Interim Report 2006

World Houseware (Holdings) Limited
(Incoporated in the Cayman Islands with limited liability)
(Stock Code: 0713)

The Board of Directors (the "Board") of World Houseware (Holdings) Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005:

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	Notes	**1.1.2006 to 30.6.2006 HK$'000 (Unaudited)**	1.1.2005 to 30.6.2005 HK$'000 (Unaudited)
Turnover		**405,679**	394,244
Cost of sales		**(354,181)**	(342,809)
Gross profit		**51,498**	51,435
Other income		**1,334**	1,667
Distribution costs		**(4,683)**	(4,765)
Administrative expenses		**(39,403)**	(40,794)
Loss arising from misappropriation of funds	*1 & 18(b)*	**(24,284)**	—
Gain on disposal of property held for sale		**—**	3,540
Gain arising from fair value changes of investment properties		**2,390**	1,875
Gain arising from fair value changes of derivative financial instruments		**28**	3,563
Finance costs	*4*	**(5,846)**	(5,130)
(Loss) profit before taxation	*5*	**(18,966)**	11,391
Taxation	*6*	**(3,702)**	(2,090)
(Loss) profit for the period		**(22,668)**	9,301
(Loss) earnings per share	*8*		
Basic		**(3.4) cents**	1.4 cents

Condensed Consolidated Balance Sheet

At 30 June 2006

	Notes	30.6.2006 *HK$'000* (Unaudited)	31.12.2005 *HK$'000* (Audited)
Non-current assets			
Investment properties	*9*	35,910	48,842
Property, plant and equipment	*10*	611,752	608,263
Prepaid lease payments		124,956	125,485
Deposits paid for acquisition of property, plant and equipment		10,705	15,579
Intangible assets	*11*	2,433	—
		785,756	798,169
Current assets			
Inventories		184,365	170,672
Trade and other receivables	*12*	206,085	228,468
Properties held for sale		53,955	57,337
Prepaid lease payments		2,811	2,798
Investments held for trading	*13*	2,419	5,078
Taxation recoverable		747	394
Derivative financial instruments		2,121	2,483
Bank balances and cash		57,598	81,454
		510,101	548,684
Non-current assets classified as held for sale	*14*	39,927	—
		550,028	548,684
Current liabilities			
Trade and other payables	*15*	149,578	178,239
Taxation payable		233	689
Bank overdrafts		7,940	9,709
Bank borrowings — amounts due within one year	*16*	286,041	219,458
Derivative financial instruments		—	154
Loss arising from misappropriation of funds	*1 & 18(b)*	24,284	—
		468,076	408,249
Liabilities directly associated with non-current assets classified as held for sale	*14*	8,616	—
		476,692	408,249
Net current assets		73,336	140,435
Total assets less current liabilities		859,092	938,604
Non-current liabilities			
Bank borrowings — amounts due after one year	*16*	41,936	109,434
Deferred taxation liabilities		9,450	7,842
		51,386	117,276
		807,706	821,328
Capital and reserves			
Share capital		67,642	67,642
Reserves		740,064	753,686
		807,706	821,328

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Share capital HK$'000	Share premium HK$'000	Non-distributable reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2006	67,642	313,127	241,393	20,546	178,620	821,328
Exchange differences arising from translation of overseas operations and net gains directly recognised in equity	—	—	—	9,046	—	9,046
Loss for the six months ended 30 June 2006	—	—	—	—	(22,668)	(22,668)
Total recognised gain (loss) for the period	—	—	—	9,046	(22,668)	(13,622)
Balance at 30 June 2006	67,642	313,127	241,393	29,592	155,952	807,706
Balance at 1 January 2005	67,642	313,127	241,393	2,138	162,014	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 gains 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

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 2006

	1.1.2006 to 30.6.2006 *HK$'000* **(Unaudited)**	1.1.2005 to 30.6.2005 *HK$'000* (Unaudited)
Net cash inflow (outflow) from operating activities	**14,287**	(9,350)
Net cash outflow from investing activities		
Purchase of property, plant and equipment	**(33,040)**	(19,148)
Addition of development cost	**(2,433)**	—
Deposits paid for acquisition of property, plant and equipment	**(4,756)**	(4,242)
Proceeds from sales of investments held for trading	**2,894**	—
Other investing activities	**757**	8,630
	(36,578)	(14,760)
Net cash outflow from financing activities		
Bank loans raised	**88,146**	25,020
Repayment of bank loans	**(80,674)**	(41,670)
Other financing cash flows	**(7,752)**	(8,512)
	(280)	(25,162)
Net decrease in cash and cash equivalents	**(22,571)**	(49,272)
Cash and cash equivalents at the beginning of the period	**71,747**	93,178
Effect of foreign currency rate changes	**482**	813
Cash and cash equivalents at the end of the period	**49,658**	44,719
Analysis of the balances of cash and cash equivalent		
Bank balances and cash	**57,598**	51,576
Bank overdrafts	**(7,940)**	(6,857)
	49,658	44,719

Notes to the Condensed Financial Statements

For the six months ended 30 June 2006

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").

As more fully explained in note 18(b), a senior cashier of World Plastic Mat (Baoan) Company Limited ("World Baoan"), one of the Company's subsidiaries in the People's Republic of China ("PRC"), had embezzled some of World Baoan's funds (the "Misappropriation of Funds"). Based on an initial assessment made by a forensic accountant engaged by the Company, the directors of the Company have estimated that the loss from Misappropriation of Funds amounted to approximately RMB25,012,000 (approximately HK$24,284,000). Accordingly, the Group has recognised the loss arising from the Misappropriation of Funds amounting to approximately HK$24,284,000 in the condensed consolidated income statement for the six months ended 30 June 2006. As the investigation is still on-going, the loss from Misappropriation of Funds has not yet been finalised and is still subject to change and as such the directors of the Company are still in the process of determining the financial impacts on World Baoan's account balances including bank balances and cash, other receivables and trade and other payables. As such, the estimated loss has been presented separately on the condensed consolidated balance sheet as at 30 June 2006 until the completion of the investigation. The directors of the Company expect the final impacts to be reflected in the Group's consolidated financial statements for the year ending 31 December 2006.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2005 except as described below.

For the first time, the Group applied the following accounting policies in the current interim period.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from research and development expenditure is recognised only if the asset being created can be identified and it is probable that the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

In the current interim period, the Group has also applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [2]
HK(IFRIC) — INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives [4]
HK(IFRIC) — INT 10	Interim financial reporting and impairment [5]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.

3. Segment Information

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

Six months ended 30 June 2006

	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	221,627	183,157	—	—	404,784
Inter-segment sales	429	279	—	(708)	—
Rental income	—	—	895	—	895
Total	222,056	183,436	895	(708)	405,679
Result					
Segment result	5,257	4,707	1,484	—	11,448
Unallocated corporate expenses					(312)
Loss arising from misappropriation of funds					(24,284)
Gain arising from fair value changes of derivative financial instruments					28
Finance costs					(5,846)
Loss before taxation					(18,966)
Taxation					(3,702)
Loss for the period					(22,668)

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

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
Gain arising from fair value changes of derivative financial instruments					3,563
Finance costs					(5,130)
Profit before taxation					11,391
Taxation					(2,090)
Profit for the period					9,301

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

4. Finance Costs

	1.1.2006 to 30.6.2006 ***HK$'000***	1.1.2005 to 30.6.2005 *HK$'000*
Interest on bank borrowings		
— wholly repayable within five years	**(6,695)**	(4,764)
— not wholly repayable within five years	**(1,057)**	(366)
Total borrowing costs	**(7,752)**	(5,130)
Less: Interest included in the cost of property, plant and equipment	**1,906**	—
	(5,846)	(5,130)

Borrowing costs included in the cost of property, plant and equipment during the period arose on the general borrowing pool and are calculated by applying a capitalisation of 2.5% to expenditure on such assets.

5. (Loss) Profit Before Taxation

	1.1.2006 to 30.6.2006 *HK$'000*	1.1.2005 to 30.6.2005 *HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,195**	1,389
Depreciation	**24,916**	23,950
Loss arising from fair value changes of investments held for trading excluding dividend income	**—**	163
Loss on disposal of property, plant and equipment	**107**	—
and after crediting:		
Dividend income from investments held for trading	**69**	43
Gain arising from fair value changes of investments held for trading excluding dividend income	**198**	—
Gain on disposal of investments held for trading	**36**	—
Interest income	**144**	218
Rental income	**895**	289

6. Taxation

	1.1.2006 to 30.6.2006 *HK$'000*	1.1.2005 to 30.6.2005 *HK$'000*
PRC Enterprise Income Tax	**(2,140)**	(820)
Deferred taxation charge	**(1,562)**	(1,270)
	(3,702)	(2,090)

No provision for Hong Kong Profits Tax has been 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

No dividends were paid during the period. The directors of the Company do not recommend the payment of an interim dividend.

8. (Loss) Earnings Per Share

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

	1.1.2006 to 30.6.2006	1.1.2005 to 30.6.2005
	HK$'000	*HK$'000*
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	**(22,668)**	9,301

	Number of shares	
	1.1.2006 to 30.6.2006	1.1.2005 to 30.6.2005
Number of shares for the purpose of calculating basic (loss) earnings per share	**676,417,401**	676,417,401

No diluted (loss) earnings per share has been presented for both periods because exercise price of the Company's share options was higher than the average market price of the Company's shares and the option expired on 18 February 2005.

9. Investment Properties

The Group's investment properties were fair-valued by an external valuer at 30 June 2006. The resulting increase in fair value of investment properties of HK$2,390,000 (2005: HK$1,875,000) has been recognised directly in the condensed consolidated income statement.

10. Property, Plant and Equipment

During the period, the Group spent approximately HK$35 million (2005: HK$21 million) on additions to the manufacturing plants in the PRC.

11. Intangible Assets

During the period, the Group spent approximately HK$2,433,000 on development activities of high value-added environmental and recycling related equipment.

12. 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 balance sheet date:

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
0 — 30 days	**52,547**	82,626
31 — 60 days	**35,179**	33,054
61 — 90 days	**28,241**	20,902
91 — 180 days	**20,704**	23,468
Over 180 days	**37,381**	25,314
Total trade receivables	**174,052**	185,364
Less: Allowance for bad and doubtful debts	**(16,561)**	(16,520)
Other receivables	**48,594**	59,624
Total trade and other receivables	**206,085**	228,468

13. Investments Held for Trading

Investments held for trading comprise equity securities 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.

14. Non-current Assets Classified as Held for Sale

On 1 June 2006, the directors of the Company resolved to dispose of the Group's certain leasehold land and properties and the Group is actively locating potential buyers. These properties with total carrying values of approximately HK$11,427,000, which are expected to be sold within twelve months, have been classified as non-current assets held for sale.

On 26 June 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property with a carrying value of HK$28,500,000 for a consideration of HK$30,000,000. The net cash generated from such disposal, after repayment of the related mortgage loan amounted to approximately HK$6,527,000 upon completion and deducting the selling expenses, is estimated to be approximately HK$23,473,000 which will be used as general working capital of the Group. The date of completion of the agreement shall be on or before 28 February 2007. Accordingly, the carrying amount of this property has been classified as non-current assets held for sale and the related mortgage loan of approximately HK$8,616,000 as at 30 June 2006 has been classified as liabilities directly associated with non-current assets classified as held for sale.

15. Trade and Other Payables

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

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
0 — 30 days	**38,953**	50,680
31 — 60 days	**34,456**	29,485
61 — 90 days	**20,081**	25,017
Over 90 days	**20,433**	30,178
Total trade payables	**113,923**	135,360
Other payables	**35,655**	42,879
Total trade and other payables	**149,578**	178,239

16. Bank Borrowings

During the period, the Group raised new bank loans of approximately HK$88,146,000 (2005: HK$25,020,000) and repaid bank loans of HK$80,674,000 (2005: HK$41,670,000). The proceeds were used to finance the general working capital of the Group.

During the period, in respect of bank loans with carrying amounts of approximately HK$160,411,000 as at 30 June 2006, the Group breached certain of the terms of the bank loans, which are primarily related to the debt service cover and the interest coverage ratio of the Group. According to HKAS 1 "Presentation of financial statements", since the banks have not agreed to waive their rights to demand immediate repayment as at the balance sheet date, the non-current portion of the bank loans amounted to HK$56,770,000 have been classified as current liabilities in the condensed consolidated balance sheet as at 30 June 2006. The Group has subsequently obtained written consents from the banks to waive their rights to demand immediate repayment.

17. Capital Commitments

	30.6.2006	31.12.2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of		
— buildings	**15,963**	28,855
— plant and equipment	**2,639**	10,990
	18,602	39,845
Capital expenditure authorised but not contracted for in respect of		
— buildings	**60,796**	48,133
— plant and equipment	**147,933**	156,161
	208,729	204,294

18. Post Balance Sheet Events

(a) On 25 October 2006, the Group disposed of a property held for sale with a carrying value of HK$44,160,000 for a consideration of approximately HK$47,500,000. The net cash generated from such disposal, after repayment of the related mortgage loan amounted to approximately HK$38,670,000 upon completion and deducting the selling expenses, amounted to approximately HK$8,830,000 which is to be used as general working capital of the Group.

(b) As set out in the announcement dated 14 September 2006 published by the Company, a senior cashier of World Baoan, one of the Company's subsidiaries in the PRC, had embezzled some of World Baoan's funds. The matter was reported to the PRC police and the senior cashier was arrested for investigation; up to the approval date of this interim financial report, the investigation is still on-going and no trial has yet been carried out. The Company's shares have been suspended for trading since 6 September 2006.

The Company engaged a forensic accountant to carry out an enquiry into the incident and quantify the financial impact on World Baoan in relation to the Misappropriation of Funds. The forensic accountant's report was issued on 11 December 2006 pursuant to which the estimated financial impact in relation to the Misappropriation of Funds is estimated to be approximately RMB25,012,000 (approximately HK$24,284,000). Based on the forensic accountant's report, the directors of the Company believe that the account balances affected are bank balances and cash, other receivables and trade and other payables.

Deloitte.
德勤

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 13.

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 of the Company.

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, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of group 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.

The scope of our review was limited as follows. Subsequent to 30 June 2006, the Company discovered a misappropriation of funds committed by a former employee of a subsidiary of the Company, World Plastic Mat (Baoan) Company Limited ("World Baoan"), details of which are described in notes 1 and 18(b) to the condensed financial statements ("Misappropriation of Funds"). The directors of the Company have estimated that the loss from Misappropriation of Funds amounted to approximately HK$24,284,000 based on an initial assessment made by the forensic accountant engaged by the Company. Accordingly, the Group has recognised the loss arising from the Misappropriation of Funds amounting to approximately HK$24,284,000 in the condensed consolidated income statement for the six months ended 30 June 2006. As the investigation is still on-going, the loss from Misappropriation of Funds has not yet been finalised and is still subject to change and as such the directors of the Company are unable to make a final determination of the financial impacts on World Baoan's account balances included in the condensed consolidated balance sheet as at 30 June 2006. However, based on the initial assessment from the forensic accountant, the directors of the Company believe that the account balances affected are bank balances and cash, other receivables and trade and other payables with carrying amounts of approximately HK$26,021,000, HK$25,053,000 and HK$30,402,000 respectively included in the condensed consolidated balance sheet as at 30 June 2006. As such pending completion of investigation, the estimated loss has been presented separately under current liabilities in the condensed consolidated balance sheet as at 30 June 2006. Because the investigation has not been completed, we are unable to determine whether the amounts recognised in respect of the loss arising from Misappropriation of Funds in the condensed consolidated income statement for the six months ended 30 June 2006 and the consolidated balance sheet at 30 June 2006 are fairly stated. We are also unable to determine the consequential impact of the loss on the bank balances and cash, other receivables and trade and other payables balances in the condensed consolidated balance sheet as at 30 June 2006.

Modified review conclusion arising from limitation of review scope

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments that might have been determined to be necessary had the above limitation not existed, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14 December 2006

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

Management Discussion and Analysis

Results

- The Group recorded a turnover of HK$405,679,000 for the six months ended 30 June 2006, representing an increase of 2.9% as compared to the same period last year.

- Gross profit and gross profit margin of the Group recorded were HK$51,498,000 and 12.7%, representing an increase of HK$63,000 and a decrease of 0.4% respectively as compared to the same period last year.

- Loss for the period was HK$22,668,000, as compared to a profit of HK$9,301,000 for the same period last year.

- Basic loss per share was 3.4 cents, as compared to earnings per share of 1.4 cents for the same period last year.

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

Business Review

During the period under review, the turnover of the Group amounted to HK$405,679,000, representing an increase of 2.9% or HK$11,435,000 as compared with HK$394,244,000 for the same period last year. The Group's gross profit amounted to HK$51,498,000, representing an increase of 0.1% or HK$63,000 as compared with HK$51,435,000 for the same period last year and the gross profit margin was 12.7%, representing a decrease of 0.4%, as compared with 13.1% for the same period last year. Loss for the period amounted to HK$22,668,000, as compared with a profit of HK$9,301,000 for the same period last year. As explained in the announcement dated 11 December 2006, a senior cashier of World Plastic Mat (Baoan) Company Limited ("World Baoan"), one of the Company's subsidiaries in the People's Republic of China ("PRC"), had embezzled some of the World Baoan's funds (the "Misappropriation of Funds"). Based on an initial assessment made by a forensic accountant engaged by the Company, HK$24,284,000 had been provided for as a loss arising from Misappropriation of Funds during the period under review. As a consequence, the Group reported a loss of HK$22,668,000 for the six months ended 30 June 2006.

Household products

During the period under review, the turnover of PVC and fabric household products amounted to HK$221,627,000, representing an increase of 5.2% or HK$10,994,000 as compared with HK$210,633,000 for the same period last year. Gross profit margin increased slightly by 1.1% to 16.9% from 15.8% for the same period last year. The gross profit margin, though improving, has not yet reached a satisfactory level. The gross profit margin was affected by the continuous escalation of international oil prices, the soared up to record high prices of Group's major raw materials such as PVC powder, PVC pellets, DOP plasticizers and industrial petrol which in turn inevitably pushed up the prices of the relevant downstream materials. The China's rapid economic growth had also led to the continuous increase of the wages in the domestic labour market. Other unfavourable factors such as the RMB appreciation, export tax reduction and increase of bank interest rate have all resulted in a substantial increase of the production costs. In light of such stringent business environment, our competitors adopted aggressive price strategies and throat-cutting competition in order to maintain their market share. Facing with such fierce competition, the Group was unable to shift the increasing costs completely to its customers.

PVC pipes and fittings

The turnover of PVC pipes and fittings amounted to HK$183,157,000 during the period under review, representing a decrease of 0.1% or HK$165,000 as compared with HK$183,322,000 for the same period last year. Gross profit margin narrowed by 2.3% to 7.6% from 9.9% for the same period last year. The results were lower than expected for reasons similar to the production of the household products. Also the new investment for PE high-end plastic pipes that can be used for coal gas and hot water supply and air-conditioning has commenced but is in its rudimentary stage and cannot contribute noticeable benefits to the Group.

Property investment

During the period under review, a gain arising from fair value changes of investment properties of HK$2,390,000 was made.

Prospects

The China's open-door economic policy has attracted an increasing number of domestic and foreign investors and led to intensified market competition which in turn has adversely affected profitability of labour-intensive industries.

To cope with these challenges, the Group will strive to streamline and enhance its resources allocation. The Group will close or dispose some of its underperforming, labour-intensive and low margin production projects and focus on its environmental protection and reborn resources business, through establishing specialized research and development centres, recruiting professionals and acquiring a range of state-of-the-art equipment and machineries for production.

The South China Reborn Resources (Zhongshan) Company Limited, a wholly-owned subsidiary of the Group located in Shaxi, Zhongshan, the PRC, completed a smooth trial production and has commenced operation. It is expected that this new business will bring encouraging returns upon full operation.

In order to reduce the risks of similar incidents (Misappropriation of Funds) in the future, the Company will engage an external independent expert to review the effectiveness of the Group's internal control system and make recommendations to the Board to strengthen the system as a whole.

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 2006, the Group had bank balances and cash of approximately HK$57,598,000 (31.12.2005: HK$81,454,000) and had interest-bearing bank borrowings of approximately HK$344,533,000 (31.12.2005: HK$338,601,000). 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 2006 amounted to HK$738,250,000; of which HK$347,886,000 of the banking facilities was utilised (utilisation rate was at 47.1%).

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 2006, the Group had current assets of approximately HK$550,028,000 (31.12.2005: HK$548,684,000). The Group's current ratio was approximately 1.15 as at 30 June 2006 as compared with approximately 1.34 as at 31 December 2005. Total shareholders' funds of the Group as at 30 June 2006 decreased by 1.7% to HK$807,706,000 (31.12.2005: HK$821,328,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2006 was 0.65 (31.12.2005: 0.64).

Charges on Assets

Certain leasehold land and buildings, investment properties, properties held for sale and non-current assets classified as held for sale with an aggregate net book value of HK$170,495,000 were pledged to banks for general banking facilities granted to the Group.

Staff and Employment

At 30 June 2006, the Group employed a total workforce of about 4,090 (30.6.2005: 5,060) including 360 permanent staff and 3,730 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$42,174,000 (30.6.2005: HK$35,949,000). 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 2006, the interests of the directors 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	Family interests	Corporate interests	Other interests	Total	Percentage of shareholding
Lee Tat Hing	1,756,072	37,395,087*(a)*	28,712,551*(e)*	280,895,630*(f)*	348,759,340	51.56%
Fung Mei Po	37,395,087	30,468,623*(b)*	—	280,895,630*(f)*	348,759,340	51.56%
Lee Chun Sing	21,815,830	240,000*(c)*	—	280,895,630*(f)*	302,951,460	44.79%
Lai Lai Wah	240,000	302,711,460*(d)*	—	—	302,951,460	44.79%
Lee Pak Tung	2,766,448	—	—	—	2,766,448	0.41%
Kwong Bau To	1,087,103	—	—	—	1,087,103	0.16%
Hui Chi Kuen Thomas	100,000	—	—	—	100,000	0.01%
Chan Lai Kuen Anita	2,623	—	—	—	2,623	—

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) Mr. Lee Chun Sing is the husband of Madam Lai Lai Wah whose personal interests are therefore also the family interests of Mr. Lee Chun Sing.

(d) Madam Lai Lai Wah is the wife of Mr. Lee Chun Sing whose personal and other interests are therefore also the family interests of Madam Lai Lai Wah.

(e) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.

(f) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Messrs. Lee Tat Hing, Lee Chun Sing and Madam Fung Mei Po are discretionary objects.

At 30 June 2006, 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 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 2006, save as aforesaid and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors, chief executives 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 2006, 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 2006.

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 2006, 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 2006, 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 2006, 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 2006.

Audit Committee

The Audit Committee has reviewed with the 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 2006. The unaudited interim results have also been reviewed by the Company's external auditors.

Code on Corporate Governance Practices

For the period ended 30 June 2006, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Directors noted that during this period a senior cashier of one of the Company's subsidiaries in the PRC had embezzled some of the subsidiary's funds. The matter had been reported to the PRC police for investigation.

In order to reduce the risks of similar incidents in the future, the internal control system of the Group is under ongoing review. As part of this review exercise, the Company will engage an external independent expert to review the effectiveness of the Group's internal control system and make recommendations to the Board to strengthen the system as a whole.

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, 14 December 2006