



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

Interim Report

2017

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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
Mr. Kwong Bau To

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
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
Windward 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 2017 together with the comparative figures for the corresponding period in 2016:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	1.1.2017 to 30.6.2017 HK\$'000 (Unaudited)	1.1.2016 to 30.6.2016 HK\$'000 (Unaudited)
Turnover	3	386,475	411,918
Cost of sales		(330,804)	(343,464)
Gross profit		55,671	68,454
Other income		17,768	8,667
Other gains and losses	4	(16,026)	(477)
Selling and distribution costs		(19,541)	(16,958)
Administrative expenses		(56,825)	(58,200)
Impairment loss recognised on property, plant and equipment		(18,643)	–
Finance costs	5	(7,441)	(8,131)
Loss before taxation		(45,037)	(6,645)
Taxation	6	(4,354)	(7,297)
Loss for the period	7	(49,391)	(13,942)
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		29,213	(13,968)
Total comprehensive expense for the period		(20,178)	(27,910)
Loss per share	9		
Basic and diluted		HK(6.52) cents	HK(1.87) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (audited)
Non-current assets			
Investment properties	10	32,960	30,690
Property, plant and equipment	11	582,569	611,638
Prepaid lease payments		68,015	66,976
Deposits paid for acquisition of property, plant and equipment		21,137	21,817
Deposit and prepayments for a life insurance policy		50,035	50,248
Intangible assets		5	10
Long-term prepayment	18	21,500	21,500
		776,221	802,879
Current assets			
Inventories		184,387	167,125
Trade and other receivables	12	346,504	297,779
Taxation recoverable		1,332	1,332
Pledged bank deposits		10,031	27,046
Bank balances and cash		60,674	69,334
		602,928	562,616
Current liabilities			
Trade and other payables	13	223,246	195,855
Amounts due to directors		59,637	49,623
Taxation payable		6,041	13,975
Obligations under finance leases			
– due within one year		3,605	3,400
Secured bank borrowings			
– due within one year	14	330,116	325,287
		622,645	588,140
Net current liabilities		(19,717)	(25,524)
Total assets less current liabilities		756,504	777,355

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2017

	<i>Notes</i>	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (audited)
Non-current liabilities			
Obligations under finance leases			
– due after one year		4,369	5,686
Deferred taxation		2,876	3,382
Deposit received	<i>18</i>	34,483	33,333
		41,728	42,401
Net assets		714,776	734,954
Capital and reserves			
Share capital	<i>15</i>	75,712	75,712
Reserves		639,064	659,242
Total equity		714,776	734,954

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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
At 1 January 2017 (audited)	75,712	341,251	251,393	11,467	203,652	31,213	(179,734)	734,954
Loss for the period	-	-	-	-	-	-	(49,391)	(49,391)
Other comprehensive income for the period	-	-	-	-	29,213	-	-	29,213
Total comprehensive income (expense) for the period	-	-	-	-	29,213	-	(49,391)	(20,178)
At 30 June 2017 (unaudited)	75,712	341,251	251,393	11,467	232,865	31,213	(229,125)	714,776
At 1 January 2016 (audited)	74,662	333,841	251,393	14,379	266,891	26,192	(148,163)	819,195
Loss for the period	-	-	-	-	-	-	(13,942)	(13,942)
Other comprehensive expense for the period	-	-	-	-	(13,968)	-	-	(13,968)
Total comprehensive expense for the period	-	-	-	-	(13,968)	-	(13,942)	(27,910)
At 30 June 2016 (unaudited)	74,662	333,841	251,393	14,379	252,923	26,192	(162,105)	791,285

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 (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 2017

	1.1.2017 to 30.6.2017 HK\$'000 (unaudited)	1.1.2016 to 30.6.2016 HK\$'000 (unaudited)
Net cash used in operating activities	(19,811)	(7,051)
Net cash from (used in) investing activities		
Withdrawal of pledged bank deposits	22,157	6,891
Proceeds from disposal of property, plant and equipment	1,346	1,997
Other investing cash flows	531	49
Deposits paid for acquisition of property, plant and equipment	(6,912)	(7,225)
Placement of pledged bank deposits	(4,687)	(4,543)
Purchase of property, plant and equipment	(3,944)	(4,433)
	8,491	(7,264)
Net cash from (used in) financing activities		
Bank loans raised	101,494	139,580
Advance from directors	10,500	21,166
New obligations under finance lease raised	610	4,456
Repayment of bank loans	(106,469)	(154,753)
Other financing cash flows	(2,814)	(6,766)
Repayment of obligations under finance leases	(1,722)	(356)
Repayment to directors	(486)	(10,161)
	1,113	(6,834)
Net decrease in cash and cash equivalents	(10,207)	(21,149)
Cash and cash equivalents at 1 January	69,334	39,935
Effect of foreign currency rate changes	1,547	(1,444)
Cash and cash equivalents at 30 June, represented by bank balances and cash	60,674	17,342

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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.

As at 30 June 2017, the Group had net current liabilities of HK\$19,717,000 (31 December 2016: HK\$25,524,000) which included borrowings due within one year of HK\$330,116,000 (31 December 2016: HK\$325,287,000). The directors believe the existing revolving bank borrowings of HK\$245,440,000 (31 December 2016: HK\$245,463,000) included in the current liabilities at the end of the reporting period could be successfully renewed on maturity date. The directors also consider that it is not probable that the banks will exercise their discretion to demand immediate repayment for the term loans of HK\$84,676,000 (31 December 2016: HK\$79,824,000) which are subject to repayable on demand clause but not repayable within one year based on the agreed scheduled repayments set out in the loan agreements. In addition, the Group had available unutilised borrowing facilities of HK\$315,981,000 (31 December 2016: HK\$314,187,000) as at 30 June 2017 which will be subject to review in years of 2017 and 2018. The directors are of the opinion that the Group has a good track record and relationship with banks which enhance the Group's ability to renew the borrowing facilities upon expiry.

Taking into account of the presently available banking facilities and internally generated funds of the Group, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the current interim period.

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle

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

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group's annual consolidated financial statements for the year ending 31 December 2017.

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

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 2017 (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	101,823	278,874	3,933	–	–	384,630
Inter-segment sales	530	80	–	–	(610)	–
Rental income	–	–	–	1,845	–	1,845
Total segment revenue	102,353	278,954	3,933	1,845	(610)	386,475
Segment (loss) profit	(13,169)	13,209	(30,449)	3,944	–	(26,465)
Imputed interest income from deposit placed for a life insurance policy						551
Interest income						531
Premium charges on a life insurance policy						(753)
Unallocated corporate expenses						(11,460)
Finance costs						(7,441)
Loss before taxation						(45,037)

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2016 (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	132,586	273,944	3,434	-	-	409,964
Inter-segment sales	108	301	-	-	(409)	-
Rental income	-	-	-	1,954	-	1,954
Total segment revenue	132,694	274,245	3,434	1,954	(409)	411,918
Segment profit (loss)	2,006	22,421	(12,912)	1,887	-	13,402
Imputed interest income from deposit placed for a life insurance policy						539
Interest income						49
Premium charges on a life insurance policy						(744)
Unallocated corporate expenses						(11,760)
Finance costs						(8,131)
Loss before taxation						(6,645)

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

Segment (loss) profit represents the (loss) incurred or profit earned by each segment without allocation of certain administration costs, imputed interest income from deposit placed for a life insurance policy, interest income, premium charges on a life insurance policy 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

	1.1.2017 to 30.6.2017 HK\$'000 (Unaudited)	1.1.2016 to 30.6.2016 HK\$'000 (Unaudited)
Gain (loss) arising from changes in fair value of investment properties	2,270	(880)
Loss on disposal of property, plant and equipment	(8,100)	(3,022)
Net foreign exchange (loss) gain	(10,196)	3,425
	(16,026)	(477)

5. FINANCE COSTS

	1.1.2017 to 30.6.2017 HK\$'000 (Unaudited)	1.1.2016 to 30.6.2016 HK\$'000 (Unaudited)
Interest on:		
– bank borrowings	7,059	7,585
– finance leases	227	51
– amount due to a director	581	495
	7,867	8,131
Less: Amount capitalised in the cost of qualifying assets	(426)	–
	7,441	8,131

6. TAXATION

	1.1.2017	1.1.2016
	to	to
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")	4,846	6,400
Deferred taxation charge	(492)	897
Taxation charge for the period	4,354	7,297

No provision for Hong Kong Profits Tax is made as the subsidiaries operating in Hong Kong has no 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\$207,877,000 (for six months ended 30 June 2016: HK\$168,502,000) 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

	1.1.2017 to 30.6.2017 HK\$'000 (Unaudited)	1.1.2016 to 30.6.2016 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	5	127
Amortisation of prepaid lease payments	1,142	1,202
Depreciation of property, plant and equipment	30,508	33,638
Impairment loss recognised on property, plant and equipment (<i>note 11</i>)	18,643	–
Impairment loss recognised on trade receivables	1,876	1,904
and after crediting:		
Gross rental income from investment properties	1,845	1,954
Less: Direct operating expenses that generated rental income	(128)	(85)
	1,717	1,869
Bank interest income	531	49
Compensation income in relation to a redevelopment project (included in other income)	10,137	–
Imputed interest income from a deposit placed for a life insurance policy	551	539

8. DIVIDENDS

No final dividends in respect of the years ended 31 December 2016 and 31 December 2015 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 2016: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2017 is based on the loss for the period attributable to owners of the Company of HK\$49,391,000 (for six months ended 30 June 2016: HK\$13,942,000) and on weighted average number of ordinary shares of 757,117,421 (for six months ended 30 June 2016: 746,617,401) for the purpose of loss per share during the period.

The diluted loss per share for the period ended 30 June 2017 and 30 June 2016 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 2017 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\$2,270,000 (decrease in fair value for six months ended 30 June 2016: HK\$880,000), 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 2017, the Group spent HK\$5,017,000 (for six months ended 30 June 2016: HK\$5,734,000) on purchase of property, plant and equipment, HK\$7,264,000 (for six months ended 30 June 2016: HK\$2,184,000) and nil (for six months ended 30 June 2016: HK\$669,000) on construction costs of new manufacturing plants in the PRC and Hong Kong, respectively.

During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$9,446,000 (for six months ended 30 June 2016: HK\$5,019,000) for cash proceeds of HK\$1,346,000 (for six months ended 30 June 2016: HK\$1,997,000), resulting in a loss on disposal of HK\$8,100,000 (for six months ended 30 June 2016: HK\$3,022,000).

During the six months ended 30 June 2017, the management performed an impairment assessment on property, plant and equipment relating to the food waste recycling segment with carrying amount of HK\$143,901,000 (31 December 2016: HK\$143,694,000) as continuous segment loss and unfavourable market condition was noted during the period. The management estimated the recoverable amount of the cash-generating unit of which these property, plant and equipment have been allocated. The recoverable amount is less than the carrying amount of these property, plant and equipment and accordingly, impairment loss of HK\$18,643,000 has been recognised.

The recoverable amount of the cash-generating unit has been determined based on value in use calculations which use cash flow projections based on most recent financial budgets approved by management covering a five-year period, and discount rates of 9.08% (31 December 2016: 8.30%). Cash flows beyond the five-year period have been extrapolated using an estimated zero (31 December 2016: zero) growth rate which do not exceed the average growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include expected changes in selling prices and direct costs, such estimation is based on the unit's past performance and management's expectations for the market development. The management believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed the aggregate of its recoverable amount.

12. 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:

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	68,622	68,070
31 – 60 days	59,298	57,142
61 – 90 days	30,126	31,012
91 – 180 days	52,805	47,907
Over 180 days	78,314	56,782
<hr/>		
Trade receivables, net of allowance of doubtful debts	289,165	260,913
Prepayments for raw materials, deposits and other receivables	53,513	33,123
Prepaid lease payments	2,308	2,236
Deposit and prepayments for a life insurance policy	1,518	1,507
<hr/>		
Total trade and other receivables	346,504	297,779

13. 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:

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	47,891	75,753
31 – 60 days	37,732	25,813
61 – 90 days	24,229	17,373
Over 90 days	45,042	27,015
<hr/>		
Total trade and bills payables	154,894	145,954
Other payables	68,352	49,901
<hr/>		
Total trade and other payables	223,246	195,855

14. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of approximately HK\$101,494,000 (for six months ended 30 June 2016: HK\$139,580,000) and repaid bank loans of HK\$106,469,000 (for six months ended 30 June 2016: HK\$154,753,000). 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\$278,152,000 (for six months ended 30 June 2016: HK\$326,035,000).

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2016 and 30 June 2016	746,617,401	74,662
Exercise of share options (<i>note</i>)	10,500,020	1,050
At 31 December 2016, 1 January 2017 and 30 June 2017	757,117,421	75,712

Note: During the six months ended 31 December 2016, 2,000,000 shares of HK\$0.1 each were issued at HK\$0.309 per share upon exercise of the share options granted on 12 November 2012 and 8,500,020 shares of HK\$0.1 each were issued at HK\$0.580 per share upon exercise of the share options granted on 1 September 2015 under the share option scheme of the Company adopted on 10 June 2011 by share option holders and all these shares rank pari passu with other ordinary shares of the Company in all respects.

16. CAPITAL COMMITMENTS

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– buildings	7,600	7,842
– plant and equipment	15,448	10,051
	23,048	17,893

17. RELATED PARTIES TRANSACTIONS

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

(a) Compensation of key management personnel

	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	10,175	9,747
Retirement benefit scheme contributions	63	55
	10,238	9,802

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 PARTIES TRANSACTIONS *(Continued)*

- (b) During the period ended 30 June 2017, 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\$121,252,000 (31 December 2016: HK\$122,252,000). Approximately HK\$80,425,000 (31 December 2016: HK\$87,077,000) was utilised in respect of this banking facility as at 30 June 2017.

Mr. Lee Tat Hing and his spouse, Ms. 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 2017, the Group paid interest expenses of HK\$581,000 (for six months ended 30 June 2016: HK\$495,000) on the amount due to a director of the Company, Ms. Fung Mei Po.

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 for certain residential and commercial properties (the "Compensated Properties") constructed after the redevelopment of land.

18. OTHER MATTERS *(Continued)*

On 16 August 2017, Welidy entered into a supplementary agreement to the Provisional Removal Remedy Agreement ("Supplementary Agreement") with the same independent third party and its affiliates. Under the Supplementary Agreement, the detail related to the Compensated Properties and other compensation to be received by the Group were finalised. Detail of the Supplementary Agreement are set out in the Company's announcement dated 16 August 2017. The Supplementary Agreement is subject to approval by the shareholders of the Company in the forthcoming extraordinary general meeting.

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 2017 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 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

29 August 2017

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 2017. This interim report has been approved by the Board and the Audit Committee of the Company.

- The Group recorded a consolidated turnover of HK\$386,475,000 for the six months ended 30 June 2017, representing a decrease of 6.2% or HK\$25,443,000 as compared to HK\$411,918,000 of the same period last year.
- Gross profit of the Group was HK\$55,671,000, representing a decrease of 18.7% or HK\$12,783,000 as compared to HK\$68,454,000 of the same period last year. The gross profit margin was 14.4%, representing a decrease of 2.2% as compared to 16.6% of the same period last year.
- Loss for the period was HK\$49,391,000, as compared to a loss of HK\$13,942,000 for the same period last year.
- Basic loss per share was HK6.52 cents, as compared to basic loss per share of HK1.87 cents for the same period last year.
- The Board does not propose any payment of interim dividends for the six months ended 30 June 2017.

BUSINESS REVIEW

For the household products business, the business turnover when comparing with the same period last year had dropped for 23.2% and the business had recorded a deficit of HK\$13,169,000.

For PVC pipes manufacturing business sector, the business is rather steady and the profit is recorded as HK\$13,209,000.

For the feed production from food waste recycling business, the business is progressing smoothly and the business turnover is slightly increasing when comparing with the same period last year but still did not reach the expected standard, and a deficit before impairment loss recognised on non-current assets of HK\$11,806,000 was recorded. The management performed an impairment assessment on non-current assets relating to food waste recycling business and accordingly, impairment loss of HK\$18,643,000 has been recognised.

During the period under review the gain arising from changes in fair value of investment properties was HK\$2,270,000.

PROSPECTS

As the original agreement for the redevelopment of the existing land in Pingshan Shenzhen by way of urban renewal entered between the Group and the developer which had been signed for a period of 5 years and 3 months has expired, the Group had entered into a new supplemental agreement with the developer on 16th August 2017 to extend the term of the agreement. Other than the receipt of the relevant properties to be constructed on the redeveloped existing land as agreed, the Group had also successfully secured cash compensation of RMB35,000,000 and transitional compensation for a monthly payment of approximately RMB1,900,000 until the actual date of completion and delivery and obtaining of certificates of title of the reconstructed properties which will take approximately for 6 to 7 years.

PROSPECTS *(Continued)*

For the household products business in Pingshan Shenzhen the business will be relocated to the Group's Zhongshan Premises so as to streamline the management structure and reduce the production cost. We would also purchase new advanced machineries so as to enhance efficiency of the production and reduce manpower so that the profit margin could be improved.

For PVC pipes manufacturing business sector, we will continue our strategy to develop the business to contribute profits to the Group.

For the feed production from food waste recycling business, the implementation of government charge on the disposal of urban waste in 2019 would benefit the development of the business and generate more business opportunities to the Group.

To conclude, the prospect of the Group is bright.

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 2017, the Group had bank balances and cash and pledged bank deposits of approximately HK\$70,705,000 (31.12.2016: HK\$96,380,000) and had interest-bearing bank borrowings of approximately HK\$330,116,000 (31.12.2016: HK\$325,287,000). 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 2017 amounted to HK\$646,097,000; of which HK\$330,116,000 of the banking facilities was utilised (utilisation rate was at 51.1%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING *(Continued)*

At 30 June 2017, the Group had current assets of approximately HK\$602,928,000 (31.12.2016: HK\$562,616,000). The Group's current ratio was approximately 0.97 as at 30 June 2017 as compared with approximately 0.96 as at 31 December 2016. Total shareholders' funds of the Group as at 30 June 2017 decreased by 2.7% to HK\$714,776,000 (31.12.2016: HK\$734,954,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2017 was 0.93 (31.12.2016: 0.86).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments, deposit and prepayments for a life insurance policy and bank deposits with an aggregate net book value of HK\$278,152,000 (31.12.2016: HK\$249,289,000) were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2017, the Group employed a total workforce of about 1,288 (30.6.2016: 1,542) including 1,225 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$41,830,000 (30.6.2016: HK\$53,824,000). 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 programmes were also provided to staff in our PRC factories.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2017 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	14,256,072	58,121,087 ^(a)	28,712,551 ^(c)	280,895,630 ^(d)	381,985,340	50.45%	
Fung Mei Po	58,121,087	42,968,623 ^(b)	–	280,895,630 ^(d)	381,985,340	50.45%	
Lee Chun Sing	27,815,830	2,526,000 ^(e)	–	280,895,630 ^(d)	311,237,460	41.11%	
Lee Kwok Sing Stanley	2,481,280	–	–	280,895,630 ^(d)	283,376,910	37.43%	
Lee Pak Tung	4,466,448	–	–	–	4,466,448	0.60%	
Hui Chi Kuen Thomas	1,300,000	–	–	–	1,300,000	0.17%	
Chan Lai Kuen Anita	3,002,623	–	–	–	3,002,623	0.40%	
Kwong Bau To	3,103	–	–	–	3,103	–	

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 2017 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 2017, 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 2017, 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 2017.

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 2017, 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 2017:

	Date of grant	Exercise price HK\$ <i>(Note 1)</i>	Exercisable period	Outstanding as at 31.12.2016 and 30.06.2017
Category 1: Directors				
Lee Tat Hing	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000
Lee Chun Sing	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000
Lee Kwok Sing Stanley	12.11.2012	0.309	12.11.2012 to 11.11.2022	4,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000
Lee Pak Tung	12.11.2012	0.309	12.11.2012 to 11.11.2022	2,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000
Chan Lai Kuen Anita	12.11.2012	0.309	12.11.2012 to 11.11.2022	1,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	100,000
Kwong Bau To	01.09.2015	0.580	01.09.2015 to 31.08.2025	1,500,000
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
	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000
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
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Hui Chi Kuen Thomas	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
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
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Shang Sze Ming	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Category 2: Employees				
	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	9,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	9,100,000
				54,800,000

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.

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 2017, 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 2017.

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 2017. 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 2017.

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, 29 August 2017