World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

Interim Report

2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing *(Chairman)*
Madam Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Mr. Lee Chun Sing *(Vice Chairman)*
Mr. Lee Pak Tung
Madam Chan Lai Kuen Anita

Non-Executive Director

Mr. Cheung Tze Man Edward

Independent Non-Executive Directors

Mr. Tsui Chi Him Steve
Mr. Ho Tak Kay
Mr. Hui Chi Kuen Thomas

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, *FCCA, CPA*

COMPANY SECRETARY

Mr. Tsui Chi Yuen, *CPA*

PRINCIPAL OFFICE

Flat C, 18th Floor
Bold Win Industrial Building
16-18 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank
Hang Seng Bank
DBS Hong Kong
Bank of China
HSBC

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

In the Cayman Islands

The R&H Trust Co. Ltd.
P.O. Box 897
Windard 1
Regatta Office Park
Grand Cayman KY1-1103
Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

http://www.worldhse.com

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 2012 together with the comparative figures for the corresponding period in 2011:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	**1.1.2012 to 30.6.2012 HK$'000 (Unaudited)**	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Turnover		**506,071**	540,679
Cost of sales		**(445,666)**	(495,065)
Gross profit		**60,405**	45,614
Other income		**4,594**	2,825
Other gains and losses	*4*	**9,986**	19,377
Selling and distribution costs		**(7,522)**	(7,287)
Administrative expenses		**(54,948)**	(55,153)
Finance costs	*5*	**(4,427)**	(4,357)
Profit before taxation		**8,088**	1,019
Taxation (charge) credit	*6*	**(3,345)**	3,810
Profit for the period	*7*	**4,743**	4,829
Other comprehensive (expense) income			
Exchange differences arising from translation		**(12,958)**	22,930
Reclassification of cumulative translation reserve upon disposal of a subsidiary to profit or loss		**(30)**	–
		(12,988)	22,930
Total comprehensive (expense) income for the period		**(8,245)**	27,759
Profit for the period attributable to:			
Owners of the Company		**4,964**	5,396
Non-controlling interests		**(221)**	(567)
		4,743	4,829
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(8,010)**	28,313
Non-controlling interests		**(235)**	(554)
		(8,245)	27,759
Earnings per share	*9*		
Basic		**HK0.73 cent**	HK0.80 cent
Diluted		**HK0.73 cent**	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
Non-current assets			
Investment properties	*10*	**25,390**	24,090
Property, plant and equipment	*11*	**645,012**	674,474
Prepaid lease payments		**84,372**	86,458
Deposits paid for acquisition of property, plant and equipment		**6,835**	1,169
Intangible assets	*12*	**1,627**	1,858
		763,236	788,049
Current assets			
Inventories		**233,824**	232,958
Trade and other receivables	*13*	**291,245**	296,756
Derivative financial instrument	*14*	**261**	–
Taxation recoverable		**1,030**	4
Pledged bank deposits		**25,442**	32,266
Bank balances and cash		**69,298**	72,554
		621,100	634,538
Current liabilities			
Trade and other payables	*15*	**233,830**	245,181
Amounts due to directors		**23,235**	23,445
Taxation payable		**2,675**	2,066
Bank borrowings – amount due within one year	*16*	**158,786**	187,851
Derivative financial instruments	*14*	**–**	3,009
		418,526	461,552
Net current assets		**202,574**	172,986
Total assets less current liabilities		**965,810**	961,035

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2012

	Notes	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
Non-current liabilities			
Bank borrowings – amount due after one year	16	**16,117**	–
Deferred taxation liabilities		**6,608**	6,103
		22,725	6,103
		943,085	954,932
Capital and reserves			
Share capital		**67,642**	67,642
Reserves		**875,456**	884,152
Equity attributable to owners of the Company		**943,098**	951,794
Non-controlling interests		**(13)**	3,138
		943,085	954,932

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Non-distributable reserve** HK$'000 *(Note a)*	**Share option reserve** HK$'000	**Translation reserve** HK$'000	**PRC statutory surplus reserve** HK$'000 *(Note b)*	**Retained profits (accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2012 (audited)	67,642	313,127	251,393	4,869	309,626	14,837	(9,700)	951,794	3,138	954,932
Profit for the period	–	–	–	–	–	–	4,964	4,964	(221)	4,743
Other comprehensive income (expense) for the period	–	–	–	–	(12,974)	–	–	(12,974)	(14)	(12,988)
Total comprehensive income (expense) for the period	–	–	–	–	(12,974)	–	4,964	(8,010)	(235)	(8,245)
Transfers	–	–	–	–	–	(143)	143	–	–	–
Acquisition of additional interest in a subsidiary *(Notes 19 & 20)*	–	–	–	–	–	–	(686)	(686)	(487)	(1,173)
Disposal of a subsidiary *(Note 19)*	–	–	–	–	–	–	–	–	(2,429)	(2,429)
At 30 June 2012 (unaudited)	67,642	313,127	251,393	4,869	296,652	14,694	(5,279)	943,098	(13)	943,085
At 1 January 2011 (audited)	67,642	313,127	251,393	–	254,690	13,343	29,961	930,156	–	930,156
Profit for the period	–	–	–	–	–	–	5,396	5,396	(567)	4,829
Other comprehensive income for the period	–	–	–	–	22,917	–	–	22,917	13	22,930
Total comprehensive income for the period	–	–	–	–	22,917	–	5,396	28,313	(554)	27,759
Transfers	–	–	–	–	–	48	(48)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	3,541	3,541
Dividends paid	–	–	–	–	–	–	(3,382)	(3,382)	–	(3,382)
At 30 June 2011 (unaudited)	67,642	313,127	251,393	–	277,607	13,391	31,927	955,087	2,987	958,074

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 surplus reserve fund. Statutory surplus reserve fund is 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

		1.1.2012 to 30.6.2012 HK$'000 (Unaudited)	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Net cash generated from (used in) operating activities		**20,723**	(55,411)
Net cash (used in) from investing activities			
Purchase of property, plant and equipment		**(11,279)**	(17,414)
Deposits paid for acquisition of property, plant and equipment		**(5,770)**	(9)
Proceeds from disposal of property, plant and equipment		**699**	686
Proceeds from disposal of non-current asset classified as held for sale		**–**	19,552
Proceeds from redemption of financial assets at fair value through profit or loss		**–**	11,899
Net proceeds from disposal of a subsidiary	*19*	**2,144**	–
Placement of pledged bank deposits		**(10,321)**	(189,789)
Withdrawal of pledged bank deposits		**17,041**	191,175
Advances to non-controlling shareholders of subsidiaries		**–**	(3,085)
Other investing cash flows		**926**	868
		(6,560)	13,883
Net cash (used in) from financing activities			
Bank loans raised		**79,404**	92,829
Repayment of bank loans		**(86,690)**	(93,429)
Repayment to directors		**(200)**	(3,842)
Advances from directors		**–**	150
Dividends paid		**–**	(3,382)
Capital contribution from non-controlling shareholders of subsidiaries		**–**	3,541
Other financing cash flows		**(9,249)**	5,748
		(16,735)	1,615
Net decrease in cash and cash equivalents		**(2,572)**	(39,913)
Cash and cash equivalents at 1 January		**72,554**	71,238
Effect of foreign currency rate changes		**(684)**	1,306
Cash and cash equivalents at 30 June, represented by bank balances and cash		**69,298**	32,631

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as 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").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in the PRC are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the presumption set out in the amendments to HKAS 12 is rebutted. The adoption of the amendments to HKAS 12 has had no impact on the consolidated financial position and performance of the Group. This is because, previously, the Group also recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

Regarding the Group's investment properties located in Hong Kong, the directors concluded that the investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted. As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred tax on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of its investment properties in Hong Kong. The application of the amendments to HKAS 12 has been applied retrospectively and has had no material impact on the consolidated financial position and performance of the Group. As at 31 December 2011, a deferred tax liability on changes in fair value of HK$820,000 was recognised and a deferred tax asset of HK$820,000 in respect of tax losses was recognised and these two amounts were offset in the consolidated statement of financial position. The application of the amendments has resulted in no deferred tax liability and deferred tax asset being recognised.

3. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Others	–	investment in properties

The following is an analysis of the Group's turnover and results by reportable and operating segments for the periods under review:

Six months ended 30 June 2012 (unaudited)

	Household products HK$'000	PVC pipes and fittings HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover					
Sales of goods					
External sales	218,180	287,491	–	–	505,671
Inter-segment sales	223	179	–	(402)	–
Rental income	–	–	400	–	400
Total segment revenue	218,403	287,670	400	(402)	506,071
Segment profit	6,904	7,823	1,460	–	16,187
Gain arising from changes in fair value of derivative financial instruments					3,968
Gain on disposal of a subsidiary					1,424
Interest income					228
Unallocated corporate expenses					(9,292)
Finance costs					(4,427)
Profit before taxation					8,088

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

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2011 (unaudited)

	Household products HK$'000	PVC pipes and fittings HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover					
Sales of goods					
External sales	236,272	303,958	–	–	540,230
Inter-segment sales	351	250	–	(601)	–
Rental income	–	–	449	–	449
Total segment revenue	236,623	304,208	449	(601)	540,679
Segment profit	5,690	4,223	2,627	–	12,540
Gain arising from changes in fair value of derivative financial instruments					2,625
Gain arising from changes in fair value of financial assets at fair value through profit or loss					19
Interest income					208
Unallocated corporate expenses					(10,016)
Finance costs					(4,357)
Profit before taxation					1,019

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

Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income, gain on disposal of a subsidiary, gain arising from changes in fair value of derivative financial instruments, gain arising from changes in fair value of financial assets at fair value through profit or loss and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	1.1.2012 to 30.6.2012 HK$'000 (Unaudited)	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Gain arising from changes in fair value of investment properties	**1,300**	2,270
Gain arising from changes in fair value of financial assets at fair value through profit or loss	**–**	19
Gain arising from changes in fair value of derivative financial instruments	**3,968**	2,625
Gain on disposal of non-current asset classified as held for sale	**–**	18,926
Loss on disposal of property, plant and equipment	**(506)**	(1)
Gain on disposal of a subsidiary *(note 19)*	**1,424**	–
Net foreign exchange gain (loss)	**3,800**	(4,462)
	9,986	19,377

5. FINANCE COSTS

	1.1.2012 to 30.6.2012 HK$'000 (Unaudited)	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	**4,427**	4,357

6. TAXATION

	1.1.2012 to 30.6.2012 HK$'000 (Unaudited)	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Hong Kong Profits Tax charge	**–**	(410)
PRC Enterprise Income Tax (charge) credit	**(2,786)**	467
Deferred taxation (charge) credit	**(559)**	3,753
	(3,345)	3,810

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. The estimated average annual tax rate used is 16.5% for the periods under review. Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2012 (for six months ended 30 June 2011: 24%).

Pursuant to the relevant laws and regulations in the PRC, four (2011: four) of the Company's PRC subsidiaries are entitled to a 50% relief on applicable domestic tax rate from PRC Enterprise Income Tax for the current year up to 31 December 2012 under the EIT Law. For certain of the Company's subsidiaries that are not yet entitled to tax exemption and reduction because no profit has been generated since their commencement of operation, under the Guofa [2007] No. 39 promulgated by the State Council ("Guofa"), the deemed first profit making year would be in 2008 and therefore, the PRC Enterprise Income Tax rate on these Company's subsidiaries would be 12.5% for three years from 2010.

Certain of the Company's subsidiaries were entitled to enjoy preferential PRC Enterprise Income Tax rate prior to 2008. Under the Guofa as mentioned above, the PRC Enterprise Income Tax rate for those companies that enjoyed such tax benefits would be increased progressively to 25% within five years commencing from 1 January 2008. The applicable PRC Enterprise Income Tax rate for these subsidiaries is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$63,589,000 (for six months ended 30 June 2011: HK$57,273,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE PERIOD

	1.1.2012 to 30.6.2012 HK$'000 (Unaudited)	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	**214**	208
Amortisation of prepaid lease payments	**1,241**	1,199
Depreciation of property, plant and equipment	**26,877**	26,961
Impairment loss recognised on trade receivables	**4,465**	4,257
and after crediting:		
Gross rental income from investment properties	**400**	449
Less: Direct operating expenses that generated rental income	**(239)**	(93)
	161	356
Gain on disposal of non-current asset classified as held for sale	**–**	18,926
Interest income	**228**	208
Reversal of allowance for inventories obsolescence *(note)*	**–**	3,709

Note: Reversal of allowance for inventories obsolescence had been recognised in the prior period due to realisation and subsequent usage of the relevant inventories and such amount had been included in cost of sales in the condensed consolidated statement of comprehensive income.

8. DIVIDENDS

No final dividends in respect of the year ended 31 December 2011 were paid, declared or proposed during the current interim period (during the six months ended 30 June 2011, a final dividend amounting to HK$3,382,000 in respect of the year ended 31 December 2010 was declared and paid to the owners of the Company). The directors have determined that no dividend will be paid in respect of the current interim period (for six months ended 30 June 2011: nil).

9. EARNINGS PER SHARE

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

	1.1.2012 to 30.6.2012 HK$'000 (Unaudited)	1.1.2011 to 30.6.2011 HK$'000 (Unaudited)
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**4,964**	5,396

9. EARNINGS PER SHARE *(Continued)*

	1.1.2012 to 30.6.2012	1.1.2011 to 30.6.2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**676,417,401**	676,417,401
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company to directors of the Company and employees of the Group	**1,418,848**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**677,836,249**	676,417,401

Diluted earnings per share is not presented for the period ended 30 June 2011 as there were no potential ordinary shares in existence in that period.

10. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by an independent professional valuer at 30 June 2012 by reference to the basis of capitalisation of the relevant net income, resulting an increase in fair value of investment properties of HK$1,300,000 (for six months ended 30 June 2011: HK$2,270,000), which has been recognised directly in profit or loss in the condensed consolidated statement of comprehensive income.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$10.4 million (for six months ended 30 June 2011: HK$17.5 million) on additions to the manufacturing plants in the PRC.

12. INTANGIBLE ASSETS

The intangible assets are amortised over its estimate useful life of 10 years using the straight line method. Amortisation of HK$214,000 (for six months ended 30 June 2011: HK$208,000) had been made for the current period.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit periods of 180 days, depending on the products sold, to its trade customers.

The following is an analysis of the Group's trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts, at the end of the reporting period:

	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
0 – 30 days	**76,224**	100,072
31 – 60 days	**52,594**	56,097
61 – 90 days	**29,351**	29,631
91 – 180 days	**41,290**	25,731
Over 180 days	**18,517**	18,743
Net trade receivables	**217,976**	230,274
Other receivables and prepayments	**49,322**	37,879
Prepayment in respect of the redevelopment project *(note 21)*	**21,500**	21,500
Prepaid lease payments	**2,447**	2,471
Loans to non-controlling shareholders of subsidiaries	**–**	4,632
Total trade and other receivables	**291,245**	296,756

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
Forward foreign exchange contracts		
Current asset		
– Derivative financial asset	**261**	–
Current liability		
– Derivative financial liability	**–**	(3,009)
	261	(3,009)

At the end of the reporting period, the Group had the following outstanding foreign currency forward contract. The major terms of the outstanding foreign currency forward contract at 30 June 2012 are as follows:

Notional amount	Maturity	Exchange rate *(Note)*
Buy USD4,000,000 to USD8,000,000	19 December 2012	USD1 to RMB6.46 – 6.65

Note: The Group will earn foreign exchange gain when the expiry reference rate is less than or equal to the range of pivot rates set above. The Group will have foreign exchange loss when the expiry reference rate is more than the range of pivot rates set above. The expiry reference rate is determined by the counterparty banks by reference to the USD/RMB official rate which is publicly available on the expiry date.

The above derivative was measured at fair value at the end of the reporting period. Its fair value was determined based on the valuation amount provided by the relevant counterparty financial institution at the end of the reporting period. The above derivative financial instruments are denominated in USD, which is the currency other than the functional currency of the relevant group company.

15. TRADE AND OTHER PAYABLES

The following is an analysis of the Group's trade payables by age, presented based on the invoice date, at the end of the reporting period:

	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
0 – 30 days	**40,416**	42,688
31 – 60 days	**29,550**	35,550
61 – 90 days	**14,644**	14,447
Over 90 days	**24,304**	38,993
Total trade payables	**108,914**	131,678
Other payables	**34,185**	37,966
Deposit received on the redevelopment project *(note 21)*	**36,630**	37,037
Receipts in advance	**54,101**	38,500
Total trade and other payables	**233,830**	245,181

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of approximately HK$79,404,000 (for six months ended 30 June 2011: HK$92,829,000) and repaid bank loans of HK$86,690,000 (for six months ended 30 June 2011: HK$93,429,000). The proceeds were used to finance the general working capital of the Group. Certain bank borrowings were secured by pledged bank deposit and certain non-current assets amounting to approximately HK$182,003,000 (for six months ended 30 June 2011: HK$281,822,000).

17. CAPITAL COMMITMENTS

	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– buildings	**27,665**	–
– plant and machinery	**12,665**	1,485
	40,330	1,485

18. RELATED PARTIES TRANSACTIONS

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

Relationship of related parties	**Nature of transactions**	**30.6.2012 HK$'000 (Unaudited)**	30.6.2011 HK$'000 (Unaudited)
Directors of the Company (three of whom are substantial shareholders of the Company and three of whom are shareholders of the Company)	Salaries and other benefits	**6,444**	6,444
	Retirement benefit scheme contribution	**19**	24
		6,463	6,468
Close family members of certain directors (the directors are substantial shareholders of the Company)	Salaries and other benefits	**2,070**	2,070
	Retirement benefit scheme contribution	**18**	18
		2,088	2,088

During the period ended 30 June 2012 and as at 30 June 2012, Joy Tower Limited *(note)*, a related party of the Group, provided its residential property to secure one of the Group's banking facilities amounting to HK$23,562,000 (31 December 2011: HK$24,411,000). Approximately HK$16,491,000 of this banking facility was utilised as at 30 June 2012 (31 December 2011: HK$19,970,000).

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

19. ACQUISITION OF ADDITIONAL INTEREST OF A SUBSIDIARY/DISPOSAL OF A SUBSIDIARY

On 7 January 2012, the Group acquired an additional 19% equity interest in South China Reborn Cotton Yarn (Wuzhou) Company Limited ("South China Reborn (Wuzhou)"), a subsidiary of the Company, principally engaged in manufacturing of cotton yarn, from a non-controlling shareholder of South China Reborn (Wuzhou) for a consideration of approximately HK$1,173,000. A difference between the decrease in the carrying amount of the non-controlling interest and the consideration of approximately HK$686,000 was debited to retained profits in the condensed consolidated statement of changes in equity. After the transaction, the Group's equity interest in South China Reborn (Wuzhou) was increased from 51% to 70%.

On 19 April 2012, the Group entered into a sale and purchase agreement with another non-controlling shareholder of South China Reborn (Wuzhou) to dispose of its 70% equity interest of South China Reborn (Wuzhou) for a consideration of approximately HK$4,000,000. The disposal was completed on 21 May 2012, on which date the Group lost control of South China Reborn (Wuzhou). The gain on disposal of the subsidiary has been recognised in profit or loss of the condensed consolidated statement of comprehensive income.

	Net asset value at the date of disposal HK$'000
Net assets disposed of	
Property, plant and equipment	6,471
Inventories	545
Trade and other receivables	5,234
Bank balances and cash	683
Trade and other payables	(5,923)
Amount due to a fellow subsidiary	(1,975)
	5,035
Less: Non-controlling interests	(2,429)
Net assets disposed of	2,606
Reclassification of cumulative translation reserve upon disposal of a subsidiary to profit or loss	(30)
Gain on disposal	1,424
Total consideration	4,000
Satisfied by:	
Cash	2,827
Amount due to former non-controlling shareholder of South China Reborn (Wuzhou) *(note 20)*	1,173
	4,000
Net cash flow arising on disposal:	
Cash consideration received	2,827
Less: Bank balances and cash disposed of	(683)
	2,144

20. MAJOR NON-CASH TRANSACTION

The consideration of HK$1,173,000 for the acquisition of the additional interest in South China Reborn (Wuzhou) as detailed in Note 19 was still outstanding on 19 April 2012, the date on which the Group disposed of South China Reborn (Wuzhou). As part of the sale and purchase agreement for the disposal of South China Reborn (Wuzhou) to the non-controlling shareholder dated 19 April 2012, the non-controlling shareholder agreed to assume the liability of HK$1,173,000 owing to the former non-controlling shareholder of South China Reborn (Wuzhou) as part settlement of the total purchase consideration.

21. OTHER MATTERS

On 14 February 2011, one of the subsidiaries of the Company, Welidy Limited ("Welidy"), entered into a cooperative development framework agreement with an independent third party property developer in relation to the redevelopment of land which is owned by Welidy and the factory situated on the piece of land which is currently in use as one of the production plants by one of the subsidiaries of the Company, World Plastic Mat (Baoan) Company Limited.

On 11 August 2011, Welidy further entered into a removal remedy agreement ("removal remedy agreement") with the same independent third party. Under the removal remedy agreement, the Group will handover the piece of land and the factory situated on the piece of land to the independent third party for development in exchange of certain residential or commercial properties (the "compensated properties"). However, the details of compensation have not been finalised between both parties by the end of the reporting period.

As at 30 June 2012, the carrying amounts of the related prepaid lease payments and the factory situated on the piece of land are HK$8,051,000 (31 December 2011: HK$8,191,000) and HK$26,276,000 (31 December 2011: HK$28,125,000), respectively. Deposit amounting to RMB30,000,000 (equivalent to approximately HK$36,630,000) was received by the Group during the year ended 31 December 2011 and included in the trade and other payables *(note 15)* as at 30 June 2012. The deposits are refundable upon the receipt of all the compensated properties or acknowledgement from PRC government authorities on the termination of development project. During the year ended 31 December 2011, the Group also prepaid HK$21,500,000 for legal consultancy services to be provided by a PRC lawyer in respect of this redevelopment project and was included in trade and other receivables *(note 13)* as at 30 June 2012.

The directors of the Company are of the opinion that the development project is still at preliminary stage and conditional upon the approval by the PRC government authorities for the change of usage of land use rights of the land with a plan to redevelop it from industrial properties into residential, communal facilities and other commercial properties. As at 30 June 2012, the directors are of the opinion that the financial impact on the removal remedy agreement cannot be estimated.

Report on Review of Condensed Consolidated Financial Statements

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 condensed consolidated financial statements of World Houseware (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 22, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2012

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 2012. 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$506,071,000 for the six months ended 30 June 2012, representing a decrease of 6.4% or HK$34,608,000 as compared to HK$540,679,000 of the same period last year.

- Gross profit of the Group was HK$60,405,000, representing an increase of 32.4% or HK$14,791,000 as compared to HK$45,614,000 of the same period last year. The gross profit margin was 11.9%, representing an increase of 3.5% as compared to 8.4% of the same period last year.

- Profit attributable to the owners of the Company for the period was HK$4,964,000, as compared to a profit of HK$5,396,000 of the same period last year.

- Basic earnings per share was HK0.73 cent, as compared to basic earnings per share of HK0.80 cent of the same period last year.

- The Board does not propose any payment of interim dividends for the six months ended 30 June 2012.

BUSINESS REVIEW

For the period under review, as there was severe competition on the traditional manufacturing industries due to economic globalisation and the uncertainty of the risk of the debt of European sovereignty, there was a dropping of the turnover of our Group for 6% when comparing with the same period of last year. However, as the price of the plastic raw material was steady during the period, the gross profit increased for 32% when comparing with the same period of last year.

For the period under review, although household products had faced the pressure of severe market competition and the increased cost of production, our Group had striven to maintain profit and the business was still steady.

For PVC pipes and fitting business, as the PRC property market is stagnant, the turnover in the period under review declined. But due to the efficient management and steady price of the plastic raw material, profit was still maintained.

During the period under review the gain arising from changes in fair value of investment properties was HK$1,300,000.

PROSPECTS

Looking into future, our Group still maintains steady business in household products and PVC pipes and fitting and to strive for more business profit. Also, we will try our best to develop new environmental recycling and reborn resources business so as to get higher profit.

Our Group's wholly owned subsidiary South China Reborn Resources (Zhongshan) Co. Ltd. ("South China (Zhongshan)") has all along tried to concentrate on the research and development of reborn and recycling business and have invented 18 environmental inventions and Utility Model and some of them had successfully been granted patent certificates in PRC, Hong Kong and Taiwan.

Our Group will continue to invent new environmental technologies. We are now ready to submit application of the patent regarding automatic food waste recycling to make fodder system and will strategically make use of the invented skill and technologies to materialise them into the earning power of the Group.

South China (Zhongshan) is now installing an advanced automatic production line to develop food waste recycling to make fodder business in its factory. It is expected that production on trial basis will be matured during the year. We are now searching a suitable production venue in Hong Kong to develop the business. The Group hopes that if the business can be successfully commenced in PRC and Hong Kong, it will generate good results to the Group in future.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, terms loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 30 June 2012, the Group had bank balances and cash and pledged bank deposits of approximately HK$94,740,000 (31.12.2011: HK$104,820,000) and had interest-bearing bank borrowings of approximately HK$174,903,000 (31.12.2011: HK187,851,000). The Group's interest-bearing bank borrowings were mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 30 June 2012 amounted to HK$400,252,000; of which HK$174,903,000 of the banking facilities was utilised (utilisation rate was at 43.7%).

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 2012, the Group had current assets of approximately HK$621,100,000 (31.12.2011: HK$634,538,000). The Group's current ratio was approximately 1.5 as at 30 June 2012 as compared with approximately 1.4 as at 31 December 2011. Total shareholders' funds of the Group as at 30 June 2012 decreased by 1.2% to HK$943,085,000 (31.12.2011: HK$954,932,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2012 was 0.47 (31.12.2011: 0.49).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments and bank deposits with an aggregate net book value of HK$182,003,000 (31.12.2011: HK$293,791,000) were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2012, the Group employed a total workforce of about 2,372 (30.6.2011: 2,904) including 2,326 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$53,574,000 (30.6.2011: HK$66,663,000). 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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2012, the interests of the directors, chief executive and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the"Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

	Number of issued ordinary shares held					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issue share capital of the Company
Lee Tat Hing	1,756,072	38,947,087 [(a)]	28,712,551 [(c)]	280,895,630 [(d)]	350,311,340	51.79%
Fung Mei Po	39,947,087	30,468,623 [(b)]	–	280,895,630 [(d)]	350,311,340	51.79%
Lee Chun Sing	21,815,830	240,000 [(e)]	–	280,895,630 [(d)]	302,951,460	44.79%
Lee Pak Tung	2,766,448	–	–	–	2,766,448	0.41%
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) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

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

(e) The shares are held by Madam Lai Lai Wah, the wife of Mr. Lee Chun Sing whose personal interests are also the family interests of Mr. Lee Chun Sing.

At 30 June 2012, 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
Fung Mei Po	World Home Linen Manufacturing Company Limited	100
Lee Pak Tung	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.

At 30 June 2012, 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 2012, 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 2012.

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 2012, 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

The following table discloses movements in the Company's share option during the six months ended 30 June 2012:

	Date of grant	**Exercise price** *HK$* *(Note 1)*	**Exercisable period**	**Outstanding as at 31.12.2011 and 30.6.2012**
Category 1: Directors				
Lee Tat Hing	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
Fung Mei Po	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
Lee Chun Sing	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
Lee Pak Tung	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
Chan Lai Kuen Anita	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
Cheung Tze Man Edward	24.10.2011	0.237	24.10.2011 to 23.10.2021	1,000,000
Tsui Chi Him Steve	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
Hui Chi Kuen Thomas	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
Category 2: Employees	24.10.2011	0.237	24.10.2011 to 23.10.2021	22,000,000
				46,800,000

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(Continued)*

Note 1: These share options are exercisable, starting from the date of options granted for a period of 10 years.

Save as disclosed above, none of the above share options were exercised since the date of grant.

Other than as disclosed above at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, 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

Other than the share options as described above, the Company had no convertible securities, options, warrants or other similar rights in issue during the period or at 30 June 2012.

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 2012. 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 2012.

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, 24 August 2012