World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713

INTERIM REPORT

2018

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
Mr. Lee Kwok Sing Stanley

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.
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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 2018 together with the comparative figures for the corresponding period in 2017:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	**1.1.2018 to 30.6.2018 HK$'000 (Unaudited)**	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Turnover	*3*	**424,108**	386,475
Cost of sales		**(364,047)**	(330,804)
Gross profit		**60,061**	55,671
Other income		**4,677**	7,631
Other gains and losses	*4*	**19,890**	(5,889)
Selling and distribution costs		**(24,821)**	(19,541)
Administrative expenses		**(72,020)**	(56,825)
Impairment loss recognised on property, plant and equipment		**(25,619)**	(18,643)
Finance costs	*5*	**(6,430)**	(7,441)
Loss before taxation		**(44,262)**	(45,037)
Taxation	*6*	**(2,671)**	(4,354)
Loss for the period	*7*	**(46,933)**	(49,391)
Other comprehensive (expense) income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(12,587)**	29,213
Total comprehensive expense for the period		**(59,520)**	(20,178)
Loss per share	*9*		
Basic and diluted		**HK(6.15) cents**	HK(6.52) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Non-current assets			
Investment properties	*10*	**37,420**	34,910
Property, plant and equipment	*11*	**511,966**	539,677
Prepaid lease payments		**67,560**	69,616
Deposits paid for acquisition of property, plant and equipment		**26,816**	30,141
Deposit and prepayments for a life insurance policy		**49,606**	49,825
Long-term prepayment		**21,500**	21,500
		714,868	745,669
Current assets			
Inventories		**233,765**	172,069
Trade and other receivables	*12*	**356,363**	406,393
Taxation recoverable		**1,332**	1,332
Pledged bank deposits		**13,335**	20,602
Bank balances and cash		**31,853**	57,365
		636,648	657,761
Current liabilities			
Trade and other payables	*13*	**221,821**	239,435
Contract liabilities		**36,297**	–
Amount due to a director		**45,600**	45,600
Derivative financial instruments		**768**	–
Taxation payable		**3,521**	14,839
Obligations under finance leases – due within one year		**3,605**	3,930
Secured bank borrowings – due within one year	*14*	**257,828**	255,805
		569,440	559,609
Net current assets		**67,208**	98,152
Total assets less current liabilities		**782,076**	843,821

Condensed Consolidated Statement of Financial Position *(Continued)*

At 30 June 2018

	Note	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Non-current liabilities			
Obligations under finance leases			
– due after one year		**1,854**	3,468
Deferred taxation		**7,146**	7,286
Deposit received		**131,114**	131,894
		140,114	142,648
Net assets		**641,962**	701,173
Capital and reserves			
Share capital	*15*	**76,432**	76,332
Reserves		**565,530**	624,841
Total equity		**641,962**	701,173

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	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 2018 (audited)	76,332	343,301	251,393	10,598	281,636	36,440	(298,527)	701,173
Loss for the period	–	–	–	–	–	–	(46,933)	(46,933)
Other comprehensive expense for the period	–	–	–	–	(12,587)	–	–	(12,587)
Total comprehensive expense for the period	–	–	–	–	(12,587)	–	(46,933)	(59,520)
Exercise of share options	100	358	–	(149)	–	–	–	309
At 30 June 2018 (unaudited)	76,432	343,659	251,393	10,449	269,049	36,440	(345,460)	641,962
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

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 2018

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Net cash used in operating activities	**(1,445)**	(19,811)
Net cash (used in) from investing activities		
Withdrawal of pledged bank deposits	**6,790**	22,157
Proceeds from disposal of property, plant and equipment	**2,506**	1,346
Other investing cash flows	**133**	531
Purchase of property, plant and equipment	**(26,630)**	(3,944)
Deposits paid for acquisition of property, plant and equipment	**(2,530)**	(6,912)
Placement of pledged bank deposits	**–**	(4,687)
	(19,731)	8,491
Net cash (used in) from financing activities		
Bank loans raised	**74,073**	101,494
Advance from directors	**100**	10,500
Exercise of share options	**309**	–
Repayment of bank loans	**(70,684)**	(106,469)
Other financing cash flows	**(6,877)**	(2,814)
Repayment of obligations under finance leases	**(1,939)**	(1,722)
Repayment to directors	**(100)**	(486)
New obligations under finance lease raised	**–**	610
	(5,118)	1,113
Net decrease in cash and cash equivalents	**(26,294)**	(10,207)
Cash and cash equivalents at 1 January	**57,365**	69,334
Effect of foreign currency rate changes	**782**	1,547
Cash and cash equivalents at 30 June, represented by bank balances and cash	**31,853**	60,674

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("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.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Manufacture and distribution of household products
- Manufacture and distribution of PVC pipes and fittings
- Provision of food waste recycling services
- Leasing of investment properties

Revenue from leasing of investment properties will continue to be accounted for in accordance with HKAS 17 "Leases", whereas revenue from provision of food waste recycling services recognised over time and revenues from the other sources recognised at a point in time will be accounted for under HKFRS15.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A point in time revenue recognition

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from manufacture and distribution of household products and PVC pipes and fittings are generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products, which also represented the point of time when goods delivered. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.2 Summary of effects arising from initial application of HKFRS 15

There are no material impact of transition to HKFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	HK$'000	HK$'000
Current Liabilities			
Trade and other payables	(239,435)	29,613	(209,822)
Contract liabilities	–	(29,613)	(29,613)

As at 1 January 2018, advances from customers of HK$29,613,000 in respect of manufacturing and distribution contracts previously included in trade and other payables were reclassified to contract liabilities as the Group has obligation to transfer goods or services to its customers for which the Group has received consideration from the customers.

As at 30 June 2018, advances from customers of HK$36,297,000 in respect of manufacturing and distribution contracts were classified as contract liabilities and the amount shall include in trade and other payables without application of HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no changes in classification and measurement on the Group's financial assets.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL *(Continued)*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS9

Impairment under ECL Model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances, and are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the losses previously recognised under HKAS 39.

3. TURNOVER AND 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 2018 (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 recognised at a point in time						
External sales	103,489	315,189	–	–	–	418,678
Inter-segment sales	47	108	–	–	(155)	–
Service income recognised over time	–	–	3,289	–	–	3,289
Rental income	–	–	–	2,141	–	2,141
Total segment revenue	103,536	315,297	3,289	2,141	(155)	424,108
Segment profit (loss)	8,241	1,976	(38,802)	4,471	–	(24,114)
Imputed interest income from deposit placed for a life insurance policy						563
Interest income						133
Premium charges on a life insurance policy						(764)
Unallocated corporate expenses						(13,650)
Finance costs						(6,430)
Loss before taxation						(44,262)

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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 recognised at a point of time						
External sales	101,823	278,874	–	–	–	380,697
Inter-segment sales	530	80	–	–	(610)	–
Service income recognised over time	–	–	3,933	–	–	3,933
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)

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

Segment profit (loss) represents the profit earned/(loss incurred) 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

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Compensation for land redevelopment project *(note 19)*	**13,861**	10,137
Net foreign exchange gain (loss)	**4,243**	(10,196)
Gain arising from changes in fair value of investment properties	**2,510**	2,270
Gain (loss) on disposal of property, plant and equipment	**44**	(8,100)
Loss on fair value change of foreign currency forward contracts	**(768)**	–
	19,890	(5,889)

5. FINANCE COSTS

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Interest on:		
– bank borrowings	**5,899**	7,059
– finance leases	**160**	227
– amount due to a director	**656**	581
	6,715	7,867
Less: amount capitalised in the cost of qualifying assets	**(285)**	(426)
	6,430	7,441

6. TAXATION

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
PRC Enterprise Income Tax ("EIT")	**2,789**	4,846
Deferred taxation credit	**(118)**	(492)
Taxation charge for the period	**2,671**	4,354

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$269,699,000 (for six months ended 30 June 2017: HK$207,877,000) 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

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	**–**	5
Amortisation of prepaid lease payments	**1,241**	1,142
Depreciation of property, plant and equipment	**27,948**	30,508
Impairment loss recognised on property, plant and equipment *(note 11)*	**25,619**	18,643
Impairment loss recognised on trade receivables	**15,248**	1,876
and after crediting:		
Gross rental income from investment properties	**2,141**	1,845
Less: Direct operating expenses that generated rental income	**(200)**	(128)
	1,941	1,717
Bank interest income	**133**	531
Imputed interest income from a deposit placed for a life insurance policy	**563**	551

8. DIVIDENDS

No final dividends in respect of the years ended 31 December 2017 and 31 December 2016 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 2017: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2018 is based on the loss for the period attributable to owners of the Company of HK$46,933,000 (for six months ended 30 June 2017: HK$49,391,000) and on weighted average number of ordinary shares of 763,498,740 (for six months ended 30 June 2017: 757,117,421) for the purpose of loss per share during the period.

The diluted loss per share for the period ended 30 June 2018 and 30 June 2017 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 2018 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$2,510,000 (increase in fair value for six months ended 30 June 2017: HK$2,270,000), 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 2018, the Group spent HK$26,561,000 (for six months ended 30 June 2017: HK$5,017,000) on purchase of property, plant and equipment, HK$5,545,000 (for six months ended 30 June 2017: HK$7,264,000) on construction costs of new manufacturing plants in the PRC.

During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of HK$2,462,000 (for six months ended 30 June 2017: HK$9,446,000) for cash proceeds of HK$2,506,000 (for six months ended 30 June 2017: HK$1,346,000), resulting in a gain on disposal of HK$44,000 (for six months ended 30 June 2017: loss on disposal of HK$8,100,000).

During the six months ended 30 June 2018, the management performed an impairment assessment on property, plant and equipment relating to the food waste recycling segment with carrying amount of HK$89,096,000 (31 December 2017: HK$137,391,000) 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 lower than the carrying amount of these property, plant and equipment and accordingly, impairment loss of HK$25,619,000 (for six months ended 30 June 2017: 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 9.48% (31 December 2017: 9.48%). Cash flows beyond the five-year period have been extrapolated using an estimated zero (31 December 2017: 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:

	30.6.2018	31.12.2017
	HK$'000	HK$'000
	(Unaudited)	(Audited)
0 – 30 days	**76,538**	97,650
31 – 60 days	**67,654**	97,276
61 – 90 days	**37,517**	68,338
91 – 180 days	**41,273**	54,212
Over 180 days	**87,304**	46,740
Trade receivables, net of allowance of doubtful debts	**310,286**	364,216
Prepayments for raw materials, deposits and other receivables	**42,158**	38,245
Prepaid lease payments	**2,373**	2,402
Deposit and prepayments for a life insurance policy	**1,546**	1,530
Total trade and other receivables	**356,363**	406,393

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:

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
0 – 30 days	**67,975**	85,654
31 – 60 days	**48,484**	31,386
61 – 90 days	**23,036**	22,078
Over 90 days	**44,439**	25,214
Total trade and bills payables	**183,934**	164,332
Other payables	**37,887**	75,103
Total trade and other payables	**221,821**	239,435

14. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of approximately HK$74,073,000 (for six months ended 30 June 2017: HK$101,494,000) and repaid bank loans of HK$70,684,000 (for six months ended 30 June 2017: HK$106,469,000). 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$254,143,000 (for six months ended 30 June 2017: HK$278,152,000).

15. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2017 and 30 June 2017	757,117,421	75,712
Exercise of share options *(note 1)*	6,200,000	620
At 31 December 2017	763,317,421	76,332
Exercise of share options *(note 2)*	1,000,000	100
At 30 June 2018	764,317,421	76,432

Notes:

1. During the year ended 31 December 2017, 1,600,000 shares of HK$0.1 each were issued to the share option holders at HK$0.237 per share upon exercise of the share options granted on 24 October 2011 and 4,600,000 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 under the share option scheme of the Company adopted on 10 June 2011 and all these shares rank pari passu with other ordinary shares of the Company in all respects.

2. During the six months ended 30 June 2018, 1,000,000 shares of HK$0.1 each were issued to the share option holders at HK$0.309 per share upon exercise of the share options granted on 12 November 2012 under the share option scheme of the Company adopted on 10 June 2011 and all these shares rank pari passu with other ordinary shares of the Company in all respects.

16. CAPITAL COMMITMENTS

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– buildings	**5,668**	5,988
– plant and equipment	**16,028**	18,003
	21,696	23,991

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities	Fair value as at 30.6.2018	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign currency forward contracts classified as financial assets at FVTPL in the condensed consolidated statement of financial position	HK$768,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There was no transfer among Level 1, 2 and 3 during the six months ended 30 June 2018.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

18. RELATED PARTIES TRANSACTIONS

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

(a) Compensation of key management personnel

	1.1.2018 to 30.6.2018 HK$'000 (Unaudited)	1.1.2017 to 30.6.2017 HK$'000 (Unaudited)
Short-term benefits	**11,690**	10,175
Retirement benefit scheme contributions	**54**	63
	11,744	10,238

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

18. RELATED PARTIES TRANSACTIONS *(Continued)*

(b) During the six months ended 30 June 2018, 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$83,448,000 (31 December 2017: HK$87,195,000). Approximately HK$70,645,000 (31 December 2017: HK$69,476,000) was utilised in respect of this banking facility as at 30 June 2018.

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 six months ended 30 June 2018, the Group paid interest expenses of HK$656,000 (for six months ended 30 June 2017: HK$581,000) on the amount due to a director of the Company, Ms. Fung Mei Po.

19. REDEVELOPMENT PROJECT

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 (classified as prepaid lease payments) ("Redevelopment Project") 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 above-mentioned independent third party property developer. 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 or commercial properties (the "Compensated Properties") constructed after the redevelopment of land.

19. REDEVELOPMENT PROJECT *(Continued)*

On 16 August 2017, Welidy and World (Baoan) further entered into a supplementary agreement of the provisional removal remedy agreement ("Supplementary Agreement") with the fellow subsidiary of the above-mentioned independent third party property developer who entered the Provisional Removal Remedy Agreement with Welidy (the "Developer"). In the Supplementary Agreement, the details of compensation have been finalised. Apart from the Compensated Properties to be received upon the completion of Redevelopment Project, compensation income were also received by the Group from the Developer during the six month ended 30 June 2018 of approximately RMB11,443,000 (equivalent to approximately HK$13,861,000) (during the six months ended 30 June 2017: approximately RMB8,900,000 (equivalent to approximately HK$10,137,000)) (as set out in note 4) to compensate the Group (on a non-refundable and unconditional basis) for the delay in the commencement of the Redevelopment Project.

On 6 July 2018, the Developer obtained the approval as executing entity of the Redevelopment Project from PRC Government.

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 32, which comprises the condensed consolidated statement of financial position as of 30 June 2018 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
24 August 2018

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 2018. This interim report has been approved by the Board and the Audit Committee of the Company.

- The Group recorded a consolidated turnover of HK$424,108,000 for the six months ended 30 June 2018, representing an increase of 9.7% or HK37,633,000 as compared to HK$386,475,000 of the same period last year.

- Gross profit of the Group was HK$60,061,000, representing an increase of 7.9% or HK$4,390,000 as compared to HK$55,671,000 of the same period last year. The gross profit margin was 14.2%, representing a decrease of 0.2% as compared to 14.4% of the same period last year.

- Loss for the period was HK$46,933,000, as compared to a loss of HK$49,391,000 for the same period last year.

- Basic loss per share was HK6.15 cents, as compared to basic loss per share of HK6.52 cents for the same period last year.

- The Board does not propose any payment of interim dividends for the six months ended 30 June 2018.

BUSINESS REVIEW

During the period of business review, the Group had engaged in the household products, PVC pipes manufacturing and the feed production from food waste recycling business.

For the household products business, the Group had timely handed over its production factory at Pingshan Shenzhen ("Pingshan Factory") to the co-operating developer for urban re-development project before 31 December 2017 according to their mutual agreement. Following the amalgamation of its Pingshan production manufacturing operation with Zhongshan factory the production cost had been reduced. In addition, with the monetary compensation and the reallocation of new properties to the Group by the co-operating developer upon redevelopment, more gains will be generated to the Group. In the meantime, the urban redevelopment project is progressing smoothly. The removal of Pingshan Factory and the amalgamation of the Zhongshan factory had been completed in December 2017. New machineries have to be purchased and installed and severance payment had to be paid to certain employees affected. However with the effort of the group to streamline the management and to reasonably revise the production cost to strengthen the market competition, there is a slightly increased of the turnover for 1.6% when comparing with the same period last year. There is a gradual improvement of the business than that before the amalgamation of the two factories.

For PVC pipe manufacturing business, the business turnover has increased by 13% when comparing with the same period last year. The business is rather steady and has contributed profit to the Group.

For the feed production from food waste recycling business, the business turnover has deceased by 16.4% when comparing with the same period last year. The business could not reach the target and recorded deficit. The Board will try to improve and raise the efficiency of the business.

For the property investment during the period under review, the gain arising form changes in fair value of investment properties was HK$2,510,000.

PROSPECTS

Looking to the future, for household products business the Group will continue to enhance streamlined management and revise reasonable production cost so as to increase efficiency and the profit.

For PVC pipe production it is expected that there will be steady growth of its production.

For feed production from food waste recycling business, the Group will actively promote this business and co-operate with renowned international scientific technological organizations to research on the usage of feed production from food waste recycling so as to improve productivity and to enhance production and sales varieties. The Group will try to expedite the development of its business as there are many opportunities 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 2018, the Group had bank balances and cash and pledged bank deposits of approximately HK$45,188,000 (31.12.2017: HK$77,967,000) and had interest-bearing bank borrowings of approximately HK$257,828,000 (31.12.2017: HK255,805,000). 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 2018 amounted to HK$600,886,000; of which HK$257,828,000 of the banking facilities was utilised (utilisation rate was at 42.9%).

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 2018, the Group had current assets of approximately HK$636,648,000 (31.12.2017: HK$657,761,000). The Group's current ratio was approximately 1.12 as at 30 June 2018 as compared with approximately 1.18 as at 31 December 2017. Total shareholders' funds of the Group as at 30 June 2018 decreased by 8.4% to HK$641,962,000 (31.12.2017: HK$701,173,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2018 was 1.11 (31.12.2017: 1.00).

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$254,143,000 (31.12.2017: HK$258,954,000) were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2018, the Group employed a total workforce of about 1,045 (30.6.2017: 1,288) including 992 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$41,210,000 (30.6.2017: HK$41,830,000). 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 2018 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 directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issue share capital of the Company
Lee Tat Hing	14,256,072	58,121,087 [a]	28,712,551 [c]	280,895,630 [d]	381,985,340	49.98%
Fung Mei Po	58,121,087	42,968,623 [b]	–	280,895,630 [d]	381,985,340	49.98%
Lee Chun Sing	27,815,830	2,526,000 [e]	–	280,895,630 [d]	311,237,460	40.72%
Lee Kwok Sing Stanley	2,481,280	–	–	280,895,630 [d]	283,376,910	37.08%
Lee Pak Tung	4,466,448	–	–	–	4,466,448	0.58%
Hui Chi Kuen Thomas	1,300,000	–	–	–	1,300,000	0.17%
Tsui Chi Him Steve	1,200,000	–	–	–	1,200,000	0.16%
Cheung Tze Man Edward	2,000,000	–	–	–	2,000,000	0.26%

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, 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 2018 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 2018 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 2018 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 2018.

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 2018 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 2018:

	Date of grant	Exercise price HK$ *(Note 1)*	Exercisable period	Outstanding as at 31.12.2017	Exercised during the period	Lapsed during the period	Outstanding as at 30.06.2018
Category 1: Directors							
Lee Tat Hing	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000	–	–	6,500,000
Lee Chun Sing	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000	–	–	6,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	–	–	3,000,000
Lee Kwok Sing Stanley	12.11.2012	0.309	12.11.2012 to 11.11.2022	4,500,000	–	–	4,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	–	–	3,000,000
Lee Pak Tung	12.11.2012	0.309	12.11.2012 to 11.11.2022	2,000,000	–	–	2,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000	–	–	500,000
Chan Lai Kuen Anita (Resigned on 21 June 2018)	12.11.2012	0.309	12.11.2012 to 11.11.2022	1,000,000	(1,000,000)	–	–
	01.09.2015	0.580	01.09.2015 to 31.08.2025	100,000	–	(100,000)	–
Kwong Bau To (Resigned on 23 June 2018)	01.09.2015	0.580	01.09.2015 to 31.08.2025	1,500,000	–	(1,500,000)	–
Cheung Tze Man Edward	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000	–	–	500,000
Tsui Chi Him Steve	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	–	–	300,000
Hui Chi Kuen Thomas	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	–	–	300,000
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000	–	–	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000	–	–	600,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	–	–	300,000
Shang Sze Ming	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	–	–	300,000
Category 2: Employees	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000	–	–	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,000,000	–	–	6,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	9,100,000	–	–	9,100,000
				48,600,000	(1,000,000)	(1,600,000)	46,000,000

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

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

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 2018, 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 2018.

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 2018. 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 2018.

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 2018