



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 713)

INTERIM
REPORT | **2007**





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 2007 together with the comparative figures for the corresponding period in 2006:

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

		1.1.2007 to 30.6.2007 HK\$'000 (Unaudited)	1.1.2006 to 30.6.2006 HK\$'000 (Unaudited)
	Notes		
Turnover		457,979	405,679
Cost of sales		(413,669)	(354,181)
Gross profit		44,310	51,498
Other income		1,487	1,334
Distribution costs		(5,445)	(4,683)
Administrative expenses		(45,389)	(39,403)
Loss arising from misappropriation of funds	4	–	(24,284)
Gain on disposal of other non-current assets classified as held for sale		10,271	–
Gain arising from fair value changes of investment properties		1,010	2,390
Gain arising from fair value change of investment property included under non-current assets classified as held for sale		530	–
Gain arising from fair value changes of derivative financial instruments		5,377	28
Finance costs	5	(6,553)	(5,846)
Profit (loss) before taxation	6	5,598	(18,966)
Taxation	7	(1,603)	(3,702)
Profit (loss) for the period		3,995	(22,668)
Earnings (loss) per share	9		
Basic		HK0.6 cent	HK(3.4) cents



World Houseware (Holdings) Limited

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	30.6.2007 HK\$'000 (Unaudited)	31.12.2006 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	35,800	36,260
Property, plant and equipment	11	632,143	623,981
Prepaid lease payments		125,210	124,422
Deposits paid for acquisition of property, plant and equipment		21,143	16,706
Intangible assets	12	3,226	3,396
		<u>817,522</u>	<u>804,765</u>
Current assets			
Inventories		199,817	177,320
Trade and other receivables	13	240,635	204,004
Properties held for sale		924	10,038
Prepaid lease payments		3,164	3,074
Taxation recoverable		1,947	2,293
Derivative financial instruments		1,400	523
Pledged bank deposits		15,325	10,058
Bank balances and cash		31,211	49,903
		<u>494,423</u>	<u>457,213</u>
Non-current assets classified as held for sale	14	8,037	54,263
		<u>502,460</u>	<u>511,476</u>



Condensed Consolidated Balance Sheet (*Continued*)

At 30 June 2007

	Notes	30.6.2007 HK\$'000 (Unaudited)	31.12.2006 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	15	205,846	186,157
Amount due to directors		12,000	6,000
Taxation payable		581	1,066
Bank borrowings – amounts due within one year	16	215,094	259,232
Derivative financial instruments		–	2,235
		<u>433,521</u>	<u>454,690</u>
Liabilities directly associated with non-current assets classified as held for sale	14	–	7,050
		<u>433,521</u>	<u>461,740</u>
Net current assets		<u>68,939</u>	<u>49,736</u>
Total assets less current liabilities		<u>886,461</u>	<u>854,501</u>
Non-current liabilities			
Bank borrowings – amounts due after one year	16	25,009	27,220
Deferred taxation liabilities		9,927	9,862
		<u>34,936</u>	<u>37,082</u>
		<u>851,525</u>	<u>817,419</u>
Capital and reserves			
Share capital		67,642	67,642
Reserves		<u>783,883</u>	<u>749,777</u>
		<u>851,525</u>	<u>817,419</u>



World Houseware (Holdings) Limited

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Non- distributable reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2007	67,642	313,127	241,393	59,332	135,925	817,419
Exchange differences arising from translation of overseas operations and net income directly recognised in equity	—	—	—	30,111	—	30,111
Profit for the period	—	—	—	—	3,995	3,995
Total recognised income for the period	—	—	—	30,111	3,995	34,106
Balance at 30 June 2007	67,642	313,127	241,393	89,443	139,920	851,525
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 income directly recognised in equity	—	—	—	9,046	—	9,046
Loss for the period	—	—	—	—	(22,668)	(22,668)
Total recognised income (expense) 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

Note: 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 2007

	1.1.2007 to 30.6.2007 HK\$'000 (Unaudited)	1.1.2006 to 30.6.2006 HK\$'000 (Unaudited)
Net cash inflow from operating activities	<u>3,086</u>	<u>14,287</u>
Net cash inflow (outflow) from investing activities		
Purchase of property, plant and equipment	(12,152)	(33,040)
Addition of development cost	–	(2,433)
Deposits paid for acquisition of property, plant and equipment	(10,178)	(4,756)
Proceeds from sales of non-current assets classified as held for sale	58,497	–
Proceeds from sales of investments held for trading	–	2,894
Other investing activities	<u>(3,791)</u>	<u>757</u>
	<u>32,376</u>	<u>(36,578)</u>
Net cash outflow from financing activities		
Bank loans raised	44,754	88,146
Repayment of bank loans	(108,035)	(80,674)
Other financing cash flows	<u>8,403</u>	<u>(7,752)</u>
	<u>(54,878)</u>	<u>(280)</u>
Net decrease in cash and cash equivalents	(19,416)	(22,571)
Cash and cash equivalents at the beginning of the period	49,903	71,747
Effect of foreign currency rate changes	<u>724</u>	<u>482</u>
Cash and cash equivalents at end of the period	<u>31,211</u>	<u>49,658</u>
Analysis of the balances of cash and cash equivalent		
Bank balances and cash	31,211	57,598
Bank overdrafts	<u>–</u>	<u>(7,940)</u>
	<u>31,211</u>	<u>49,658</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

1. Basis of Preparation

The condensed consolidated 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 (the "Listing Rules") 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 consolidated financial statements have been prepared on 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 consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results or financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.



3. Segment Information

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

Six months ended 30 June 2007

	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	210,489	223,558	23,073	—	457,120
Inter-segment sales	441	228	—	(669)	—
Rental income	—	—	859	—	859
Total	<u>210,930</u>	<u>223,786</u>	<u>23,932</u>	<u>(669)</u>	<u>457,979</u>
Result					
Segment result	(14,135)	4,899	6,782	—	(2,454)
Unallocated corporate income					311
Unallocated corporate expenses					(1,884)
Gain on disposal of other non-current assets classified as held for sale					10,271
Gain arising from fair value change of investment property included under non-current assets classified as held for sale					530
Gain arising from fair value changes of derivative financial instruments					5,377
Finance costs					<u>(6,553)</u>
Profit before taxation					5,598
Taxation					<u>(1,603)</u>
Profit for the period					<u>3,995</u>

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



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3. Segment Information (Continued)

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	<u>222,056</u>	<u>183,436</u>	<u>895</u>	<u>(708)</u>	<u>405,679</u>
Result					
Segment result	5,257	4,707	1,484	—	11,448
Unallocated corporate expenses					(312)
Loss arising from misappropriation of funds	(24,284)	—	—	—	(24,284)
Gain arising from fair value changes of derivative financial instruments					28
Finance costs					<u>(5,846)</u>
Loss before taxation					(18,966)
Taxation					<u>(3,702)</u>
Loss for the period					<u>(22,668)</u>

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



4. Loss Arising from Misappropriation of Funds

As set out in the announcement dated 14 September 2006 published by the Company, 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"), has embezzled some of World Baoan's funds ("Misappropriation of Funds"). The matter was reported to the PRC police and the senior cashier was arrested for criminal investigation.

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 was preliminarily estimated as 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 in the interim report issued on 14 December 2006. On the basis of this forensic accountant's report, the Group has carried out further investigation to ascertain the amount of funds misappropriated and finally determined that the loss arising from the Misappropriation of Funds amounted to approximately RMB27,994,000 (approximately HK\$27,311,000) and the legal and professional expenses amounted to HK\$1,397,000 incurred which are directly associated with the incident have been charged to the consolidated income statement for the year ended 31 December 2006.

On 2 July 2007, the PRC Court issued a final verdict, which stated the senior cashier was found liable to repay the financial damage of RMB25,281,000 (approximately HK\$25,903,000) to World Baoan; and the senior cashier was sentenced to jail. However, in the opinion of the directors, the recoverability of this amount from the senior cashier is remote, therefore, the amount of loss arising from Misappropriation of Funds is not reversed as income.



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5. Finance Costs

	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	6,380	6,695
– not wholly repayable within five years	513	1,057
	<u>6,893</u>	<u>7,752</u>
Net interest received on derivative financial instruments (Note a)	(340)	–
Less: Interest capitalised and included in the cost of property, plant and equipment (Note b)	–	(1,906)
	<u>6,553</u>	<u>5,846</u>

Notes:

- Gain arising from fair value changes of derivative financial instruments of HK\$5,377,000 (2006: HK\$28,000) on the condensed consolidated income statement does not include interest income in derivative financial instruments.
- Borrowing cost included in the cost of property, plant and equipment during 2006 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 2.5% to expenditure on such assets.



6. Profit (Loss) Before Taxation

	1.1.2007 to 30.6.2007 <i>HK\$'000</i>	1.1.2006 to 30.6.2006 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	2,211	—
Allowance for inventories	1,174	—
Amortisation of intangible assets	170	—
Amortisation of prepaid lease payments	1,578	1,195
Depreciation	24,698	24,916
Loss on disposal of property, plant and equipment	1,031	107
and after crediting:		
Dividend income from investments held for trading	—	69
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	311	144
Rental income	859	895



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7. Taxation

	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000
PRC Enterprise Income Tax	1,848	2,140
Deferred taxation (credit) charge	(245)	1,562
	<u>1,603</u>	<u>3,702</u>

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

The income tax rate applicable for all PRC's subsidiaries ranges from 15% to 24%.

Pursuant to relevant laws and regulations in the PRC, certain of the Company's subsidiaries are entitled to exemption from Enterprise Income Tax under tax holidays and concessions. Enterprise Income Tax was calculated at rates given under the concessions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. However, for the Company's subsidiaries which are entitled to the preferential tax treatment, the detailed implementation rules regarding the New Tax Law have not been issued and therefore the Group is not in a position to determine whether the Company's subsidiaries will still be entitled to the preferential tax treatment mentioned above.

8. Dividend

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

9. Earnings (Loss) Per Share

The calculation of the basic earnings (loss) per share for the six months ended 30 June 2007 is based on the profit for the period attributable to equity holders of the Company of HK\$3,995,000 (2006: loss of HK\$22,668,000) and on the 676,417,401 (2006: 676,417,401) number of shares in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during both periods.



10. Investment Properties

The Group's investment properties were fair-valued by an external valuer at 30 June 2007. The valuation which conforms to Hong Kong Institute of Surveyors' Valuation Standards on Properties, was arrived by reference to market evidence of transaction prices for similar properties. The resulting increase in fair value of investment properties of HK\$1,010,000 (2006: HK\$2,390,000) has been recognised directly in the condensed consolidated income statement.

11. Property, Plant and Equipment

During the period, the Group spent approximately HK\$12 million (2006: HK\$35 million) on additions to the manufacturing plants in the PRC.

12. Intangible Assets

The intangible assets are amortised over its estimate economic life of 10 years using the straight line method. Amortisation of HK\$170,000 (2006: nil) had been made for the current period.

13. 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:

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
0 – 30 days	87,199	65,558
31 – 60 days	41,050	41,561
61 – 90 days	23,447	20,278
91 – 180 days	26,675	31,590
Over 180 days	7,339	7,197
Total trade receivables	185,710	166,184
Other receivables	54,925	37,820
Total trade and other receivables	240,635	204,004



World Houseware (Holdings) Limited

14. Non-current Assets Classified as Held for Sale

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Investment property	2,000	30,000
Leasehold land and building	–	11,427
Machinery	6,037	12,836
Total non-current assets classified as held for sale	8,037	54,263
Bank borrowings and total liabilities associated with non-current assets classified as held for sale	–	7,050

The investment property included in non-current assets classified held for sale with a carrying value of approximately HK\$30,000,000 as at 31 December 2006 had been disposed of in current period, and the related mortgage loan of approximately HK\$7,050,000 classified as liabilities directly associated with non-current assets classified as held for sale had also been repaid in current period.

On 31 May 2007, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property with a carrying value of HK\$2,000,000 for a consideration of HK\$2,000,000. The net cash which will be generated from such disposal is approximately HK\$2,000,000 which will be used as general working capital of the Group.

All of leasehold land and building included in non-current assets classified as held for sale had been disposed of in current period.

On 31 December 2006, the directors of the Company resolved to dispose of the Group's certain machinery with carrying value of approximately HK\$13 million, out of which machinery with carrying value of approximately HK\$7 million was sold during the period.



15. Trade and Other Payables

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

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
0 – 30 days	45,867	46,498
31 – 60 days	41,873	37,564
61 – 90 days	33,788	10,338
Over 90 days	47,278	48,833
Total trade payables	168,806	143,233
Other payables	37,040	42,924
Total trade and other payables	205,846	186,157

16. Bank Borrowings

During the period, the Group raised new bank loans of approximately HK\$44,754,000 (2006: HK\$88,146,000) and repaid bank loans of HK\$108,035,000 (2006: HK\$80,674,000). 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\$63,825,000 (2006: HK\$145,090,000) as at 30 June 2007, 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 amounting to HK\$26,960,000 (2006: HK\$34,980,000) have been classified as current liabilities in the condensed consolidated balance sheet as at 30 June 2007. The Group has subsequently obtained written consents from the banks to waive their rights to demand immediate repayment.

17. Contingent Liabilities

On 20 November 2006, an individual filed a claim to a PRC court against World Baoan for the repayment of alleged loans of approximately RMB4,769,000 (approximately HK\$4,653,000) based on documentation believed to be forged by the senior cashier who has been arrested for the Misappropriation of Funds. On 19 December 2006, the PRC court notified World Baoan to attend the proceedings held on 25 January 2007. On 23 March 2007, the PRC court decided to suspend the legal proceedings of the case pending for the result of the criminal charge against the senior cashier. Although the PRC court has issued a final verdict on 2 July 2007, no notification has yet been received from the PRC court or the individual on whether the legal case may be proceeded any further.

Based on the advice from the PRC lawyer and available evidence, the directors of the Company believe that the claim has been made without valid ground and evidences. Accordingly, no provision for such claim has been made in the condensed consolidated financial statements.



World Houseware (Holdings) Limited

18. Capital Commitments

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
— buildings	3,923	26,860
— plant and equipment	8,394	9,469
	<u>12,317</u>	<u>36,329</u>

19. Related Parties Transactions

During the period, the Group has the following significant transactions with related parties:

Relationship of related parties	Nature of transactions	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Directors of the Company	Salary and other benefits	7,279	7,185
	Retirement benefit scheme contributions	42	42
		<u>7,321</u>	<u>7,227</u>
Close family members of certain directors	Salary and other benefits	1,772	1,772
	Retirement benefit scheme contributions	18	18
		<u>1,790</u>	<u>1,790</u>
Companies in which certain directors have beneficial interest	Rentals paid	<u>269</u>	<u>266</u>

20. Post Balance Sheet Event

On 14 August 2007, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of certain leasehold land and buildings with a carrying value of HK\$251,000 for a consideration of HK\$8,850,000. It is estimated that upon completion of the agreement, the Group is expected to record a gain on disposal of approximately HK\$8,585,000. The net cash which will be generated from such disposal, after deducting the selling expenses, is estimated to be approximately HK\$8,830,000 which will be used as general working capital of the Group. The date of completion of the agreement shall be on or before 31 October 2007.



Report on Review of Interim Financial Information



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 reviewed the interim financial information set out on pages 1 to 16 which comprises the condensed consolidated balance sheet of World Houseware (Holdings) Limited (the "Company") as at 30 June 2007 and related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.



Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

19 September 2007



Interim Dividend

The Board does not propose any payment of interim dividends for the six months ended 30 June 2007.

Management Discussion and Analysis

Results

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 2007. This interim results announcement has been approved by the Board and the Audit Committee of the Company.

- The Group recorded a consolidated turnover of HK\$457,979,000 for the six months ended 30 June 2007, representing an increase of 12.9% or HK\$52,300,000 as compared to HK\$405,679,000 of the same period last year.
- Gross profit of the Group was HK\$44,310,000, representing a decrease of 14% or HK\$7,188,000 as compared to HK\$51,498,000 of the same period last year. The gross profit margin was 9.7%, representing a decrease of 3% as compared to 12.7% of the same period last year.
- Profit attributable to the shareholders for the period was HK\$3,995,000, as compared to a loss of HK\$22,668,000 for the same period last year.
- Basic earnings per share was 0.6 HK cent, as compared to basic loss per share of 3.4 HK cents for the same period last year.
- The Board does not propose any payment of interim dividends for the six months ended 30 June 2007.



Business Review

Household products

During the period under review, the Group experienced a tough business environment brought by the Misappropriation of Funds of World Plastic Mat (Baoan) Company Limited and the continuous escalation of raw and supplemental materials price and the wages of production, the change of the PRC export tariff policy, the reduction of export tariff refund, the appreciation of Renminbi, as well as the intensive cut-throat competition. As it was hard for the Group to raise the price, the gross profit of the Group's household products division decreased.

Environmental reborn resources business

The recycling and reborn business which is the Group's own research and development project has made satisfactory progress. The Group is in the process of applying for various related business licenses. As soon as the operation runs smoothly, the Group is expected that the business will bring beneficial contribution to the Group's profitability.

PVC pipes and fittings

During the period, the business environment of the building material of PVC pipes and fittings business was also very severe. As disclosed above, the continuous high level of the raw and supplemental material price, the increasing of the costs of manpower resources, the appreciation of Renminbi and the reduction of export tariff refund brought great pressure on the operation and production costs of the Company, which lead to a slightly increase in the operating results despite substantial increase in the turnover.

Property investment

During the period under review, the Group has disposed of certain properties which has contributed financial benefits to the Group's operation as the sale has recorded a gross profit of HK\$8,082,000. The change in the fair value of the property portfolio also recorded a gain of HK\$1,010,000 to the Group.



Prospects

Following the resumption of trading in the shares in The Stock Exchange of Hong Kong Limited on 11 June 2007 and the conviction of 李艳琴 who was sentenced for 6 years imprisonment by the Guangdong Province Longgang District People's Court of the PRC for the Misappropriation of Funds, the Group's operation is getting back to its normal track.

The Group will strive to continue to carry out business reviews with an aim to improving business strategies and operation efficiency so as to maximize the potential capacity and minimize the operating costs. The Group is determined to accelerate the development of the resources reborn business by making greater efforts in applying for relevant governmental licenses and injecting more technological investments in research and development.

The Group will continue to implement the Group's internal financial control systems and operational workflow as proposed by the external independent expert so as to enhance the standards of the Group's overall corporate governance.

Acknowledgement:

I would like to offer my gratitude to Mr. Tang King Hung, who resigned as an independent non-executive director today, for his valuable contributions to the Group in the past years. I wish Mr. Tang a prosperous and bright future.

Moreover, I would like to express my appreciation to the Board and all the staff, for their dedication and hardwork, as well as all our shareholders, business associates and customers for their continuous cooperation and support.

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 2007, the Group had bank balances and cash and pledged bank deposits of approximately HK\$46,536,000 (31.12.2006: HK\$59,961,000) and had interest-bearing bank borrowings of approximately HK\$240,103,000 (31.12.2006: HK\$293,502,000). 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 2007 amounted to HK\$415,056,000; of which HK\$248,235,000 of the banking facilities was utilised (utilisation rate was at 59.8%).



Liquidity, Financial Resources and Funding (*Continued*)

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 2007, the Group had current assets of approximately HK\$502,460,000 (31.12.2006: HK\$511,476,000). The Group's current ratio was approximately 1.16 as at 30 June 2007 as compared with approximately 1.1 as at 31 December 2006. Total shareholders' funds of the Group as at 30 June 2007 increased by 4.2% to HK\$851,525,000 (31.12.2006: HK\$817,419,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2007 was 0.55 (31.12.2006: 0.61).

Charges on Assets

Certain leasehold land and buildings, investment properties, properties held for sale, non-current assets classified as held for sale and bank deposits with an aggregate carrying value of HK\$208,919,000 were pledged to banks for general banking facilities granted to the Group.

Staff and Employment

At 30 June 2007, the Group employed a total workforce of about 3,520 (30.6.2006: 4,090) including 900 permanent staff and 2,530 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$46,267,000 (30.6.2006: HK\$42,174,000). 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 2007, 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:

Name of director	Number of shares				Total	Percentage of shareholding
	Personal interests	Family interests	Corporate interests	Other interests		
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.



World Houseware (Holdings) Limited

Directors' Interests in Shares (*Continued*)

At 30 June 2007, 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 2007, 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 2007, 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 2007.

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 2007, 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 Part XV of the SFO.

Share Options and Directors' Rights to Acquire Shares or Debentures

At 30 June 2007, 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 2007, 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 2007.

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 2007. The unaudited interim results have also been reviewed by the Company's external auditor.

Code on Corporate Governance Practices

In the Directors' opinion, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the first six months ended 30 June 2007.

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, 19 September 2007