



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

Interim Report 2014





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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
Mr. Lee Kwok Sing Stanley

Non-Executive Directors

Mr. Cheung Tze Man Edward
Mr. Wong Woon Chung Jonathan

Independent Non-Executive Directors

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

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
HSBC
Bank of China
Hang Seng Bank
DBS Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 together with the comparative figures for the corresponding period in 2013:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	1.1.2014 to 30.6.2014 HK\$'000 (unaudited)	1.1.2013 to 30.6.2013 HK\$'000 (unaudited)
Turnover	3	455,352	447,999
Cost of sales		(409,752)	(402,236)
Gross profit		45,600	45,763
Other income		4,182	4,973
Other gains and losses	4	7,486	(3,407)
Selling and distribution costs		(9,370)	(9,806)
Administrative expenses		(56,319)	(55,516)
Finance costs	5	(5,906)	(5,562)
Loss before taxation		(14,327)	(23,555)
Taxation	6	(2,976)	(2,298)
Loss for the period	7	(17,303)	(25,853)
Other comprehensive (expense) income: Item that may be subsequently reclassified to profit or loss: Exchange differences arising on translation		(29,832)	19,488
Total comprehensive expense for the period		(47,135)	(6,365)
Loss for the period attributable to: Owners of the Company Non-controlling interests		(17,301) (2)	(25,851) (2)
		(17,303)	(25,853)
Total comprehensive expense for the period attributable to: Owners of the Company Non-controlling interests		(47,133) (2)	(6,363) (2)
		(47,135)	(6,365)
Loss per share Basic and diluted	9	HK(2.56) cents	HK(3.82) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	<i>Notes</i>	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
Non-current assets			
Investment properties	10	29,410	28,930
Property, plant and equipment	11	729,208	675,925
Prepaid lease payments		81,025	84,283
Deposits paid for acquisition of property, plant and equipment		35,317	31,404
Intangible assets	12	738	1,040
Long-term prepayment	18	21,500	21,500
		897,198	843,082
Current assets			
Inventories		247,612	263,305
Trade and other receivables	13	302,183	289,970
Taxation recoverable		43	43
Pledged bank deposits		7,899	8,297
Bank balances and cash		34,883	82,855
		592,620	644,470
Current liabilities			
Trade and other payables	14	217,858	208,201
Amounts due to directors		21,827	21,982
Taxation payable		3,076	6,381
Bank borrowings – amount due within one year	15	269,250	227,001
		512,011	463,565
Net current assets		80,609	180,905
Total assets less current liabilities		977,807	1,023,987

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2014

	<i>Notes</i>	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
Non-current liabilities			
Bank borrowings – amount due after one year	<i>15</i>	17,706	15,729
Deferred taxation		4,658	4,723
Deposit received	<i>18</i>	37,406	38,363
		59,770	58,815
Net assets		918,037	965,172
Capital and reserves			
Share capital		67,642	67,642
Reserves		850,415	897,548
Equity attributable to owners of the Company		918,057	965,190
Non-controlling interests		(20)	(18)
Total equity		918,037	965,172

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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)	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	67,642	313,127	251,393	13,074	351,507	19,495	(51,048)	965,190	(18)	965,172
Loss for the period	-	-	-	-	-	-	(17,301)	(17,301)	(2)	(17,303)
Other comprehensive expense for the period	-	-	-	-	(29,832)	-	-	(29,832)	-	(29,832)
Total comprehensive expense for the period	-	-	-	-	(29,832)	-	(17,301)	(47,133)	(2)	(47,135)
At 30 June 2014 (unaudited)	67,642	313,127	251,393	13,074	321,675	19,495	(68,349)	918,057	(20)	918,037
At 1 January 2013 (audited)	67,642	313,127	251,393	13,074	318,193	17,377	(1,970)	978,836	(15)	978,821
Loss for the period	-	-	-	-	-	-	(25,851)	(25,851)	(2)	(25,853)
Other comprehensive income for the period	-	-	-	-	19,488	-	-	19,488	-	19,488
Total comprehensive income (expense) for the period	-	-	-	-	19,488	-	(25,851)	(6,363)	(2)	(6,365)
Transfers	-	-	-	-	-	(35)	35	-	-	-
At 30 June 2013 (unaudited)	67,642	313,127	251,393	13,074	337,681	17,342	(27,786)	972,473	(17)	972,456

Notes:

- The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "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 2014

	1.1.2014 to 30.6.2014 HK\$'000 (unaudited)	1.1.2013 to 30.6.2013 HK\$'000 (unaudited)
Net cash from (used in) operating activities	11,118	(37,763)
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(72,794)	(4,171)
Deposits paid for acquisition of property, plant and equipment	(27,917)	(19,646)
Placement of pledged bank deposits	(2,819)	(130)
Proceeds from disposal of property, plant and equipment	3,912	727
Withdrawal of pledged bank deposits	3,249	23,093
Other investing cash flows	140	718
	(96,229)	591
Net cash from financing activities		
Bank loans raised	87,620	142,451
Repayment of bank loans	(39,736)	(93,642)
Repayment to directors	(155)	(270)
Other financing cash flows	(7,414)	(12,024)
	40,315	36,515
Net decrease in cash and cash equivalents	(44,796)	(657)
Cash and cash equivalents at 1 January	82,855	84,705
Effect of foreign currency rate changes	(3,176)	1,703
Cash and cash equivalents at 30 June, represented by bank balances and cash	34,883	85,751

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 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.

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK (IFRIC) INT – 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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
Food waste recycling	-	food waste recycling business
Others	-	investment in properties

During the six months ended 30 June 2014, a newly reportable segment, food waste recycling business, has been presented as a separate segment because the respective segment result exceeds the quantitative thresholds in accordance with HKFRS 8 "Operating Segments".

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 2014 (unaudited)

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
Sales of goods						
External sales	167,444	286,757	-	-	-	454,201
Inter-segment sales	185	62	-	-	(247)	-
Rental income	-	-	-	1,151	-	1,151
Total segment revenue	167,629	286,819	-	1,151	(247)	455,352
Segment (loss) profit	(6,439)	10,216	(2,934)	1,611	-	2,454
Interest income						140
Unallocated corporate expenses						(11,015)
Finance costs						(5,906)
Loss before taxation						(14,327)

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

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2013 (unaudited)

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
Sales of goods						
External sales	186,126	260,923	-	-	-	447,049
Inter-segment sales	311	388	-	-	(699)	-
Rental income	-	-	-	950	-	950
Total segment revenue	186,437	261,311	-	950	(699)	447,999
Segment (loss) profit	(16,952)	5,930	-	2,858	-	(8,164)
Interest income						718
Unallocated corporate expenses						(10,547)
Finance costs						(5,562)
Loss before taxation						(23,555)

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

Segment (loss) profit represents the (loss) incurred/profit earned by each segment without allocation of certain administration costs, interest income 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

	1.1.2014 to 30.6.2014 HK\$'000 (unaudited)	1.1.2013 to 30.6.2013 HK\$'000 (unaudited)
Gain arising from changes in fair value of investment properties	480	1,940
Loss on disposal of property, plant and equipment	(260)	(463)
Net foreign exchange gain (loss)	7,266	(4,884)
	7,486	(3,407)

5. FINANCE COSTS

	1.1.2014 to 30.6.2014 HK\$'000 (unaudited)	1.1.2013 to 30.6.2013 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	6,897	5,562
Less: amounts capitalized in the cost of qualifying assets	(991)	–
	5,906	5,562

6. TAXATION

	1.1.2014	1.1.2013
	to	to
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	–	1
PRC Enterprise Income Tax (“EIT”)	3,132	2,224
	3,132	2,225
Overprovision of Hong Kong Profits Tax in prior year	(192)	–
	2,940	2,225
Deferred taxation charge	36	73
Taxation charge for the period	2,976	2,298

Hong Kong Profit Tax is calculated at 16.5% on the estimated assessable profit for both periods.

PRC EIT is calculated at the applicable rate of 25% in accordance with the relevant laws and regulations in the PRC.

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\$105,362,000 (for six months ended 30 June 2013: HK\$87,928,000) 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. LOSS FOR THE PERIOD

	1.1.2014	1.1.2013
	to	to
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	281	219
Amortisation of prepaid lease payments	1,267	1,264
Depreciation of property, plant and equipment	25,942	26,399
Impairment loss recognised on trade receivables	1,145	2,389
and after crediting:		
Gross rental income from investment properties	1,151	950
Less: Direct operating expenses that generated rental income	(31)	(110)
	1,120	840
Interest income	140	718

8. DIVIDENDS

No final dividends in respect of the year ended 31 December 2013 and 31 December 2012 were paid, declared or proposed during the current or prior interim period. The directors have determined that no dividend will be paid in respect of the current interim period (for six months ended 30 June 2013: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2014 is based on the loss for the period attributable to owners of the Company of HK\$17,301,000 (for six months ended 30 June 2013: HK\$25,851,000) and on 676,417,401 (for six months ended 30 June 2013: 676,417,401) ordinary shares for the purpose of loss per share during the period.

The diluted loss per share for the period ended 30 June 2014 and 30 June 2013 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

10. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by an independent professional valuer at 30 June 2014 by reference to comparable sales transactions as available in the relevant markets and where appropriate on the basis of capitalisation of the relevant net income, resulting an increase in fair value of investment properties of HK\$480,000 (for six months ended 30 June 2013: HK\$1,940,000), which has been recognised directly in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent HK\$21,530,000 (for six months ended 30 June 2013: HK\$2,899,000) on purchase of property, plant and equipment, HK\$10,783,000 (for six months ended 30 June 2013: HK\$1,272,000) and HK\$65,558,000 (for six months ended 30 June 2013: nil) on construction costs of a new manufacturing plants in the PRC and Hong Kong respectively.

12. INTANGIBLE ASSETS

The intangible assets are amortised over its estimate useful life of 10 years using the straight line method. Amortisation of HK\$281,000 (for six months ended 30 June 2013: HK\$219,000) had been made for the current period.

13. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 180 days, depending on the products sold, to its trade customers.

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

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	77,602	87,698
31 – 60 days	54,778	59,164
61 – 90 days	39,726	35,739
91 – 180 days	40,637	34,676
Over 180 days	55,501	32,040
Trade receivables, net of allowance of doubtful debts	268,244	249,317
Prepayments for raw materials, deposits and other receivables	31,446	38,100
Prepaid lease payments	2,493	2,553
Total trade and other receivables	302,183	289,970

14. TRADE AND OTHER PAYABLES

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

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	54,458	60,403
31 – 60 day	28,979	50,270
61 – 90 days	24,599	19,259
Over 90 days	25,221	18,061
<hr/>		
Total trade payables	133,257	147,993
Other payables	84,601	60,208
<hr/>		
Total trade and other payables	217,858	208,201
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15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of approximately HK\$87,620,000 (for six months ended 30 June 2013: HK\$142,451,000) and repaid bank loans of HK\$39,736,000 (for six months ended 30 June 2013: HK\$93,642,000). The proceeds were used to finance the general working capital of the Group. Certain bank borrowings were secured by pledged bank deposits and certain non-current assets amounting to approximately HK\$269,876,000 (for six months ended 30 June 2013: HK\$153,997,000).

16. CAPITAL COMMITMENTS

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– buildings	16,628	85,224
– plant and machinery	12,629	34,519
	29,257	119,743

17. RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel

	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	9,534	9,126
Retirement benefit scheme contributions	47	45
	9,581	9,171

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

17. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) During the period ended 30 June 2014, Joy Tower Limited, a related party of the Group, provided its residential property to secure one of the Group's banking facilities amounting to HK\$172,000,000 (31 December 2013: HK\$22,641,000). Approximately HK\$47,549,000 (31 December 2013: HK\$15,216,000) was utilised in respect of this banking facility as at 30 June 2014.

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

- (c) During the period ended 30 June 2014, the Group paid consultancy fee amounted to HK\$480,000 (for six months ended 30 June 2013: nil) to Earth Tech Consultancy Company Limited.

Mr. Wong Woon Chung Jonathan, a non-executive director of the Company, is the director and controlling shareholder of Earth Tech Consultancy Company Limited.

18. OTHER MATTERS

On 14 February 2011, one of the subsidiaries of the Company, Welidy Limited ("Welidy"), has 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 ("World (Baoan)").

On 11 August 2011, Welidy further entered into a provisional removal remedy agreement ("provisional removal remedy agreement") with the same independent third party. Under the provisional removal remedy agreement, the Group will hand over the above mentioned piece of land to the independent third party for development in exchange of certain residential or commercial properties (the "compensated properties") constructed after the redevelopment of land. However, the details of compensation have not been finalised between both parties and the official removal remedy agreement has not been entered into between Welidy, the property developer and the PRC government authorities by the end of the reporting period.



18. OTHER MATTERS *(Continued)*

As at 30 June 2014, the carrying amounts of the related prepaid lease payments and the factory situated on the piece of land are HK\$7,504,000 (31 December 2013: HK\$7,744,000) and HK\$20,575,000 (31 December 2013: HK\$20,727,000), respectively. Deposit amounting to RMB30,000,000 (equivalent to approximately HK\$37,406,000 (31 December 2013: HK\$38,363,000)) was received by the Group during the year ended 31 December 2011. 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. 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. Taking into account the status of the project, both the prepayment and the deposit received were classified as non-current as at 30 June 2014 and 31 December 2013 as the directors of the Company believe that the redevelopment project will not be completed within one year from the end of the reporting period.

As at 30 June 2014, the directors are of the opinion that the financial impact of the redevelopment project cannot be estimated reliably.



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 19, which comprises the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other 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

25 August 2014



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 2014. 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\$455,352,000 for the six months ended 30 June 2014, representing an increase of 1.6% or HK\$7,353,000 as compared to HK\$447,999,000 of the same period last year.
- Gross profit of the Group was HK\$45,600,000, representing an increase of 0.4% or HK\$163,000 as compared to HK\$45,763,000 of the same period last year. The gross profit margin was 10%, representing a decrease of 0.2% as compared to 10.2% of the same period last year.
- Loss attributable to the owners of the Company for the period was HK\$17,301,000, as compared to a loss of HK\$25,851,000 for the same period last year.
- Basic loss per share was HK2.56 cents, as compared to basic loss per share of HK3.82 cents of the same period last year.
- The Board does not propose any payment of interim dividends for the six months ended 30 June 2014.



BUSINESS REVIEW

During the period under review, the Group's traditional manufacturing business of household products and PVC pipes and fitting faced severe difficulties and challenges. The environment of manufacturing business in China is becoming more difficult as the labour cost in China has been increasing every year. In addition, the production processing, labour skills and other supporting facilities in South East Asian countries like Vietnam, Myanmar, Cambodia and Indonesia had all become more mature for the last few years and the quality of their products and prices are becoming more competitive. In such circumstances, the Group is facing pressure of clients transferring manufacturing orders to other South East Asian countries and the Group's result is severely affected.

Faced with such adverse business environment, the Group strives to improve the strategy of the traditional business. Though the adverse situation still could not be overturned, the deficit was slightly reduced.

For the Group's newly developed business of feed production from food waste during the review period, the business is still in the preparatory stage and the production has not yet started. The trial production of the plant in Zhongshan of the South China Reborn Resources (Zhongshan) Company Limited ("South China Zhongshan"), a wholly owned subsidiary of the Group, is in progress. For the plant located at Ecopark, Phase II, Tuen Mun, New Territories, Hong Kong ("Ecopark") is still under construction.

During the period under review the gain arising from changes in fair value of investment properties was HK\$480,000.

PROSPECTS

Looking into the future, the Group faces both challenges and opportunities. On one hand, the Group will strive to improve the traditional manufacturing business and on the other hand the Group will focus on developing the business on our self-invented technology on production of feed from food waste.




In the year of 2011, the Group had entered into a cooperative development framework agreement with a renowned PRC land development company to redevelop a piece of land wholly owned by the Group. The land is currently being used as the factory premises and is located at Ping Shan New District of Shenzhen City. It is to be developed into a commercial and residential property (“Development Project”). The Development Project has been approved by Shenzhen Municipal Government on 5 May 2014 and was listed as Public Notice No.12 of “The First Lot of 2014 Shenzhen City Urbanization Project”. Both parties will strive to speed up the Development Project. Once the Development Project is completed, the Group is expected to have profits and return.

The conversion of food waste to feed operation in South China Zhongshan had just commenced its production recently and is now running smoothly. For the project at Ecopark, though there was a short delay, the construction of the physical structure of the building has been completed and is now pending for the issuance of the occupation permit. Once the occupation permit is obtained, the machineries and other equipments will be installed expeditiously. The production is expected to commence in the second half of this year and this business is likely to have a good prospect.

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 2014, the Group had bank balances and cash and pledged bank deposits of approximately HK\$42,782,000 (31.12.2013: HK\$91,152,000) and had interest-bearing bank borrowings of approximately HK\$286,956,000 (31.12.2013: HK\$242,730,000). 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 2014 amounted to HK\$666,877,000; of which HK\$286,956,000 of the banking facilities was utilised (utilisation rate was at 43%).

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 2014, the Group had current assets of approximately HK\$592,620,000 (31.12.2013: HK\$644,470,000). The Group's current ratio was approximately 1.2 as at 30 June 2014 as compared with approximately 1.4 as at 31 December 2013. Total shareholders' funds of the Group as at 30 June 2014 decreased by 4.9% to HK\$918,037,000 (31.12.2013: HK\$965,172,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2014 was 0.62 (31.12.2013: 0.54).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments and bank deposits with an aggregate net book value of HK\$269,876,000 (31.12.2013: HK\$181,320,000) were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2014, the Group employed a total workforce of about 2,045 (30.6.2013: 2,186) including 2,002 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$60,617,000 (30.6.2013: HK\$64,003,000). It is the Group's policy to review its employees' 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 2014, 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:

Name of directors	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	39,121,087 ^(a)	28,712,551 ^(c)	280,895,630 ^(d)	350,485,340	51.81%	
Fung Mei Po	39,121,087	30,468,623 ^(b)	–	280,895,630 ^(d)	350,485,340	51.81%	
Lee Chun Sing	21,815,830	240,000 ^(b)	–	280,895,630 ^(d)	302,951,460	44.79%	
Lee Kwok Sing Stanley	17,280	–	–	280,895,630 ^(d)	280,912,910	41.53%	
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	–	

DIRECTORS' AND CHIEF EXECUTIVES' 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) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Mr. Lee Tat Hing, Mr. Lee Chun Sing, Madam Fung Mei Po and Mr. Lee Kwok Sing Stanley 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 2014, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of directors	Name of subsidiaries	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



DIRECTORS' AND CHIEF EXECUTIVES' 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.

At 30 June 2014, 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 2014, 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 2014.

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 2014, 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 2014:

	Date of grant	Exercise price HK\$ (Note 1)	Exercisable period	Outstanding as at 31.12.2013 and 30.6.2014
Category 1: Directors				
Lee Tat Hing	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Fung Mei Po	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Lee Chun Sing	24.10.2011	0.237	24.10.2011 to 23.10.2021	6,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Lee Kwok Sing Stanley	24.10.2011	0.237	24.10.2011 to 23.10.2021	5,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
Lee Pak Tung	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	3,000,000
Chan Lai Kuen Anita	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	3,000,000
Cheung Tze Man Edward	24.10.2011	0.237	24.10.2011 to 23.10.2021	1,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	1,000,000
Tsui Chi Him Steve	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
Hui Chi Kuen Thomas	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
Category 2: Employees	24.10.2011	0.237	24.10.2011 to 23.10.2021	17,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	20,500,000
				102,100,000

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 year 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 2014, 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 2014.

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 2014. 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 2014.

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, 25 August 2014