



# World Houseware (Holdings) Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 713

Interim Report 2008



# World Houseware (Holdings) Limited

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 2008 together with the comparative figures for the corresponding period in 2007:

## Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		1.1.2008 to 30.6.2008 HK\$'000 (Unaudited)	1.1.2007 to 30.6.2007 HK\$'000 (Unaudited)
	Notes		
Turnover		492,716	457,979
Cost of sales		<u>(465,499)</u>	<u>(413,669)</u>
Gross profit		27,217	44,310
Other income		3,721	1,487
Selling and distribution costs		(7,091)	(5,445)
Administrative expenses		(51,335)	(43,898)
Other expenses		(19,736)	(1,491)
Gain on disposal of investment properties		3,309	—
Gain on disposal of non-current assets classified as held for sale		—	10,271
Gain arising from fair value changes of investment properties		1,130	1,010
Gain arising from fair value change of investment property included under non-current assets classified as held for sale		—	530
Gain arising from derivative financial instruments classified as held for trading		1,997	5,377
Loss arising from fair value change of financial assets at fair value through profit or loss		(568)	—
Finance costs	4	<u>(6,007)</u>	<u>(6,553)</u>
(Loss) profit before taxation	5	(47,363)	5,598
Taxation	6	<u>(1,472)</u>	<u>(1,603)</u>
(Loss) profit for the period		<u>(48,835)</u>	<u>3,995</u>
Basic (loss) earnings per share	8	<u>HK(7.2) cents</u>	<u>HK0.6 cent</u>

# World Houseware (Holdings) Limited

## Condensed Consolidated Balance Sheet

At 30 June 2008

	Notes	30.6.2008 HK\$'000 (Unaudited)	31.12.2007 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties	9	18,300	39,020
Property, plant and equipment	10	616,969	669,400
Prepaid lease payments		110,024	126,064
Deposits paid for acquisition of property, plant and equipment		16,462	7,662
Intangible assets	11	3,089	3,069
Financial assets at fair value through profit or loss	12	6,452	—
		<u>771,296</u>	<u>845,215</u>
<b>Current assets</b>			
Inventories		227,337	196,413
Trade and other receivables	13	249,853	255,364
Prepaid lease payments		3,169	3,211
Taxation recoverable		4,243	3,927
Derivative financial instruments		1,137	1,028
Pledged bank deposits		37,391	26,773
Bank balances and cash		27,671	38,868
		<u>550,801</u>	<u>525,584</u>
Non-current assets classified as held for sale	14	88,877	—
		<u>639,678</u>	<u>525,584</u>

# World Houseware (Holdings) Limited

## Condensed Consolidated Balance Sheet (Continued)

At 30 June 2008

	Notes	30.6.2008 HK\$'000 (Unaudited)	31.12.2007 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	15	246,591	220,332
Amounts due to directors		24,400	13,000
Taxation payable		183	158
Bank borrowings — amounts due within one year	16	232,802	245,479
Derivative financial instruments		—	980
		<u>503,976</u>	<u>479,949</u>
<b>Net current assets</b>		<u>135,702</u>	<u>45,635</u>
<b>Total assets less current liabilities</b>		<u>906,998</u>	<u>890,850</u>
<b>Non-current liabilities</b>			
Bank borrowings — amounts due after one year	16	19,934	24,543
Deferred taxation liabilities		18,644	16,217
		<u>38,578</u>	<u>40,760</u>
		<u>868,420</u>	<u>850,090</u>
<b>Capital and reserves</b>			
Share capital		67,642	67,642
Reserves		800,778	782,448
		<u>868,420</u>	<u>850,090</u>

# World Houseware (Holdings) Limited

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital HK\$'000	Share premium HK\$'000	Non- distributable reserve HK\$'000 (Note a)	Translation reserve HK\$'000	PRC statutory reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2008 (audited)	67,642	313,127	251,393	137,765	—	80,163	850,090
Exchange differences arising from translation of overseas operations	—	—	—	67,165	—	—	67,165
Loss for the period	—	—	—	—	—	(48,835)	(48,835)
Total recognised income (loss) for the period	—	—	—	67,165	—	(48,835)	18,330
Transfer of reserves	—	—	—	—	9,203	(9,203)	—
Balance at 30 June 2008 (unaudited)	67,642	313,127	251,393	204,930	9,203	22,125	868,420
Balance at 1 January 2007 (audited)	67,642	313,127	241,393	59,332	—	135,925	817,419
Exchange differences arising from translation of overseas operations	—	—	—	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 (unaudited)	67,642	313,127	241,393	89,443	—	139,920	851,525

### Notes:

- (a) The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the PRC subsidiaries are required to maintain a statutory reserve fund, comprising reserve fund. Statutory reserve fund are non-distributable. Appropriations to such reserves are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

# World Houseware (Holdings) Limited

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	1.1.2008 to 30.6.2008 HK\$'000 (Unaudited)	1.1.2007 to 30.6.2007 HK\$'000 (Unaudited)
Net cash inflow from operating activities	<u>16,096</u>	<u>3,086</u>
Net cash (outflow) inflow from investing activities		
Purchase of property, plant and equipment	(19,257)	(12,152)
Purchase of financial assets at fair value through profit or loss	(7,020)	—
Deposits paid for acquisition of property, plant and equipment	(11,814)	(10,178)
Proceeds from disposal of investments properties	25,159	—
Proceeds from disposal of non-current assets classified as held for sale	—	58,497
Proceeds from disposal of property, plant and equipment	11,269	1,476
Increase in pledged bank deposits	(10,154)	(5,267)
Other investing cash flows	424	—
	<u>(11,393)</u>	<u>32,376</u>
Net cash outflow from financing activities		
Bank loans raised	118,225	44,754
Repayment of bank loans	(146,823)	(108,035)
Amounts due to directors	11,400	6,000
Other financing cash flows	(489)	2,403
	<u>(17,687)</u>	<u>(54,878)</u>
Net decrease in cash and cash equivalents	(12,984)	(19,416)
Cash and cash equivalents at the beginning of the period	38,868	49,903
Effect of foreign currency rate changes	1,787	724
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	<u>27,671</u>	<u>31,211</u>

# World Houseware (Holdings) Limited

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2008*

### 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 revalued amounts or fair values, as appropriate.

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 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. 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.

# World Houseware (Holdings) Limited

## 2. Principal accounting policies (*Continued*)

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC)* — INT 13	Customer loyalty programmes <sup>3</sup>
HK(IFRIC)* — INT 15	Agreements for the construction of real estate <sup>1</sup>
HK(IFRIC)* — INT 16	Hedges of a net investment in a foreign operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008.

\* IFRIC represents the International Financial Reporting Interpretation Committee.



# World Houseware (Holdings) Limited

## 3. Segment Information

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

*Six months ended 30 June 2008*

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover					
Sales of goods					
External sales	240,307	251,991	—	—	492,298
Inter-segment sales	647	413	—	(1,060)	—
Rental income	—	—	418	—	418
<b>Total</b>	<b>240,954</b>	<b>252,404</b>	<b>418</b>	<b>(1,060)</b>	<b>492,716</b>
Result					
Segment result	(36,674)	(8,379)	3,976	—	(41,077)
Unallocated corporate income					424
Unallocated corporate expenses					(2,132)
Gain arising from derivative financial instruments classified as held for trading					1,997
Loss arising from fair value change of financial assets at fair value through profit or loss					(568)
Finance costs					(6,007)
Loss before taxation					(47,363)
Taxation					(1,472)
<b>Loss for the period</b>					<b>(48,835)</b>

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

# World Houseware (Holdings) Limited

## 3. Segment Information (Continued)

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
<b>Total</b>	<b>210,930</b>	<b>223,786</b>	<b>23,932</b>	<b>(669)</b>	<b>457,979</b>
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					(6,553)
Profit before taxation					5,598
Taxation					(1,603)
<b>Profit for the period</b>					<b>3,995</b>

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

# World Houseware (Holdings) Limited

## 4. Finance costs

	1.1.2008 to 30.6.2008 <i>HK\$'000</i>	1.1.2007 to 30.6.2007 <i>HK\$'000</i>
Interest on bank borrowings		
— wholly repayable within five years	5,622	6,380
— not wholly repayable within five years	385	513
	<u>6,007</u>	<u>6,893</u>
Net interest received on derivative financial instruments ( <i>Note</i> )	—	(340)
	<u>6,007</u>	<u>6,553</u>

*Note:* Gain arising from fair value changes of derivative financial instruments of HK\$1,997,000 (2007: HK\$5,377,000) on the condensed consolidated income statement does not include interest income in derivative financial instruments.

## 5. (Loss) Profit before taxation

	1.1.2008 to 30.6.2008 <i>HK\$'000</i>	1.1.2007 to 30.6.2007 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Allowance for bad and doubtful debts	1,500	2,211
Allowance for inventories	1,148	1,174
Amortisation of intangible assets	182	170
Amortisation of prepaid lease payments	1,652	1,578
Depreciation	27,574	24,698
Foreign exchange losses, included in other expenses	19,736	1,491
Loss on disposal of property, plant and equipment	946	1,031
and after crediting:		
Foreign exchange gains	2,003	356
Gain on disposal of property, plant and equipment	160	—
Interest income	424	311
Rental income	418	859
	<u>418</u>	<u>859</u>

# World Houseware (Holdings) Limited

## 6. Taxation

	1.1.2008 to 30.6.2008 <i>HK\$'000</i>	1.1.2007 to 30.6.2007 <i>HK\$'000</i>
Hong Kong Profits Tax	25	—
PRC Enterprise Income Tax	—	1,848
Deferred taxation charge (credit)	1,447	(245)
	<u>1,472</u>	<u>1,603</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred taxation for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), certain subsidiaries in the PRC are entitled to the exemption from PRC Enterprise Income Tax for two or three years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate to 25% for certain of the Group's subsidiaries from 1 January 2008.

Certain of the Group's subsidiaries that are currently entitled to exemption and reduction from the PRC statutory income tax rate would continue to enjoy such treatment until the exemption and reduction period expire, but not beyond 2012.

# World Houseware (Holdings) Limited

## 7. Dividend

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

## 8. Basic (loss) earnings per share

The calculation of the basis (loss) earnings per share for the six months ended 30 June 2008 is based on the loss for the period attributable to equity holders of the Company of HK\$48,835,000 (2007: profit of HK\$3,995,000) and on the 676,417,401 (2007: 676,417,401) number of shares in issue during the period.

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

## 9. Investment Properties

The Group's investment properties were fair-valued by an external valuer at 30 June 2008. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The resulting increase in fair value of investment properties of HK\$1,130,000 (2007: HK\$1,010,000) has been recognised directly in the condensed consolidated income statement.

## 10. Property, Plant and Equipment

During the period, the Group spent approximately HK\$23 million (2007: HK\$12 million) on additions to the manufacturing plants in the PRC.

## 11. Intangible Assets

The intangible assets are amortised over its estimate useful life of 10 years using the straight line method. Amortisation of HK\$182,000 (2007: HK\$170,000) had been made for the current period.

## 12. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss comprise:

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Equity-linked note	<u>6,452</u>	<u>—</u>

# World Houseware (Holdings) Limited

## 12. Financial Assets at Fair Value Through Profit or Loss (*Continued*)

The equity-linked note is denominated in United States Dollar ("USD") with principal amount of USD900,000 and the interest is accrued at a fixed rate for the first month and at variable rates at subsequent payment dates on the principal amount subject to the performance of the equity securities. The equity-linked note is subject to a mandatorily termination clause at various intervals until maturity date. The duration and the manner in which it is settled at mandatorily termination or redemption at maturity are linked to the performance of market prices as compared to the pre-determined prices of certain equity securities listed in Taiwan. Accrued interest is payable every month. The note may be mandatorily terminated in full amount of the principal amount for cash or, redeemed at maturity in full amount of the principal amount for cash. The equity-linked note is designated as financial asset at fair value through profit or loss upon initial recognition as it contains embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss.

The maturity date of the equity-linked note outstanding as at 30 June 2008 is May 2011 and was therefore classified as non-current. The note was stated at fair value on each balance sheet date based on valuation amount provided by the financial institution.

## 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 net of allowance for doubtful debt at the balance sheet date:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
0 — 30 days	83,237	106,478
31 — 60 days	52,964	50,709
61 — 90 days	30,065	31,899
91 — 180 days	31,023	30,865
Over 180 days	17,761	7,070
Total trade receivables	215,050	227,021
Other receivables	34,803	28,343
Total trade and other receivables	249,853	255,364

# World Houseware (Holdings) Limited

## 14. Non-current Assets Classified as Held for Sale

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Prepaid lease payment	19,883	—
Leasehold land and building	63,737	—
Leasehold improvements	5,257	—
	<hr/>	<hr/>
Total non-current assets classified as held for sale	<b>88,877</b>	—

On 27 June 2008, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of the 100% equity interest and the shareholder loan of Gold Earn (Hong Kong) Limited ("Gold Earn"), a wholly-owned subsidiary of the Company for a consideration of HK\$26,500,000. The leasehold land and building held by that subsidiary with a carrying value of HK\$11,529,000 is classified as held for sale accordingly. The net cash generated from such disposal which was completed on 28 July 2008, after deducting the relevant selling expenses, is approximately HK\$26,000,000 which will be used as general working capital of the Group.

On 23 June 2008, the directors of the Company resolved to dispose of the Group's certain prepaid lease payment, leasehold land and buildings, together with their leasehold improvements with carrying value of HK\$19,883,000, HK\$52,208,000 and HK\$5,257,000 respectively.

## 15. Trade and Other Payables

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

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
0 — 30 days	79,445	128,490
31 — 60 days	56,411	23,455
61 — 90 days	40,084	11,936
Over 90 days	32,008	20,342
	<hr/>	<hr/>
Total trade payables	207,948	184,223
Other payables	38,643	36,109
	<hr/>	<hr/>
Total trade and other payables	<b>246,591</b>	220,332

# World Houseware (Holdings) Limited

## 16. Bank Borrowings

During the period, the Group raised new bank loans of approximately HK\$118,225,000 (2007: HK\$44,754,000) and repaid bank loans of HK\$146,823,000 (2007: HK\$108,035,000). 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\$26,960,000 (2007: HK\$63,825,000) as at 30 June 2008, the Group breached certain of the terms of the bank loans, which are primarily related to 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\$11,600,000 (2007: HK\$26,960,000) have been classified as current liabilities in the condensed consolidated balance sheet as at 30 June 2008. The Group has subsequently obtained written consents from the banks waiving their rights under the breach and agreeing to the original repayment terms.

## 17. Contingent Liabilities

On 20 November 2006, an individual filed a claim to a PRC court against World Plastic Mat (Baoan) Company Limited ("World Baoan"), a wholly-owned subsidiary of the Company for the repayment of alleged loans of approximately RMB4,769,000 (approximately HK\$5,352,000) 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 for the criminal charge against the senior cashier, 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 consolidated financial statements.



# World Houseware (Holdings) Limited

## 18. Capital Commitments

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
— leasehold improvements	1,575	540
— plant and equipment	16,749	10,381
	<u>18,324</u>	<u>10,921</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	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Directors of the Company	Salary and other benefits	6,735	7,279
	Retirement benefit scheme contribution	35	42
		<u>6,770</u>	<u>7,321</u>
Close family members of certain directors	Salary and other benefits	1,728	1,772
	Retirement benefit scheme contributions	18	18
		<u>1,746</u>	<u>1,790</u>
Companies in which certain directors have beneficial interest	Rentals paid	—	269

During the period ended and as at 30 June 2008, Joy Tower Limited (note) and Madam Fung Mei Po, both are related parties of the Group, provide properties to secure the Group's banking facilities up to HK\$16,500,000 (2007: HK\$20,216,000) and HK\$5,300,000 (2007: HK\$6,494,000) respectively at no charge.

*Note:* Mr. Lee Tat Hing and his spouse, Madam Fung Mei Po, are directors and shareholders of Joy Tower Limited.

# World Houseware (Holdings) Limited

## 20. Post Balance Sheet Event

On 27 June 2008, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of the 100% equity interest and the shareholder loan of Gold Earn, a wholly-owned subsidiary of the Company for a consideration of HK\$26,500,000. The net cash generated from such disposal which was completed on 28 July 2008, after deducting the relevant selling expenses, is approximately HK\$26,000,000 which will be used as general working capital of the Group.

The net assets of the subsidiary disposed in the transaction are as follows:

	<b>30.6.2008</b> <i>HK\$'000</i>
Property, plant and equipment	11,529
Amount due to immediate holding company	<u>(6,798)</u>
Net assets	4,731
Assignment of intercompany indebtedness	6,798
Gain on disposal	<u>14,971</u>
Total consideration, satisfied by cash	<u><u>26,500</u></u>

# World Houseware (Holdings) Limited

## Report on Review of Interim Financial Information

**Deloitte.**

**德勤**

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 17 which comprises the condensed consolidated balance sheet of World Houseware (Holdings) Limited (the “Company”) as at 30 June 2008 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 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.

# World Houseware (Holdings) Limited

## 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 2008

# World Houseware (Holdings) Limited

## Interim Dividend

The Board does not propose any payment of interim dividends for the six months ended 30 June 2008.

## 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 2008. 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\$492,716,000 for the six months ended 30 June 2008, representing an increase of 7.6% or HK\$34,737,000 as compared to HK\$457,979,000 of the same period last year.
- Gross profit of the Group was HK\$27,217,000, representing a decrease of 39% or HK\$17,093,000 as compared to HK\$44,310,000 of the same period last year. The gross profit margin was 5.5%, representing a decrease of 43% as compared to 9.7% of the same period last year.
- Loss attributable to the shareholders for the period was HK\$48,835,000, as compared to a profit of HK\$3,995,000 for the same period last year.
- Basic loss per share was HK7.2 cents, as compared to basic earning per share of HK0.6 cent for the same period last year.
- The Board does not propose any payment of interim dividends for the six months ended 30 June 2008.

# World Houseware (Holdings) Limited

## Management Discussion and Analysis *(Continued)*

### **Business Review**

#### ***Household products***

During the period under review, due to the continuous increase in the price of raw materials and the intense competition of the industry, coupled with certain state policies of the PRC that are unfavorable for business operation, the operation of household products had experienced the most stringent period in recent years. The sharp appreciation of RMB also led to a loss in the books.

#### ***Environmental reborn resources business***

During the period under review, the recycling and reborn business was in the process of optimization but there are still rooms for improvement in respect of quality, technology and production capacity. As it still could not conduct mass production, the scale of the existing production capacity was not large enough to meet the expenses incurred at the moment, and a loss was therefore recorded. But as there are good prospects for development for the recycling and reborn business, it is likely when new breakthroughs are realized, the Group will master a leading position in the environmental protection industry in the PRC.

#### ***PVC pipes and fittings***

As the company has a sufficient customer base, the business of PVC pipes and fittings remained steady during the period under review. However, the gross profit had decreased due to the increase in the price of raw materials, intense competition of the industry and certain state policies of the PRC that are unfavorable for business operation. In addition, owing to the decline on the properties market and the tightening state control of credit policy of the PRC, some of our customers had encountered difficulties in cash flow and they could not make timely payments for goods to us and the company had to make certain and the corresponding increase of the provisions for bad and doubtful debts which in turn had created loss to the company. Nevertheless, it is believed that upon stabilization of the raw material prices and the properties market, and the corresponding increase of the selling prices of the products to a reasonable level, the business will continue to contribute steady revenue to the Group.

# World Houseware (Holdings) Limited

## Management Discussion and Analysis *(Continued)*

### Business Review *(Continued)*

#### *Property investments*

During the period under review, the Group had disposed of certain properties which generated a gross profit of HK\$3,309,000 to the Group. The change in fair value of the investment properties also recorded a gain of HK\$1,130,000 to the Group.

#### *Prospects*

Despite the difficult environment, with our determination, renowned goodwill and strong customer base, the Group is confident in overcoming the hardship. Looking forward, the Group will continue to adopt measures to lower the expenditures such as production cost control, strengthening of internal control, reduction of management expenses and the streamlined corporate personnel structure. To tackle with the risk of rising raw material prices, the Group will on one hand continue to implement various measures to lower its costs, while on the other hand it will adjust the selling prices of its products to minimize the effect of rising raw material prices on the gross profit margin.

The Group will strive to achieve stable sales of its PVC pipes and fittings. It will focus on the expansion of the European markets as the prime objective for the household products so as to prevent the Group from being severely affected by the economic downturn of the over-reliance on the market of the United States as in the past.

In addition, the Group will continue to develop its reborn resource business, which is expected to enhance the Group's overall profit when it reaps the expected benefits.

# World Houseware (Holdings) Limited

## 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 2008, the Group had bank balances and cash and pledged bank deposits of approximately HK\$65,062,000 (31.12.2007: HK\$65,641,000) and had interest-bearing bank borrowings of approximately HK\$252,736,000 (31.12.2007: HK\$270,022,000). 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 2008 amounted to HK\$487,519,000; of which HK\$252,736,000 of the banking facilities was utilised (utilisation rate was at 51.8%).

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 2008, the Group had current assets of approximately HK\$639,678,000 (31.12.2007: HK\$525,584,000). The Group's current ratio was approximately 1.27 as at 30 June 2008 as compared with approximately 1.1 as at 31 December 2007. Total shareholders' funds of the Group as at 30 June 2008 increased by 2.2% to HK\$868,420,000 (31.12.2007: HK\$850,090,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2008 was 0.62 (31.12.2007: 0.61).

## Charges on Assets

Certain leasehold land and buildings, investment properties, non-current assets classified as held for sale, bank deposits and financial assets with an aggregate net book value of HK\$370,930,000 were pledged to banks for general banking facilities granted to the Group.



# World Houseware (Holdings) Limited

## Staff and Employment

At 30 June 2008, the Group employed a total workforce of about 3,355 (30.6.2007: 3,520) including 980 permanent staff and 2,316 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$49,699,000 (30.6.2007: HK\$46,267,000). 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 2008, 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 issued ordinary shares held				Total	Percentage of the issue share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	1,756,072	38,479,087 (a)	28,712,551 (e)	280,895,630 (f)	349,843,340	51.72%
Fung Mei Po	38,479,087	30,468,623 (b)	—	280,895,630 (f)	349,843,340	51.72%
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	3,103	—	—	—	3,103	0%
Hui Chi Kuen Thomas	100,000	—	—	—	100,000	0.01%
Chan Lai Kuen Anita	2,623	—	—	—	2,623	—

# World Houseware (Holdings) Limited

## Directors' Interests in Shares (*Continued*)

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 2008, 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

# World Houseware (Holdings) Limited

## Directors' Interests in Shares (*Continued*)

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 2008, save as aforesaid and options holdings disclosed under the heading of "Share Options and Directors' Rights to Acquire Shares or Debentures" 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 2008, 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 2008.

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 2008, 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.

# World Houseware (Holdings) Limited

## Share Options and Directors' Rights to Acquire Shares or Debentures

At 30 June 2008, 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 2008, 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 2008.

## 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 2008. The unaudited interim results have also been reviewed by the Company's external auditor.

# World Houseware (Holdings) Limited

## 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 2008.

## 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 2008