



WORLD HOUSEWARE (HOLDINGS) LIMITED

(incorporated in Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 together with the comparative figures for the last corresponding year:

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		737,541	679,655
Cost of sales		(621,813)	(548,923)
Gross profit		115,728	130,732
Other operating income		11,376	10,274
Distribution costs		(11,120)	(10,333)
Administrative expenses		(72,559)	(77,237)
Surplus/(deficit) arising on revaluation of investment properties		20	(2,330)
Profit from operations	4	43,445	51,106
Finance costs	5	(3,485)	(5,156)
Profit before taxation		39,960	45,950
Taxation	6	(2,932)	(3,922)
Net profit for the year		37,028	42,028
Dividend		6,764	6,764
Earnings per share	7		
Basic		5.5 cents	6.2 cents
Diluted		5.5 cents	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets		
Investment properties	15,220	15,200
Property, plant and equipment	672,116	662,179
Deposits paid for acquisition of property, plant and equipment	12,604	4,304
	<u>699,940</u>	<u>681,683</u>
Current assets		
Inventories	137,531	115,354
Trade and other receivables	203,446	136,080
Trading securities	4,449	5,027
Taxation recoverable	1,360	1,004
Bank balances and cash	68,636	54,001
	<u>415,422</u>	<u>311,466</u>
Current liabilities		
Trade and other payables	145,990	116,143
Taxation payable	52	963
Bank borrowings — amount due within one year	173,189	100,240
	<u>319,231</u>	<u>217,346</u>
Net current assets	<u>96,191</u>	<u>94,120</u>
	<u>796,131</u>	<u>775,803</u>
Non-current liabilities		
Bank borrowings — amount due after one year	15,892	22,857
Deferred taxation	5,981	4,411
	<u>21,873</u>	<u>27,268</u>
	<u>774,258</u>	<u>748,535</u>
Capital and reserves		
Share capital	67,642	67,642
Reserves	706,616	680,893
	<u>774,258</u>	<u>748,535</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2003

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted for the first time the revised Statement of Standard Accounting Practice (“SSAP”) No. 12 “Income taxes” issued by the Hong Kong Society of Accountants. The revised SSAP 12 has introduced a new basis of accounting for income taxes (including both current taxation and deferred taxation) and additional disclosure requirements which have been adopted in the financial statements. The adoption of revised SSAP 12 has had no significant impact in the financial statements. Accordingly, no prior year adjustments was required.

Other than the above, the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2002.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into two divisions: household products and PVC pipes and fittings.

Segment information about these businesses is presented below.

Year Ended 31 December 2003

	Household products <i>HK\$’000</i>	PVC pipes and fittings <i>HK\$’000</i>	Eliminations <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Segment revenue				
External sales	424,406	313,135	—	737,541
Inter-segment sales	43,758	1,068	(44,826)	—
Total	<u>468,164</u>	<u>314,203</u>	<u>(44,826)</u>	<u>737,541</u>
Result				
Segment result	18,452	27,802		46,254
Unallocated corporate expenses				<u>(2,809)</u>
Profit from operations				43,445
Finance costs				<u>(3,485)</u>
Profit before taxation				39,960
Taxation				<u>(2,932)</u>
Net profit for the year				<u>37,028</u>

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

Year Ended 31 December 2002

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	440,250	239,405	—	679,655
Inter-segment sales	<u>73,246</u>	<u>4,551</u>	<u>(77,797)</u>	<u>—</u>
Total	<u>513,496</u>	<u>243,956</u>	<u>(77,797)</u>	<u>679,655</u>
Result				
Segment result	29,688	27,867		57,555
Unallocated corporate expenses				<u>(6,449)</u>
Profit from operations				51,106
Finance costs				<u>(5,156)</u>
Profit before taxation				45,950
Taxation				<u>(3,922)</u>
Net profit for the year				<u>42,028</u>

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

Geographical segment

Substantially all of the sales of the Group's PVC pipes and fittings were made to customers in the People's Republic of China (the "PRC"), including Hong Kong. An analysis of the Group's sales of household products by geographical market is as follows:

	Turnover	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
United States of America	314,107	311,322
Asia	56,984	64,789
Canada	19,451	15,630
Europe	16,397	30,195
Latin America	13,937	12,339
Australia	3,024	4,096
Other areas	<u>506</u>	<u>1,879</u>
Total sales of household products	<u>424,406</u>	<u>440,250</u>

4. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,509	1,624
Cost of inventories recognised as expense	432,975	433,097
Depreciation	47,979	47,404
Loss on disposal of property, plant and machinery	695	3,201
Operating lease rentals in respect of rented premises	4,528	5,211
Preliminary expenses written off	—	429
Temporary quota charges	197	1,105
Unrealised holding loss on trading securities	—	887
and after crediting:		
Dividend income from trading securities	176	175
Realised gain on disposal of trading securities	517	—
Gross rental income	926	992
Interest income	461	434
Unrealised gain on forward contracts	2,294	—
Unrealised holding gain on trading securities	972	—
	<u> </u>	<u> </u>

5. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank borrowing wholly repayable within five years	(3,485)	(4,699)
Interest on bank borrowing not wholly repayable within five years	—	(489)
	<u> </u>	<u> </u>
	(3,485)	(5,188)
<i>Less: Amount capitalised in buildings under construction</i>	—	32
	<u> </u>	<u> </u>
	<u>(3,485)</u>	<u>(5,156)</u>

6. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong Profits Tax calculated at 17.5% (2002: 16%) of the estimated assessable profits of the year		
— charge for the year	(393)	(44)
— over (under) provision in prior years	25	(38)
	<u> </u>	<u> </u>
	(368)	(82)
Non Hong Kong taxation		
— charge for the year	(968)	(1,975)
	<u> </u>	<u> </u>
	(1,336)	(2,057)
Deferred taxation charge	(1,596)	(1,865)
	<u> </u>	<u> </u>
	<u>(2,932)</u>	<u>(3,922)</u>

Non Hong Kong taxation represents enterprise income tax of 15% on income derived from other parts of the PRC outside of Hong Kong. Certain subsidiaries in the PRC are eligible for tax concessions.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share	<u>37,028</u>	<u>42,028</u>
	Number of shares	
	2003	2002
Number of shares for the purpose of calculating basic earnings per share	676,417,401	<u>676,417,401</u>
Effect of dilutive potential shares under share options	<u>152,954</u>	
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>676,570,355</u>	

FINAL DIVIDEND

The directors have resolved to recommend the payment of a final dividend of 0.5 cent per share in respect of the year ended 31 December 2003 payable to shareholders (31.12.2002: 0.5 cent per share) whose names appear on the Company's register of members on 25 May 2004. Together with the interim dividend of 0.5 cent (2002: 0.5 cent) per share already paid during the year, the total dividend for 2003 would be 1 cent (2002: 1 cent) per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2004 to 25 May 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong at Secretaries Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 19 May 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

- The Group recorded a turnover of HK\$737,541,000 for the year ended 31 December 2003, representing an increase of 8.5% as compared with last year.
- Gross profit and gross profit margin of the Group recorded HK\$115,728,000 and 15.7%, representing a decrease of HK\$15,004,000 and 3.5% respectively as compared with last year.

- Profit for the year attributable to shareholders was HK\$37,028,000, representing a decrease of 11.9% as compared with last year.
- Basic earnings per share was 5.5 cents, representing a decrease of 11.3% as compared with last year.
- The Board of Directors proposed a final dividend of 0.5 cent per share.

Business Review

Facing the grim challenges particularly following the US-Iraq War, the Severe Acute Respiratory Syndrome (“SARS”) outbreak, sluggish recovery of US and Europe markets and the price rise of raw materials in PVC, chemical fiber and fabrics, the Group’s turnover in household products recorded HK\$424,406,000, representing a decrease of 3.6% compared with last year (2002: HK\$440,250,000). Profit from operations in household products recorded HK\$18,452,000, representing a decrease of 37.8% compared with last year (2002: HK\$29,688,000).

The impact of China’s accession to the World Trade Organisation continued to sustain a positive move in demand of construction-related materials for basic infrastructure and construction of properties. The Group’s turnover in PVC pipes and fittings recorded HK\$313,135,000, representing an increase of 30.8% compared with last year (2002: HK\$239,405,000). Profits from operations in PVC pipes and fittings recorded HK\$27,802,000, representing a decrease of 0.2% compared with last year (2002: HK\$27,867,000).

On geographical basis, Asia and United States of America continued to remain the dominant markets to the Group, which accounted for 50.2% and 42.6% of the Group’s turnover respectively.

During the first half of 2003, the US-Iraq War and SARS outbreak had affected the overseas customers adopting conservative purchasing approaches in placing orders. In the PRC, during the SARS outbreak period, the construction-related business was forced to halt due to lack of manpower following the Government policy to curb the mobility of population for infection control, resulting in a decrease in the demand of the construction-related materials. Such unexpected events, natural disaster and epidemic had material and adverse impact of our Group’s core businesses. In the second half of 2003, the sharp price rise of raw materials in PVC, chemical fiber and fabrics had deteriorated the Group’s operating environment. The rise in the price of the Group’s principal products could not keep pace with the rise in the price of PVC raw materials and therefore the Group’s profit margins were under pressure.

Prospects

The Group’ wholly-owned subsidiaries located in Wangzhung Town, Changshu City, Jiangsu Province, Nam Sok Houseware Producing (Changshu) Co., Ltd. (“NSHW”) and Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd. (“NSBM”) had completed most of the construction of production plants and the installation of machinery and equipment, and production has gradually commenced. North America, Europe, Canada and other countries will completely uplift the quota system of chemical fiber and fabric household products at the beginning of 2005, which creates enormous business opportunities for the Group’s household products.

The timely commencement of the production of NSHW will certainly be conducive to the increase in the Group's production capacity and market expansion with an aim to achieve good operating returns.

Driven by the rapid economic growth in the PRC, it is expected that construction-related businesses will grow vigorously, and the commencement of production in NSBM will help to meet the market demand particularly in Shanghai, Huadong and Huazhong regions of the PRC. With our highly flexible marketing strategy to explore market coverage and to improve operating profits, the Board believes that this business segment will generate respectable benefit to the Group.

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 31 December 2003, the Group had bank balances and cash of approximately HK\$68,636,000 (2002: HK\$54,001,000) and had interest-bearing bank borrowings of approximately HK\$189,081,000 (2002: HK\$123,097,000).

The Group's total banking facilities available as at 31 December 2003 amounted to HK\$544,707,000; of which HK\$260,332,000 was utilised (utilisation rate was at 47.8%). Subsequent to the balance sheet date, term loan banking facilities totalling HK\$187,000,000 were arranged with two banks, and out of which HK\$80,000,000 was drawn down in April 2004.

The Group conducts its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi. During the year, the Group took advantage of the low United States of America's exchange risk environment and entered into foreign currency forward contracts to hedge the Group's exposure in making purchases in United States dollars. A realised gain on forward contracts was made in the amount of HK\$2,294,000 subsequent to the balance sheet date.

At 31 December 2003, the Group had current assets of approximately HK\$415,422,000 (2002: HK\$311,466,000). The Group's current ratio was approximately 1.3 as at 31 December 2003 as compared with approximately 1.4 as at 31 December 2002. Total shareholders' funds of the Group as at 31 December 2003 increased by 3.4% to HK\$774,258,000 (2002: HK\$748,535,000). The gearing ratio (measured as total liabilities / total shareholders' funds) of the Group as at 31 December 2003 was 0.44 (2002: 0.33).

CHARGES ON ASSETS

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK\$111,219,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND REMUNERATION

At 31 December 2003, the Group employed a total workforce of about 4,900 (2002:5,100) including 270 permanent staff and 4,630 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the year was HK\$78,612,000 (2002: HK\$80,832,000). It is our Group 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 SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the year ended 31 December 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the audited financial statements.

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by paragraph 45(1) and 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

On behalf of the Board

Lee Tat Hing

Chairman and Managing Director

Hong Kong, 23 April 2004

As at the date of this announcement, Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing, Ms. Lai Lai Wah, Mr. Wat Kwing Cheung, Alexander and Mr. Lee Pak Tung are the executive directors and Mr. Wong Kong Chi and Mr. Cheung Tze Man, Edward are the independent non-executive directors.

Please also refer to the published version of this announcement in the China Daily.