



# 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 2004

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 2004 together with the comparative figures for the corresponding period in 2003:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 June 2004

	<i>Notes</i>	<b>1.1.2004 to 30.6.2004 HK\$'000 (Unaudited)</b>	<b>1.1.2003 to 30.6.2003 HK\$'000 (Unaudited)</b>
Turnover		<b>378,042</b>	342,724
Cost of sales		<b>(325,892)</b>	(282,116)
Gross profit		<b>52,150</b>	60,608
Other operating income		<b>1,399</b>	3,050
Distribution costs		<b>(4,398)</b>	(3,951)
Administrative expenses		<b>(38,074)</b>	(35,075)
Deficit arising on revaluation of investment properties		<b>—</b>	(680)
Profit from operations		<b>11,077</b>	23,952
Finance costs	4	<b>(1,971)</b>	(1,703)
Profit before taxation	5	<b>9,106</b>	22,249
Taxation credit (charge)	6	<b>2</b>	(1,981)
Profit for the period		<b>9,108</b>	20,268
Dividend		<b>3,382</b>	3,382
Earnings per share	7		
Basic		<b>1.3 cents</b>	3.0 cents
Diluted		<b>1.3 cents</b>	3.0 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

	30.6.2004 HK\$'000 (Unaudited)	31.12.2003 HK\$'000 (Audited)
Non-current assets		
Investment properties	20,121	15,220
Property, plant and equipment	702,516	672,116
Deposits paid for acquisition of property, plant and equipment	54,345	12,604
	<u>776,982</u>	<u>699,940</u>
Current assets		
Inventories	182,411	137,531
Trade and other receivables	235,992	203,446
Properties held for sale	57,247	—
Trading securities	4,327	4,449
Taxation recoverable	—	1,360
Bank balances and cash	56,714	68,636
	<u>536,691</u>	<u>415,422</u>
Current liabilities		
Trade and other payables	144,731	145,990
Taxation payable	867	52
Bank borrowings — amount due within one year	202,389	173,189
	<u>347,987</u>	<u>319,231</u>
Net current assets	<u>188,704</u>	<u>96,191</u>
	<u>965,686</u>	<u>796,131</u>
Non-current liabilities		
Bank borrowings — amount due after one year	180,621	15,892
Deferred taxation	5,081	5,981
	<u>185,702</u>	<u>21,873</u>
	<u>779,984</u>	<u>774,258</u>
Capital and reserves		
Share capital	67,642	67,642
Reserves	712,342	706,616
	<u>779,984</u>	<u>774,258</u>

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For The Six Months Ended 30 June 2004*

### **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 Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

### **2. ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and trading securities.

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 2003, with the addition of the following accounting policy:

#### **Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost, which comprises direct purchase cost and, where applicable, other incidental expenses that have been incurred in bringing the properties to their present location and condition. Net realisable value represents the actual or estimated selling price in the ordinary course of business less all related selling costs.

### 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

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

*Six months ended 30 June 2004*

	<b>Household products <i>HK\$'000</i></b>	<b>PVC pipes and fittings <i>HK\$'000</i></b>	<b>Eliminations <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
Turnover				
External sales	<b>208,427</b>	<b>169,615</b>	—	<b>378,042</b>
Inter-segment sales	<b>3,453</b>	<b>790</b>	<b>(4,243)</b>	—
Total	<b><u>211,880</u></b>	<b><u>170,405</u></b>	<b><u>(4,243)</u></b>	<b><u>378,042</u></b>
Result				
Segment result	<b>4,650</b>	<b>8,778</b>		<b>13,428</b>
Unallocated corporate expenses				<b><u>(2,351)</u></b>
Profit from operations				<b>11,077</b>
Finance costs				<b><u>(1,971)</u></b>
Profit before taxation				<b>9,106</b>
Taxation credit				<b><u>2</u></b>
Profit for the period				<b><u>9,108</u></b>

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

Business segments

Six months ended 30 June 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>
Turnover				
External sales	199,078	143,646	—	342,724
Inter-segment sales	<u>40,668</u>	<u>1,107</u>	<u>(41,775)</u>	<u>—</u>
Total	<u><u>239,746</u></u>	<u><u>144,753</u></u>	<u><u>(41,775)</u></u>	<u><u>342,724</u></u>
Result				
Segment result	13,318	13,560		26,878
Unallocated corporate expenses				<u>(2,926)</u>
Profit from operations				23,952
Finance costs				<u>(1,703)</u>
Profit before taxation				22,249
Taxation charge				<u>(1,981)</u>
Profit for the period				<u><u>20,268</u></u>

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

## Geographical segments

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:

	<b>Turnover</b>	
	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
United States of America	<b>142,858</b>	146,259
Asia	<b>38,203</b>	28,500
Europe	<b>10,230</b>	9,198
Canada	<b>9,840</b>	7,695
Latin America	<b>5,913</b>	6,053
Australia	<b>815</b>	909
Other areas	<b>568</b>	464
	<hr/>	<hr/>
Total sales of household products	<b>208,427</b>	199,078
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## 4. FINANCE COSTS

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
Interest on bank borrowings		
— wholly repayable within five years	<b>(1,902)</b>	(1,703)
— not wholly repayable within five years	<b>(69)</b>	—
	<hr/>	<hr/>
	<b>(1,971)</b>	(1,703)
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## 5. PROFIT BEFORE TAXATION

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	<b>24,904</b>	22,960
Unrealised holding loss on trading securities	<b>122</b>	—
Loss on disposal of property, plant and equipment	<b>65</b>	—
and after crediting:		
Dividend income from trading securities	<b>34</b>	162
Interest income	<b>284</b>	292
Realised gain on disposal of trading securities	—	525
Rental income	<b>380</b>	466
Unrealised gain on forward contracts	<b>369</b>	—
Unrealised holding gain on trading securities	—	14
	<b><u>          </u></b>	<b><u>          </u></b>

## 6. TAXATION CREDIT (CHARGE)

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
Current tax outside Hong Kong	<b>(898 )</b>	(619 )
Deferred taxation credit (charge)	<b>900</b>	(1,362 )
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>          2</u></b>	<b><u>          (1,981 )</u></b>

No provision for Hong Kong Profits Tax is 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. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share is based on the following data:

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share	<b><u>9,108</u></b>	<u>20,268</u>
	<b>Number of shares</b>	
	<b>1.1.2004 to 30.6.2004</b>	1.1.2003 to 30.6.2003
Weighted average number of shares for the purpose of calculating basic earnings per share	<b>676,417,401</b>	676,417,401
Potential dilutive shares issuable under share options	<b><u>497,252</u></b>	<u>27,163</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<b><u>676,914,653</u></b>	<u>676,444,564</u>

## INTERIM DIVIDEND

The directors have resolved to declare an interim dividend of 0.5 cent per share in respect of the six months ended 30 June 2004 payable to shareholders (30.6.2003: 0.5 cent per share) whose names appear on the Company's register of members on 14 October 2004.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 October 2004 to 14 October 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, 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 8 October 2004.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

- The Group recorded a turnover of HK\$378,042,000 for the six months ended 30 June 2004, representing an increase of 10.3% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded of HK\$52,150,000 and 13.8%, representing a decrease of HK\$8,458,000 and 3.9% respectively as compared to the same period last year.
- Profit for the period attributable to shareholders was HK\$9,108,000, representing a decrease of 55% as compared to the same period last year.
- Basic earnings per share was 1.3 cents, representing a decrease of 56.7% as compared to the same period last year.
- The Board of Directors proposed an interim dividend of 0.5 cent per share.

### Business Review

The oil price has been on a continuous surge and made several record highs, resulting in the dramatic global increase in the prices of various down-stream plastic raw materials ranging from 50% to 100%. Also, the PRC government started to reduce certain export tax refund rate by 2 percent to 13% in 2004. These two factors represented the major challenges for the Group during the period under review.

For the six months ended 30 June 2004, the Group's turnover amounted to HK\$378,042,000, representing an increase of 10.3% or HK\$35,318,000 as compared with HK\$342,724,000 for the same period last year. The turnover of household products of the Group was 208,427,000, an increase of 4.7% or HK\$9,349,000 as compared with HK\$199,078,000 for the same period last year. The turnover of PVC pipes and fittings of the Group amounted to HK\$169,615,000, representing an increase of 18% or HK\$25,969,000 as compared with HK\$143,646,000 for the same period last year. During the period under review, the Group's gross profit amounted to HK\$52,150,000, representing a 14% decrease compared with HK\$60,608,000 for the same period last year; and the gross profit margin for the period under review was 13.8%, representing a decrease of 3.9% as compared with the 17.7% for the same period last year.

The increase in the Group's turnover was mainly attributable to the commencement of production of two subsidiaries located in WangZhuang Town, Changshu City, Jiangsu Province, the PRC, namely Nam Sok Houseware Producing (Changshu) Co., Ltd. and Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd. at the beginning of the year 2004. During the period under review, the boosting in expansion of market share of the newly launched cotton and chemical fibres household products as well as the PVC pipes and fittings products recorded fruitful results. The reduction of gross profit margin was mainly due to the rise in oil price during the period under review that has led to a substantial increase in the prices of the major raw materials. The Board had timely reviewed and adjusted its purchasing strategies by extending its sourcing scope, signing long-term purchase contracts and utilising the Group's vertical production process through establishment of strategic alliances with various suppliers to exercise stringent control over our production cost to mitigate the effect on the substantial increase in the prices of the major raw materials. However, as the Group's business partners and associates in household products were mainly the famous overseas department stores, chain stores and distributors; shifting the increased additional cost burden to a reasonable level was not acceptable by them. With an aim to maintain the long-established business relationships with our business partners and associates and uphold business opportunities for future development, the Board decided to sacrifice part of the gross profit margin in order to survive the hardships with our various business partners and associates and to provide more competitive prices to maintain the market share. Consequently, the gross profit margin of household products dropped markedly.

The Group's another core business, PVC pipes and fittings, mainly vested in the PRC market, was driven forward by the strong growth momentum of the PRC economy and the continuous and prosperous development of the various types of infrastructure and real estates construction projects. The turnover of PVC pipes and fittings recorded satisfactory growth. However, we were unable to pass on the substantial increase in the prices of the major raw materials to the customers, and as a result, the gross profit margin reduced accordingly.

The Group has put emphasis on the research, enhancement, development and innovation of substituted raw materials that related to the Group's core business, with an aim to control production cost and increase production capacity and eventually improve the operating profits.

The Group is actively pursuing plans to commence, in Sha Xi Town, Zhongshan City, Guangdong Province, the PRC, the businesses of recycling and reborn resources and its related businesses. This new venture is intended to help increase the Group's core business operating profits as well as to achieve cost control effectiveness. Further details of this new investment will be announced as soon as practicable.

## **Prospects**

Success is built on one's ability to strive against the tides. In face of the harsh environment induced by the drastic increase in the prices of the major raw materials, the Group will catch every business opportunities and current trends to adopt more flexible approaches and take corrective action to fine-tune with the changing environment and improve the Group's gross profit margin. Also, the Group will strengthen the co-operation with the business associates and create better business relationships with the business partners. All of these strategies can help the Group to survive and achieve better performance. Accelerating growth and expanding the market share are the key success factors in this stringent environment.

The Group resolves to face the current difficult operating environment as opportunities as much as challenges. Our Board is united, diligent and ready to cope with the difficulties ; our management and staff is devoted to work their best efforts; with the sound goodwill and solid business foundation; and with the full support from our business associates and partners and from the shareholders, we are confident to achieve our target performance.

## **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 2004, the Group had bank balances and cash of approximately HK\$56,714,000 (31.12.2003: HK\$68,636,000) and had interest-bearing bank borrowings of approximately HK\$383,010,000 (31.12.2003: HK\$189,081,000).

The Group's total banking facilities available as at 30 June 2004 amounted to HK\$765,320,000; of which HK\$435,185,000 were utilised (utilisation rate was at 56.9%). Total term loans banking facilities of HK\$165,000,000 were drawn down from two banks during the period.

The Group conducts its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi. The Group continued to take advantage of the low United States of Americas' exchange risk environment and entered into foreign currency forward contracts to hedge the Group's exposure in making purchases in US Dollars. During the period, an unrealised gain on forward contracts was made in the amount of HK\$369,000.

At 30 June 2004, the Group had current assets of approximately HK\$536,691,000 (31.12.2003: HK\$415,422,000). The Group's current ratio was approximately 1.5 as at 30 June 2004 as compared with approximately 1.3 as at 31 December 2003. Total shareholders' funds of the Group as at 30 June 2004 increased by 0.7% to HK\$779,984,000 (31.12.2003: HK\$774,258,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2004 was 0.68 (31.12.2003: 0.44).

## **CHARGES ON ASSETS**

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK\$109,648,000 were pledged to banks for general banking facilities granted to the Group.

## **STAFF AND EMPLOYMENT**

At 30 June 2004, the Group employed a total workforce of about 5,200 (30.6.2003:4,900) including 280 permanent staff and 4,920 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$36,748,000 (30.6.2003: HK\$32,122,000). 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 SHARES**

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

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with 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 financial statements for the six months ended 30 June 2004. The unaudited interim financial statements have also been reviewed by the Company's external auditors.

## **ADOPTION OF THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (as may be amended from time to time by The Stock Exchange of Hong Kong Limited (The "Stock Exchange") pursuant to the Listing Rules) as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

A detailed interim results announcement of the Company containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

By Order of the Board

**Lee Tat Hing**

*Chairman and Managing Director*

Hong Kong, 17 September 2004

As at the date of this announcement, the executive directors of the Company are Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing, Ms. Lai Lai Wah, Mr. Wat Kwing Cheung and Mr. Lee Pak Tung; the non-executive director of the Company is Mr. Cheung Tze Man, Edward; the independent non-executive directors of the Company are Mr. Wong Kong Chi, Mr. Hui Chi Kuen, Thomas and Mr. Ho Tak Kay.

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