposits paid for acquisition of property, plant and equipment		24,974	22,333
		745,876	744,822
Current assets			
Inventories		203,677	174,428
Derivative financial instruments		2,525	—
Properties held for sale		81,626	90,231
Trade and other receivables	11	222,233	200,333
Prepaid lease payments		2,778	2,775
Investments held for trading	12	4,980	5,143
Taxation recoverable		392	811
Bank balances and cash		51,576	95,816
		569,787	569,537
Current liabilities			
Trade and other payables	13	167,730	162,391
Taxation payable		326	8
Bank borrowings — amounts due within one year	14	236,863	215,977
		404,919	378,376
Net current assets		164,868	191,161
Total assets less current liabilities		910,744	935,983
Non-current liabilities			
Bank borrowings — amounts due after one year	14	108,233	141,550
Deferred taxation liabilities		8,361	7,081
		116,594	148,631
		794,150	787,352
Capital and reserves			
Share capital	15	67,642	67,642
Reserves		726,508	719,710
		794,150	787,352

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Share capital HK$'000	Share premium HK$'000	Non-distributable reserve HK$'000	Translation reserve HK$'000	Dividend reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2005	67,642	313,127	241,393	2,138	3,382	159,670	787,352
Effect on changes in accounting policies	—	—	—	—	—	(1,038)	(1,038)
As restated	67,642	313,127	241,393	2,138	3,382	158,632	786,314
Exchange differences arising from translation of overseas operations and net gains directly recognised in equity	—	—	—	1,917	—	—	1,917
Profit for the six months ended 30 June 2005	—	—	—	—	—	9,301	9,301
Total recognised profit for the period	—	—	—	1,917	—	9,301	11,218
2004 final dividend paid in cash	—	—	—	—	(3,382)	—	(3,382)
Balance at 30 June 2005	67,642	313,127	241,393	4,055	—	167,933	794,150
Balance at 1 January 2004	67,642	313,127	237,386	2,138	3,382	150,583	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
2003 final dividend paid in cash	—	—	—	—	(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	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 2005

	1.1.2005 to 30.6.2005 HK$'000 (Unaudited)	1.1.2004 to 30.6.2004 HK$'000 (Unaudited)
Net cash outflow from operating activities	(9,350)	(41,277)
Net cash outflow from investing activities		
Purchase of property, plant and equipment	(19,148)	(55,429)
Acquisition of properties held for sale	—	(57,247)
Deposits paid for acquisition of property, plant and equipment	(4,242)	(46,642)
Other investing activities	8,630	97
	(14,760)	(159,221)
Net cash (outflow) inflow from financing activities		
Bank loans raised	25,020	228,617
Repayment of bank loans	(41,670)	(34,688)
Other financing cash flows	(8,512)	(9,938)
	(25,162)	183,991
Net decrease in cash and cash equivalents	(49,272)	(16,507)
Cash and cash equivalents at the beginning of the period	93,178	62,069
Effect of foreign currency rate changes	813	—
Cash and cash equivalents at the end of the period	44,719	45,562
Analysis of the balances of cash and cash equivalent		
Bank balances and cash	51,576	56,714
Bank overdrafts	(6,857)	(11,152)
	44,719	45,562

Notes to the Condensed Financial Statements

For the six months ended 30 June 2005

1. **Basis of preparation**

   The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. **Principal accounting policies**

   The condensed financial statements have been prepared under the historical cost convention, as modified for certain investment properties and investments held for trading, which are measured at fair value.

   The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 except as described as below:

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

   Share-based payment

   In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. Since the share options of the Company were granted before 7 November 2002, the Group has not applied HKFRS 2 to those share options in accordance with the relevant transitional provisions.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

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

By 31 December 2004, the Group classified and measured its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in equity securities are classified as "trading securities" and are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. From 1 January 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, these financial assets are classified as "financial assets at fair value through profit or loss" and are carried at fair value, with changes in fair values recognised in profit or loss. The adoption of HKAS 39 does not have any significant impact on the profit of the prior period and no prior period adjustment is necessary.

Financial assets and financial liabilities other than equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. There was no material impact resulted from the classification and measurement.

Derivatives
From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. On 1 January 2005, the Group recognised the fair value of the derivatives as financial liabilities that are deemed as held for trading on that day amounting to HK$1,038,000 with a corresponding decrease in the Group's retained profits.

Derecognition
HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 30 June 2005, the Group's bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$9,823,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

Owner-occupied leasehold interest in land
In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The application of HKAS 17 has resulted in the reclassification of an amount of HK$123,895,000 from land and buildings to prepaid lease payments on 31 December 2004.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. However, these changes have no material impact to the Group as the gain arising from changes in fair value in the current period relates to a write back which previously recognised as revaluation deficit.

Deferred taxation related to investment properties

In previous periods, deferred taxation consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred taxation consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. These changes have no material impact on the Group.

Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current period are as follows:

	HK$'000
Gain arising from changes in fair value of derivative financial instruments	3,563

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

Balance sheet items	31.12.2004 *HK$'000 (originally stated)*	Adjustment *HK$'000*	31.12.2004 *HK$'000 (restated)*	Adjustment *HK$'000*	1.1.2005 *HK$'000 (restated)*
Property, plant and equipment	701,594	(123,895)	577,699	—	577,699
Prepaid lease payments	—	123,895	123,895	—	123,895
Derivative financial instruments	—	—	—	(1,038)	(1,038)
Total effects on assets and liabilities		—		(1,038)	
Retained profits	159,670	—	159,670	(1,038)	158,632

At the date of authorisation of these condensed financial statements, the following new and revised HKASs, HKFRSs and Interpretations issued by the HKICPA were in issue but not yet effective:

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

The directors anticipate that the adoption of these new HKASs, HKFRSs and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. Segment Information

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

Six months ended 30 June 2005

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover					
Sales of goods					
External sales	210,633	183,322	—	—	393,955
Inter-segment sales	766	523	—	(1,289)	—
Rental income	—	—	289	—	289
Total	211,399	183,845	289	(1,289)	394,244
Result					
Segment result	2,976	6,702	1,703	—	11,381
Unallocated corporate income					1,577
Fair value changes in derivative financial instruments					3,563
Finance costs					(5,130)
Profit before taxation					11,391
Taxation charge					(2,090)
Profit for the period					9,301

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

Six months ended 30 June 2004

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover					
Sales of goods					
External sales	208,427	169,235	—	—	377,662
Inter-segment sales	3,453	790	—	(4,243)	—
Rental income	—	—	380	—	380
Total	211,880	170,025	380	(4,243)	378,042
Result					
Segment result	4,650	8,962	(184)	—	13,428
Unallocated corporate expenses					(2,351)
Profit from operations					11,077
Finance costs					(1,971)
Profit before taxation					9,106
Taxation credit					2
Profit for the period					9,108

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

4. Finance costs

	1.1.2005 to 30.6.2005 HK$'000	1.1.2004 to 30.6.2004 HK$'000
Interest on bank borrowings		
— wholly repayable within five years	(4,764)	(1,902)
— not wholly repayable within five years	(366)	(69)
	(5,130)	(1,971)

5. Profit before taxation

	1.1.2005 to 30.6.2005 HK$'000	1.1.2004 to 30.6.2004 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	1,389	1,139
Depreciation	23,950	23,765
Unrealised holding loss on investments held for trading	163	122
Loss on disposal of property, plant and equipment	—	65
and after crediting:		
Dividend income from investments held for trading	43	34
Interest income	218	284
Rental income	289	380

6. Taxation (charge) credit

	1.1.2005 to 30.6.2005 HK$'000	1.1.2004 to 30.6.2004 HK$'000
People's Republic of China (the "PRC") Enterprise Income Tax	(820)	(898)
Deferred taxation (charge) credit	(1,270)	900
	(2,090)	2

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 2005, a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2004 was approved at the annual general meeting held on 25 May 2005 and subsequently paid to the shareholders during the current period.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005.

8. **Earnings per share**

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

	1.1.2005 to 30.6.2005	1.1.2004 to 30.6.2004
	HK$'000	*HK$'000*
Earnings for the purpose of calculating basic and diluted earnings per share	**9,301**	9,108

	Number of shares	
	1.1.2005 to 30.6.2005	1.1.2004 to 30.6.2004
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	**—**	497,252
Weighted average number of shares for the purpose of calculating diluted earnings per share	**676,417,401**	676,914,653

In the current period, no diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price of the Company's shares and the options expired on 18 February 2005.

9. **Investment properties**

The Group's investment properties were fair-valued by an external valuer at 30 June 2005. The resulting increase in fair value of investment properties of HK$1,875,000 has been credited directly to the income statement.

10. **Property, plant and equipment**

During the period, the Group spent approximately HK$20,767,000 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:

	30.6.2005 *HK$'000*	31.12.2004 *HK$'000*
Invoice date		
0 — 30 days	**76,471**	57,725
31 — 60 days	**32,866**	40,892
61 — 90 days	**21,317**	20,234
Over 90 days	**34,205**	35,762
Total trade receivables	**164,859**	154,613
Other receivables	**57,374**	45,720
Total trade and other receivables	**222,233**	200,333

12. Investments held for trading

Investments held for trading comprise equity shares listed on The Stock Exchange of Hong Kong Limited. The fair values of these securities are based on quoted market bid prices at the balance sheet date.

13. Trade and other payables

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

	30.6.2005 *HK$'000*	31.12.2004 *HK$'000*
0 — 30 days	**43,649**	60,477
31 — 60 days	**37,662**	27,737
61 — 90 days	**42,798**	22,505
Over 90 days	**18,008**	26,810
Total trade payables	**142,117**	137,529
Other payables	**25,613**	24,862
Total trade and other payables	**167,730**	162,391

14. Bank borrowings

During the period, the Group raised new bank loans of approximately HK$25,020,000 (1.1.2004 to 30.6.2004: HK$228,617,000) to finance the general working capital of the Group.

15. Share capital

	30.6.2005 and 31.12.2004 *HK$'000*
Authorised:	
1,500,000,000 shares of HK$0.10 each	150,000
Issued and fully paid:	
676,417,401 shares of HK$0.10 each	67,642

There were no changes in the authorised, issued and fully paid share capital during the period.

16. Capital commitments

	30.6.2005 ***HK$'000***	31.12.2004 *HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of		
— buildings	**20,444**	7,186
— plant and equipment	**6,849**	6,648
	27,293	13,834
Capital expenditure authorised but not contracted for in respect of the acquisition of plant and machinery	**64,258**	152,736

17. Post balance sheet event

Subsequent to the balance sheet date, the Group:

(a) prepaid for an operating lease in respect of a land use right in the PRC at a consideration of approximately HK$12,500,000; and

(b) sold an investment property in Hong Kong at a consideration of approximately HK$8,800,000.

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 to review the interim financial report set out on pages 1 to 15.

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 Hong Kong Accounting Standard 34 "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 Standard 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 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 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 23 September 2005

Interim Dividend

The directors resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2005 (30.6.2004: 0.5 cent per share).

Management Discussion and Analysis

Results

- The Group recorded a turnover of HK$394,244,000 for the six months ended 30 June 2005, representing an increase of 4.3% as compared to the same period last year.

- Gross profit and gross profit margin of the Group recorded of HK$51,435,000 and 13%, representing a decrease of HK$715,000 and 0.8% respectively as compared to the same period last year.

- Profit for the period attributable to shareholders was HK$9,301,000, representing an increase of 2.1% as compared to the same period last year.

- Basic earnings per share was 1.4 cents, representing an increase of 7.7% as compared to the same period last year.

- The Board of Directors do not propose any payment of dividend during the period.

Business Review

The Group had experienced an extremely stringent market environment in the first half of the year 2005.

The rise in oil price which remained continuously in high levels and the significant increases in the price of its related products such as PVC powder, DOP plasticizers and the fuel oil for machineries and transportation had caused to sharp increase in the production costs. On the other hand, the trade dispute of PRC with the United States and European Union in respect of the importing zone for major PRC produced textile products continued and had not resolved. Such dispute has depressed our fabrics and chemical fibre business in Wangzhuang Town, Changshu City, Jiangsu Province, the PRC in which the Group invested since 2002. Although the Board has implemented a number of strategies to mitigate these adverse factors, the significant sharp increases in the costs of raw materials and manufacturing costs could not be shifted entirely to our customers. As a result, the performance of the Group's household products business segment during the period under review was not satisfactory.

For the Group's PVC pipes and fittings business segment as the market is mainly vested in the PRC and the sales are largely in the form of periodic contracts basis, it was more flexible for the Group to bargain for favorable selling price. However as the market competition was very keen and oil price remained continuously in high levels in the first half of the year 2005, the Group's PVC pipes and fittings business segment recorded a decrease in the operating profits when compared with the same period last year.

For the period ended 30 June 2005, the total turnover of the Group amounted to HK$394,244,000, which represented an increase of 4.3% or HK$16,202,000 as compared with that of HK$378,042,000 for the same period last year. The turnover of household products was HK$210,633,000 representing an increase of 1.1% or HK$2,206,000 as compared with HK$208,427,000 for the same period last year. The turnover of PVC pipes and fittings amounted to HK$183,322,000, representing an increase of 8.3% or HK$14,087,000 as compared with HK$169,235,000 for the same period last year. During the period under review, the Group's gross profit amounted to HK$51,435,000, representing a decrease of 1.4% or HK$715,000 as compared with HK$52,150,000 for the same period last year; and the gross profit margin was 13%, representing a decrease of 0.8%, as compared with the 13.8% for the same period last period.

Prospects

It is anticipated that the Group will continue to face a challenging time for the second half of the year 2005. As the international oil price remains at high levels, the manufacturing cost of the Group's household downstream products will be further brought up. The continuous trade dispute of PRC with the United States and European Union in respect of PRC produced textile products will continue to be a hindrance to the growth of the Group's fabrics and chemical fibre business which will increase the business's operational risks. In spite of this adverse operational environment, the Board maintains its Company's strategies of implementing cost-control and manufacturing high qualities products, leveraging on its well-established reputation and extensive business network in order to pursue and develop further business opportunities with its business partners and associates.

Meanwhile, for the Group's new investment of the environmental protection and reborn resources business operated by two wholly-owned subsidiaries, namely South China Reborn Resources (Zhongshan) Company Limited and Fundbor Textiles (Zhongshan) Company Limited in Chong Bian Village, Sha Xi Town, Zhongshan City, Guangdong Province, the PRC in 2004, the Phase I construction of the production plants and the installation of machineries will be completed at the end of the year 2005, and trial production and operation will be commenced as scheduled in the first quarter of year 2006. It is anticipated that upon the commencement of the environmental protection and reborn resources business, the cost pressure brought about by the Group's household products segment will be relieved. In additions, we will speed up the research and development for environmental protection and reborn resources business-related projects in achieving innovation, new technologies and high returns so as to broaden the business base of the Group and improve its operating profits.

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 2005, the Group had bank balances and cash of approximately HK$51,576,000 (31.12.2004: HK$95,816,000) and had interest-bearing bank borrowings of approximately HK$345,096,000 (31.12.2004: HK$357,527,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 30 June 2005 amounted to HK$702,410,000; of which HK$354,919,000 of the banking facilities was utilised (utilisation rate was at 50.5%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 30 June 2005, the Group had current assets of approximately HK$569,787,000 (31.12.2004: HK$569,537,000). The Group's current ratio was approximately 1.4 as at 30 June 2005 as compared with approximately 1.5 as at 31 December 2004. Total shareholders' funds of the Group as at 30 June 2005 increased by 0.9% to HK$794,150,000 (31.12.2004: HK$787,352,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2005 was 0.66 (31.12.2004: 0.67).

Charges on Assets

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK$74,284,000 were pledged to banks for general banking facilities granted to the Group.

Staff and Employment

At 30 June 2005, the Group employed a total workforce of about 5,060 (30.6.2004: 5,200) including 410 permanent staff and 4,650 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$35,949,000 (30.6.2004: HK$36,748,000). 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 2005, 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:

	Number of shares		
Name of director	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	—	—
Hui Chi Kuen Thomas	100,000	—	—
Kwong Bau To	1,087,103	—	—
Chan Lai Kuen Anita	2,623	—	—

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 2005, 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

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 2005, 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 or short positions in the shares or any securities of the Company and its associated corporations.

Substantial Shareholders

At 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows 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 2005.

Save as disclosed in this interim report, the directors and chief executive of the Company are not aware of any other person who, as at 30 June 2005, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Share Options and Directors' Rights to Acquire Shares or Debentures

At 30 June 2005, none of the directors and chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and 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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2005, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Convertible Securities, Options, Warrants or Other Similar Rights

The Company had no convertible securities, options, warrants or other similar rights in issue during the period or at 30 June 2005.

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 results for the six months ended 30 June 2005. The unaudited interim results have also been reviewed by the Company's external auditors.

Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except with deviations from code provisions A.2.1, A.4.1, B.1, C.3.3 and D.1 in respect of separate role of chairman and chief executive officer, appointment of non-executive directors for specific terms, establishment of remuneration committee and matters reserved for Board decisions.

Code Provision A.2.1

Under code provision A.2.1 of Appendix 14 of the Listing Rules, (a) the roles of chairman and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual, and (b) the division of responsibilities between the chairman and the CEO should be clearly established and set out in writing. On 6 September 2005, the Company appointed Madam Fung Mei Po as the CEO and the responsibilities has been established and set out in writing.

Code Provision A.4.1

Under code provision A.4.1 of Appendix 14 of the Listing Rules, non-executive directors should be appointed for a specific term and subject to re-election. On 6 September 2005, all non-executive directors appointed for a terms of 3 years and subject to re-election in accordance with the Company's Articles of Association.

Code Provision B.1

Under code provision B.1 of Appendix 14 of the Listing Rules, remuneration committee should be established with specific written terms of reference. On 6 September 2005, the Company established a remuneration committee with specific written terms of reference which deal with its authorities and duties in accordance with the code provision B.1 of the Listing Rules. The remuneration committee consists of five members, three of whom are independent non-executive directors.

Code Provision C.3.3

Under code provision C.3.3 of Appendix 14 of the Listing Rules, audit committee's terms of reference should be available on request. On 6 September 2005, the Company made available the audit committee's terms of reference from the Company Secretary on request.

Code Provision D.1

Under code provision D.1 of Appendix 14 of the Listing Rules, the Board must give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the Board. On 6 September 2005, the Company defined schedule of matters reserved for Board decisions.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

By Order of the Board
Lee Tat Hing
Chairman

Hong Kong, 23 September 2005