



世界(集團)有限公司

WORLD HOUSEWARE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 713)

ANNOUNCEMENT OF INTERIM RESULTS 2006

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 2006 together with the comparative figures for the corresponding period in 2005:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	1.1.2006 to 30.6.2006 HK\$'000 (Unaudited)	1.1.2005 to 30.6.2005 HK\$'000 (Unaudited)
Turnover	405,679	394,244
Cost of sales	(354,181)	(342,809)
Gross profit	51,498	51,435
Other income	1,334	1,667
Distribution costs	(4,683)	(4,765)
Administrative expenses	(39,403)	(40,794)
Loss arising from misappropriation of funds	(24,284)	—
Gain on disposal of property held for sale	—	3,540
Gain arising from fair value changes of investment properties	2,390	1,875
Gain arising from fair value changes of derivative financial instruments	28	3,563
Finance costs	(5,846)	(5,130)
(Loss) profit before taxation	(18,966)	11,391
Taxation	(3,702)	(2,090)
(Loss) profit for the period	(22,668)	9,301
(Loss) earnings per share		
Basic	(3.4) cents	1.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	30.6.2006 HK\$'000 (Unaudited)	31.12.2005 HK\$'000 (Audited)
Non-current assets		
Investment properties	35,910	48,842
Property, plant and equipment	611,752	608,263
Prepaid lease payments	124,956	125,485
Deposits paid for acquisition of property, plant and equipment	10,705	15,579
Intangible assets	2,433	—
	785,756	798,169
Current assets		
Inventories	184,365	170,672
Trade and other receivables	206,085	228,468
Properties held for sale	53,955	57,337
Prepaid lease payments	2,811	2,798
Investments held for trading	2,419	5,078
Taxation recoverable	747	394
Derivative financial instruments	2,121	2,483
Bank balances and cash	57,598	81,454
	510,101	548,684
Non-current assets classified as held for sale	39,927	—
	550,028	548,684
Current liabilities		
Trade and other payables	149,578	178,239
Taxation payable	233	689
Bank overdraft	7,940	9,709
Bank borrowings — amounts due within one year	286,041	219,458
Derivative financial instruments	—	154
Loss arising from misappropriation of funds	24,284	—
	468,076	408,249
Liabilities directly associated with non-current assets classified as held for sale	8,616	—
	476,692	408,249
Net current assets	73,336	140,435
Total assets less current liabilities	859,092	938,604
Non-current liabilities		
Bank borrowings — amounts due after one year	41,936	109,434
Deferred taxation liabilities	9,450	7,842
	51,386	117,276
	807,706	821,328
Capital and reserves		
Share capital	67,642	67,642
Reserves	740,064	753,686
	807,706	821,328

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

As more fully explained in the announcement dated 11 December 2006, a senior cashier of World Plastic Mat (Baoan) Company Limited ("World Baoan"), one of the Company's subsidiaries in the People's Republic of China ("PRC"), had embezzled some of World Baoan's funds (the "Misappropriation of Funds"). Based on an initial assessment made by a forensic accountant engaged by the Company, the directors of the Company have estimated that the loss from Misappropriation of Funds amounted to approximately RMB25,012,000 (approximately HK\$24,284,000). Accordingly, the Group has recognised the loss arising from the Misappropriation of Funds amounting to approximately HK\$24,284,000 in the condensed consolidated income statement for the six months ended 30 June 2006. As the investigation is still on-going, the loss from Misappropriation of Funds has not yet been finalised and is still subject to change and as such the directors of the Company are still in the process of determining the financial impacts on World Baoan's account balances including bank balances and cash, other receivables and trade and other payables. As such, the estimated loss has been presented separately on the condensed consolidated balance sheet as at 30 June 2006 until the completion of the investigation. The directors of the Company expect the final impacts to be reflected in the Group's consolidated financial statements for the year ending 31 December 2006.

2. Principal Accounting Policies

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2005 except as described below.

For the first time, the Group applied the following accounting policies in the current interim period.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from research and development expenditure is recognised only if the asset being created can be identified and it is probable that the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

In the current interim period, the Group has also applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) — INT 8	Scope of HKFRS 2 ³
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) — INT 10	Interim financial reporting and impairment ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2007.
- ² Effective for annual periods beginning on or after 1 March 2006.
- ³ Effective for annual periods beginning on or after 1 May 2006.
- ⁴ Effective for annual periods beginning on or after 1 June 2006.
- ⁵ Effective for annual periods beginning on or after 1 November 2006.

3. Segment Information

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

Six months ended 30 June 2006

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover					
Sales of goods					
External sales	221,627	183,157	—	—	404,784
Inter-segment sales	429	279	—	(708)	—
Rental income	—	—	895	—	895
Total	222,056	183,436	895	(708)	405,679
Result					
Segment result	5,257	4,707	1,484	—	11,448
Unallocated corporate expenses					(312)
Loss arising from Misappropriation of Funds					(24,284)
Gain arising from fair value changes of derivative financial instruments					28
Finance costs					(5,846)
Loss before taxation					(18,966)
Taxation					(3,702)
Loss for the period					(22,668)

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

Six months ended 30 June 2005

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover					
Sales of goods					
External sales	210,633	183,322	—	—	393,955
Inter-segment sales	766	523	—	(1,289)	—
Rental income	—	—	289	—	289
Total	211,399	183,845	289	(1,289)	394,244
Result					
Segment result	2,976	6,702	1,703	—	11,381
Unallocated corporate income					1,577
Gain arising from fair value changes of derivative financial instruments					3,563
Finance costs					(5,130)
Profit before taxation					11,391
Taxation					(2,090)
Profit for the period					9,301

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

4. Finance costs

	1.1.2006 to 30.6.2006 HK\$'000	1.1.2005 to 30.6.2005 HK\$'000
Interest on bank borrowings		
— wholly repayable within five years	(6,695)	(4,764)
— not wholly repayable within five years	(1,057)	(366)
Total borrowing costs	(7,752)	(5,130)
Less: Interest included in the cost of property, plant and equipment	1,906	—
	(5,846)	(5,130)

Borrowing costs included in the cost of property, plant and equipment during the period arose on the general borrowing pool and are calculated by applying a capitalisation of 2.5% to expenditure on such assets.

5. (Loss) Profit Before Taxation

	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	1,195	1,389
Depreciation	24,916	23,950
Loss arising from fair value changes of investments held for trading excluding dividend income	—	163
Loss on disposal of property, plant and equipment and after crediting:	107	—
Dividend income from investments held for trading	69	43
Gain arising from fair value changes of investments held for trading excluding dividend income	198	—
Gain on disposal of investments held for trading	36	—
Interest income	144	218
Rental income	895	289
	<u> </u>	<u> </u>

6. Taxation

	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
PRC Enterprise Income Tax	(2,140)	(820)
Deferred taxation charge	(1,562)	(1,270)
	<u> </u>	<u> </u>
	(3,702)	(2,090)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant tax jurisdictions.

7. Dividend

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

8. (Loss) Earnings Per Share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	<u>(22,668)</u>	<u>9,301</u>
	Number of shares	
	1.1.2006	1.1.2005
	to	to
	30.6.2006	30.6.2005
Number of shares for the purpose of calculating basic (loss) earnings per share	<u>676,417,401</u>	<u>676,417,401</u>

No diluted (loss) earnings per share has been presented for both periods because exercise price of the Company's share options was higher than the average market price of the Company's shares and the option expired on 18 February 2005.

EXTRACTS FROM INDEPENDENT REVIEW REPORT

The auditors' independent review report on the Group's interim financial report for the six months ended 30 June 2006 contained a modified review conclusion arising from limitation of review scope. The followings are extracts from the independent review report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited as follows. Subsequent to 30 June 2006, the Company discovered a misappropriation of funds committed by a former employee of a subsidiary of the Company, World Plastic Mat (Baoan) Company Limited ("World Baoan"), details of which are described in notes 1 and 18(b) to the condensed financial statements ("Misappropriation of Funds"). The directors of the Company have estimated that the loss from Misappropriation of Funds amounted to approximately HK\$24,284,000 based on an initial assessment made by the forensic accountant engaged by the Company. Accordingly, the Group has recognised the loss arising from the Misappropriation of Funds amounting to approximately HK\$24,284,000 in the condensed consolidated income statement for the six months ended 30 June 2006. As the investigation is still on-going, the loss from Misappropriation of Funds has not yet been finalised and is still subject to change and as such the directors of the Company are unable to make a final determination of the financial impacts on World Baoan's account balances included in the condensed consolidated balance sheet as at 30 June 2006. However, based on the initial assessment from the forensic accountant, the directors of the Company believe that the account balances affected are bank balances and cash, other receivables and trade and other payables with carrying amounts of approximately HK\$26,021,000, HK\$25,053,000 and HK\$30,402,000 respectively included in the condensed consolidated balance sheet as at 30 June 2006. As such pending completion of investigation, the estimated loss has been presented separately under current liabilities in the condensed consolidated balance sheet as at 30 June 2006. Because the investigation has not been completed, we are unable to determine whether the amounts recognised in respect of the loss arising from Misappropriation of Funds in the condensed consolidated income statement for the six months ended 30 June 2006 and the consolidated balance sheet at 30 June 2006 are fairly stated. We are also unable to determine the consequential impact of the loss on the bank balances and cash, other receivables and trade and other payables balances in the condensed consolidated balance sheet as at 30 June 2006.

Modified review conclusion arising from limitation of review scope

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments that might have been determined to be necessary had the above limitation not existed, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS**Results**

- The Group recorded a turnover of HK\$405,679,000 for the six months ended 30 June 2006, representing an increase of 2.9% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$51,498,000 and 12.7%, representing an increase of HK\$63,000 and a decrease of 0.4% respectively as compared to the same period last year.
- Loss for the period was HK\$22,668,000, as compared to a profit of HK\$9,301,000 for the same period last year.
- Basic loss per share was 3.4 cents, as compared to earnings per share of 1.4 cents for the same period last year.
- The Board of Directors do not propose any payment of dividend for the period.

BUSINESS REVIEW

During the period under review, the turnover of the Group amounted to HK\$405,679,000, representing an increase of 2.9% or HK\$11,435,000 as compared with HK\$394,244,000 for the same period last year. The Group's gross profit amounted to HK\$51,498,000, representing an increase of 0.1% or HK\$63,000 as compared with HK\$51,435,000 for the same period last year and the gross profit margin was 12.7%, representing a decrease of 0.4%, as compared with 13.1% for the same period last year. Loss for the period amounted to HK\$22,668,000, as compared with a profit of HK\$9,301,000 for the same period last year. As explained in the announcement dated 11 December 2006, a senior cashier of World Plastic Mat (Baoan) Company Limited ("World Baoan"), one of the Company's subsidiaries in the People's Republic of China ("PRC"), had embezzled

some of the World Baoan's funds (the "Misappropriation of Funds"). Based on an initial assessment made by a forensic accountant engaged by the Company, HK\$24,284,000 had been provided for as a loss arising from Misappropriation of Funds during the period under review. As a consequence, the Group reported a loss of HK\$22,668,000 for the six months ended 30 June 2006.

Household products

During the period under review, the turnover of PVC and fabric household products amounted to HK\$221,627,000, representing an increase of 5.2% or HK\$10,994,000 as compared with HK\$210,633,000 for the same period last year. Gross profit margin increased slightly by 1.1% to 16.9% from 15.8% for the same period last year. The gross profit margin, though improving, has not yet reached a satisfactory level. The gross profit margin was affected by the continuous escalation of international oil prices, the soared up to record high prices of Group's major raw materials such as PVC powder, PVC pellets, DOP plasticizers and industrial petrol which in turn inevitably pushed up the prices of the relevant downstream materials. The China's rapid economic growth had also led to the continuous increase of the wages in the domestic labour market. Other unfavourable factors such as the RMB appreciation, export tax reduction and increase of bank interest rate have all resulted in a substantial increase of the production costs. In light of such stringent business environment, our competitors adopted aggressive price strategies and throat-cutting competition in order to maintain their market share. Facing with such fierce competition, the Group was unable to shift the increasing costs completely to its customers.

PVC pipes and fittings

The turnover of PVC pipes and fittings amounted to HK\$183,157,000 during the period under review, representing a decrease of 0.1% or HK\$165,000 as compared with HK\$183,322,000 for the same period last year. Gross profit margin narrowed by 2.3% to 7.6% from 9.9% for the same period last year. The results were lower than expected for reasons similar to the production of the household products. Also the new investment for PE high-end plastic pipes that can be used for coal gas and hot water supply and air-conditioning has commenced but is in its rudimentary stage and cannot contribute noticeable benefits to the Group.

Property investment

During the period under review, a gain arising from fair value changes of investment properties of HK\$2,390,000 was made.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

PROSPECTS

The China's open-door economic policy has attracted an increasing number of domestic and foreign investors and led to intensified market competition which in turn has adversely affected profitability of labour-intensive industries.

To cope with these challenges, the Group will strive to streamline and enhance its resources allocation. The Group will close or dispose some of its underperforming, labour-intensive and low margin production projects and focus on its environmental protection and reborn resources business, through establishing specialized research and development centres, recruiting professionals and acquiring a range of state-of-the-art equipment and machineries for production.

The South China Reborn Resources (Zhongshan) Company Limited, a wholly-owned subsidiary of the Group located in Shaxi, Zhongshan, the PRC, completed a smooth trial production and has commenced operation. It is expected that this new business will bring encouraging returns upon full operation.

In order to reduce the risks of similar incidents (Misappropriation of Funds) in the future, the Company will engage an external independent expert to review the effectiveness of the Group's internal control system and make recommendations to the Board to strengthen the system as a whole.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 30 June 2006, the Group had bank balances and cash of approximately HK\$57,598,000 (31.12.2005: HK\$81,454,000) and had interest-bearing bank borrowings of approximately HK\$344,533,000 (31.12.2005: HK\$338,601,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 30 June 2006 amounted to HK\$738,250,000; of which HK\$347,886,000 of the banking facilities was utilised (utilisation rate was at 47.1%).

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.

At 30 June 2006, the Group had current assets of approximately HK\$550,028,000 (31.12.2005: HK\$548,684,000). The Group's current ratio was approximately 1.15 as at 30 June 2006 as compared with approximately 1.34 as at 31 December 2005. Total shareholders' funds of the Group as at 30 June 2006 decreased by 1.7% to HK\$807,706,000 (31.12.2005: HK\$821,328,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2006 was 0.65 (31.12.2005: 0.64).

CHARGES ON ASSETS

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK\$170,495,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2006, the Group employed a total workforce of about 4,090 (30.6.2005: 5,060) including 360 permanent staff and 3,730 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$42,174,000 (30.6.2005: HK\$35,949,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.

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

During the six months ended 30 June 2006, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 2006. The unaudited interim results have also been reviewed by the Company's external auditors.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the period ended 30 June 2006, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Directors noted that during this period a senior cashier of one of the Company's subsidiaries in the PRC had embezzled some of the subsidiary's funds. The matter had been reported to the PRC police for investigation.

In order to reduce the risks of similar incidents in the future, the internal control system of the Group is under ongoing review. As part of this review exercise, the Company will engage an external independent expert to review the effectiveness of the Group's internal control system and make recommendations to the Board to strengthen the system as a whole.

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.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's 2006 Interim Report containing all the information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) and will be sent to shareholders of the Company as soon as practicable.

By Order of the Board
Lee Tat Hing
Chairman

Hong Kong, 14 December 2006

As at the date of this announcement, the executive directors of the Company are Mr. Lee Tat Hing, Madam Fung Mei Po, Mr. Lee Chun Sing, Madam Lai Lai Wah, Mr. Lee Pak Tung, Mr. Kwong Bau To, Mr. Choi Kwok Keung Sanvic and Madam Chan Lai Kuen Anita; the non-executive director of the Company is Mr. Cheung Tze Man Edward; the independent non-executive directors of the Company are Mr. Hui Chi Kuen Thomas, Mr. Ho Tak Kay and Mr. Tang King Hung.