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WORLD SUPER HOLDINGS LIMITED

維亮控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8612)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of World Super Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	NOTES	HK\$	HK\$
Revenue	3	45,898,633	43,781,015
Cost of sales and services		(21,190,036)	(18,512,261)
Gross profit		24,708,597	25,268,754
Net other income	4	471,442	3,629,430
Other operating expenses		(2,583,115)	(1,520,106)
Administrative expenses		(13,979,584)	(11,644,226)
Selling and distribution expenses		(1,481,933)	(1,165,678)
Finance costs	5	(3,004,031)	(3,776,170)
Profit before taxation		4,131,376	10,792,004
Income tax expense	6	(1,996,564)	(2,765,884)
Profit and total comprehensive income for the year	7	2,134,812	8,026,120
Earnings per share (HK cents per share)			
Basic	9	0.41	1.78
Diluted	9	0.41	1.78

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Year ended 31 December	
		2019	2018
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current Assets			
Plant and equipment		126,299,871	106,245,193
Right of use assets		1,354,343	1,400,478
		127,654,214	107,645,671
Current Assets			
Inventories		1,149,505	1,404,505
Trade and other receivables	<i>10</i>	16,347,721	13,526,512
Bank balances and cash		25,910,589	313,138
Pledged bank deposits		2,915,421	2,902,912
		46,323,236	18,147,067
Current Liabilities			
Trade and other payables	<i>11</i>	4,379,507	9,867,245
Borrowings — due within one year		5,594,214	7,373,304
Obligations under finance leases			
— due within one year		22,420,730	44,026,065
Convertible bonds			
— due within one year		—	14,482,003
Bank overdrafts		—	1,489,724
Lease liabilities			
— current portion		814,707	1,225,497
		33,209,158	78,463,838
Net Current Assets (Liabilities)		13,114,078	(60,316,771)
Total Assets less Current Liabilities		140,768,292	47,328,900

	Year ended 31 December	
	2019	2018
<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current Liabilities		
Borrowings — due after one year	—	594,306
Obligations under finance leases		
— due after one year	99,864	526,802
Deferred tax liabilities	9,009,564	7,013,000
Lease liabilities		
— non-current portion	549,373	212,384
	<u>9,658,801</u>	<u>8,346,492</u>
Net Assets	<u>131,109,491</u>	<u>38,982,408</u>
Capital and Reserves		
Share capital	6,000,000	1
Reserves	<u>125,109,491</u>	<u>38,982,407</u>
Total Equity	<u>131,109,491</u>	<u>38,982,408</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital <i>HK\$</i>	Share premium <i>HK\$</i>	Merger reserve <i>HK\$</i> <i>(Note i)</i>	Convertible bonds equity reserve <i>HK\$</i> <i>(Note ii)</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2018	1	—	5,499,999	864,000	21,592,288	27,956,288
Issue of shares	—*	3,000,000	—	—	—	3,000,000
Profit and total comprehensive income for the year	—	—	—	—	8,026,120	8,026,120
At 31 December 2018 and 1 January 2019	1	3,000,000	5,499,999	864,000	29,618,408	38,982,408
Issue of shares by conversion of convertible notes <i>(Note iii)</i>	—*	15,808,216	—	(864,000)	—	14,944,216
Issue of shares pursuant to the capitalisation issue <i>(Note iv)</i>	4,499,999	(4,499,999)	—	—	—	—
Issue of shares under the share offer <i>(Note v)</i>	1,500,000	81,000,000	—	—	—	82,500,000
Transaction costs directly attributable to issue of shares upon listing	—	(7,451,945)	—	—	—	(7,451,945)
Profit and total comprehensive income for the year	—	—	—	—	2,134,812	2,134,812
At 31 December 2019	6,000,000	87,856,272	5,499,999	—	31,753,220	131,109,491

Notes:

- (i) Merger reserve represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of World Super Limited, a subsidiary which was acquired by the Company pursuant to the Group Reorganisation (as defined in the prospectus of the Company date 27 June 2019 (the “Prospectus”)).
 - (ii) The convertible bonds equity reserve represents the equity component of convertible bonds issued by the Company. Items included in convertible bonds equity reserve will not be reclassified subsequently to profit or loss.
 - (iii) On 24 June 2019, the Company allotted and issued 36 shares of HK\$0.01 each to the Convertible Bondholders (as defined in the Prospectus) for the conversion of convertible bonds with principal amount of HK\$12,000,000 pursuant to the respective subscription agreement(s) for the convertible bonds entered by the Group on 30 May 2016.
 - (iv) 449,999,856 new ordinary shares of HK\$0.01 each were issued pursuant to the Capitalisation Issue (as defined in the Prospectus).
 - (v) On 12 July 2019, 150,000,000 ordinary shares of HK\$0.01 each were issued by way of Share Offer (as defined in the Prospectus) at a price of HK\$0.55 per share raising gross proceeds of approximately HK\$82,500,000.
- * Issued capital for an amount of less than HK\$1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 26 February 2016. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2019 (the “**Share Offer**”). The Company’s registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company’s principal place of business is located at Unit 3403, 34/F, AIA Tower, 183 Electric Road, North Point, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interest in Associate and Joint Ventures
Amendments to HKFRSs	Annual Improvements 2015 - 2017 Cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

New and revised HKFRSs in issue but not yet effective

At the date of this announcement, the following new standards and amendments which may be relevant to the Group have been issued but are not yet effective. The Group has not early applied these new standards and amendments.

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The management of the Group anticipates that the application of the new standards and amendments will have no material impact on the Group's financial performance and positions and/or on the disclosures to the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the net amounts received or receivable for machinery leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue are as follows:

	Year ended 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
General sales from trading of machinery, tools and parts	7,896,214	10,598,263
Plant hire income	36,047,866	31,274,550
Transportation and other services income	1,954,553	1,908,202
	45,898,633	43,781,015

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities, that are regularly reviewed by the chief operating decision makers, i.e. the executive directors of the Company, for the purpose of resources allocation and performance assessment.

As at 31 December 2019 and 2018, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

Segment revenue and results

For the year ended 31 December 2019:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Total <i>HK\$</i>
Revenue				
Segment revenue from external customers	7,896,214	36,047,866	1,954,553	45,898,633
Revenue recognition				
At a point in time under HKFRS 15	7,896,214	—	1,954,553	9,850,767
Under HKFRS 16	—	36,047,866	—	36,047,866
	7,896,214	36,047,866	1,954,553	45,898,633
Results				
Segment results	1,816,413	19,551,910	758,641	22,126,964
Loss on disposal of plant and equipment				(35,788)
Other unallocated income				507,230
Other unallocated expenses				(18,467,030)
Profit before taxation				4,131,376

For the year ended 31 December 2018:

	General sales from trading of machinery, tools and parts <i>HK\$</i>	Plant hire income <i>HK\$</i>	Transportation and other services income <i>HK\$</i>	Total <i>HK\$</i>
Revenue				
Segment revenue from external customers	10,598,263	31,274,550	1,908,202	43,781,015
Revenue recognition				
At a point in time under HKFRS 15	10,598,263	—	1,654,352	12,252,615
Under HKFRS 16	—	31,274,550	253,850	31,528,400
	10,598,263	31,274,550	1,908,202	43,781,015
Results				
Segment results	4,207,210	18,924,298	619,713	23,751,221
Gain on disposal of plant and equipment				3,622,789
Other unallocated income				6,641
Other unallocated expenses				(16,588,647)
Profit before taxation				10,792,004

The unallocated expenses including administration staff costs, selling and distributions expenses, finance cost and other expenses as it cannot be allocated to each segment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision makers for the purpose of resource allocation and assessment of performance.

Geographical information

The Group's revenue from continuing operations from customers by location of operation and information about its non-current assets by location of assets are detailed below:

Revenue

	Year ended 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	30,171,891	22,521,699
Macau	13,745,269	20,707,322
Philippines	1,981,473	551,994
	<u>45,898,633</u>	<u>43,781,015</u>

Non-current assets

	As at 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	<u>127,654,214</u>	<u>107,645,671</u>

Information about major customers

Revenue from customers during the year ended 31 December 2019 and 2018 contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Customer A	1,510,000*	5,688,469
Customer B	5,370,538	10,874,951
Customer C	7,384,519	4,030,000*
Customer D	6,347,960	—
Customer E	14,238,017	3,702,612*
	<u>14,238,017</u>	<u>3,702,612</u>

* Revenue did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2019 or 2018 but was shown for comparison purpose.

4. NET OTHER INCOME

	Year ended 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Interest income	125,178	6,110
(Loss) Gain on disposal of plant and equipment	(35,788)	3,622,789
Net exchange gain	324,096	531
Others	57,956	—
	<u>471,442</u>	<u>3,629,430</u>

5. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank borrowings	350,969	504,663
Interest on bank overdrafts	240,332	349,503
Interest on finance leases	1,746,898	1,826,546
Interest on lease liabilities	44,891	86,669
Effective interest expense on convertible bonds	462,213	1,008,789
Other interest expenses	158,728	—
	<u>3,004,031</u>	<u>3,776,170</u>

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Current tax		
Hong Kong Profits Tax	—	—
Deferred taxation	1,996,564	2,765,884
	<u>1,996,564</u>	<u>2,765,884</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2019 and 2018.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	HK\$	HK\$
Profit before taxation	4,131,376	10,792,004
Tax at applicable tax rate of 16.5%	681,172	1,780,680
Tax effect of income not taxable for tax purpose	(3,599)	(3,815)
Tax effect of expenses not deductible for tax purpose	1,320,864	990,892
Tax effect of temporary difference not recognised	(1,873)	(1,873)
Income tax expense for the year	1,996,564	2,765,884

There is no Macau and Philippines Tax implication during the year ended 31 December 2019 and 2018.

7. PROFIT FOR THE YEAR

	Year ended 31 December	
	2019	2018
	HK\$	HK\$
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments and allowance	<u>1,827,419</u>	<u>1,570,210</u>
Other staff costs:		
— Salaries, allowances and other benefits	4,804,723	4,085,887
— Bonus	303,500	—
— Retirement benefits scheme contributions	<u>194,303</u>	<u>158,357</u>
	<u>5,302,526</u>	<u>4,244,244</u>
Total staff costs	<u><u>7,129,945</u></u>	<u><u>5,814,454</u></u>
Auditor's remuneration	430,000	63,000
Cost of general sales	6,079,801	6,391,053
Depreciation of plant and equipment		
— owned assets	3,644,234	1,012,253
— assets held under finance leases	4,294,571	5,388,089
Depreciation on right of use assets	1,271,289	1,347,308
Loss (Gain) on disposal of plant and equipment	35,788	(3,622,789)
Short term operating lease rentals in respect of rented premises	<u><u>213,560</u></u>	<u><u>174,000</u></u>

8. DIVIDEND

No dividend has been paid or declared by the Company during the year.

9. EARNINGS PER SHARE

Earnings

	Year ended 31 December	
	2019	2018
	HK\$	HK\$
Profits for the year attributable to owners of the Company for the purposes of calculating basic earnings per share	2,134,812	8,026,120
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	—	—
Gain (loss) on fair value change of convertible loan notes	—	—
Earnings for the purpose of diluted earnings per share	<u>2,134,812</u>	<u>8,026,120</u>

Number of shares

	Year ended 31 December	
	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	521,095,873	449,999,956
Effect of dilutive potential ordinary shares on convertible loan notes	—	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>521,095,873</u>	<u>449,999,956</u>

Based on the Group Reorganisation for the listing of the Company's shares in Hong Kong Stock Exchange on completion of the Share Offer on 12 July 2019, HK\$4,499,998.56 was capitalised from the share premium account of the Company and applied in paying up in full at par 449,999,856 new shares for the allotment and issuance to the existing shareholders of the Company, being Mr. Sou Peng Kan Albert as to 228,124,927 shares, Ms. Chu Wing Yee as to 34,374,989 shares, Mr. Fok Hei Yuen Paul as to 74,999,976 shares, Integrated Asset Management (Asia) Limited, a company incorporated in the British Virgin Islands with limited liability, as to 37,499,988 shares, Mr. Yang Fan as to 18,749,994 shares and Rosy Dragon Global Limited, a company incorporated in the British Virgin Islands with limited liability, as to 56,249,982 shares ("Capitalisation Issue").

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue had been effective on 1 January 2018.

The effect of dilutive potential ordinary shares on convertible loan notes for the year ended 31 December 2019 and 2018 is not considered as the condition for the conversion of convertible loan notes was not been fulfilled as at 31 December 2019 and 2018 as the number of ordinary shares contingently issuable upon the conversion of the convertible loan notes depended on whether the Listing took place, on or before that date. Accordingly, the computation of diluted earnings per share for the year ended 31 December 2019 and 2018 does not assume the conversion of the convertible loan notes.

10. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables:

	Year ended 31 December	
	2019	2018
	HK\$	HK\$
Trade receivables	15,274,885	10,304,809
Deposits paid	323,185	906,981
Prepayments	584,969	2,311,608
Other receivables	164,682	3,114
	16,347,721	13,526,512

Revenue from contracts with customers, included in the trade receivables were:

	As at 31 December	
	2019	2018
	HK\$	HK\$
Balance at the beginning of the year	10,304,809	8,296,254
Balance at the end of the year	15,274,885	10,304,809

The Group allows a credit period of 0-60 days to its customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

The following is an aging analysis of trade receivable presented based on the invoice date:

	As at 31 December	
	2019	2018
	HK\$	HK\$
Within 30 days	695,962	1,989,189
31 to 60 days	34,615	3,732,078
61 to 90 days	353,616	3,220,400
91 to 120 days	6,156,057	722,531
121 to 365 days	7,957,855	640,611
Over 1 year	76,780	—
	15,274,885	10,304,809

The management of the Group has individually assessed all the receivables by taking into account the length of business relationship, reputation and repayment history of each of customers. No impairment losses were recognised for the years (2018: Nil).

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK\$15,274,885 (2018: HK\$8,319,299), which were past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired are as follows:

	As at 31 December	
	2019	2018
	HK\$	HK\$
Overdue:		
Within 30 days	34,615	2,760,757
31 to 60 days	353,616	3,545,015
61 to 90 days	2,335,307	1,372,916
91 to 120 days	6,018,750	375,000
121 to 365 days	5,759,855	265,611
Over 1 year	76,780	—
	14,578,923	8,319,299

The management of the Group considers that there has not been a significant change in credit quality of the trade receivables from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired the management of the Group considers that no provision for impairment is necessary in respect of these balances (2018: Nil).

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables:

	As at 31 December	
	2019	2018
	HK\$	HK\$
Trade payables	2,800,072	1,625,592
Contract liabilities (<i>Note i</i>)	300,000	1,934,499
Accrued expenses	1,264,437	3,176,032
Deposits and temporary receipts	14,998	3,131,122
	4,379,507	9,867,245

Payment terms granted by suppliers are 0-30 days from the invoice date of the relevant purchases. The Group has liquidity risk management in place to ensure that all payables are settled within the credit timeframe.

The following is an aging analysis of trade payables presented based on the invoice date:

	As at 31 December	
	2019	2018
	HK\$	HK\$
Within 30 days	853,358	493,710
31 to 60 days	81,769	290,825
61 to 90 days	163,005	219,531
Over 90 days	1,701,940	621,526
	2,800,072	1,625,592

Note i:

The contract liabilities primarily relate to the deposits or payments received in advance from customer for general sales from trading of machinery, tools and parts.

	As at 31 December	
	2019	2018
	HK\$	HK\$
Balance at 1 January	1,934,499	5,769
Decrease in contract liabilities as a result of revenue recognised	(1,934,499)	(5,769)
Increase in contract liabilities as a result of billing in advance of general sales from trading of machinery, tools and parts	300,000	1,934,499
Balance at 31 December	300,000	1,934,499

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE PERFORMANCE

The Group recorded total revenue of approximately HK\$45.9 million for the year ended 31 December 2019, representing an increase of approximately 4.8% or HK\$2.1 million from approximately HK\$43.8 million for the year ended 31 December 2018. The total gross profit of the Group was approximately HK\$24.7 million for the year ended 31 December 2019, representing a decrease of approximately 2.2% or HK\$0.6 million from approximately HK\$25.3 million for the year ended 31 December 2018. The gross profit margin decreased to approximately 53.8% for the year ended 31 December 2019.

The net profit of the Group was approximately HK\$2.1 million for the year ended 31 December 2019, representing a decrease of approximately 73.4% for the year ended 31 December 2018. If (1) listing expenses incurred for obtaining a listing of the Company's shares on the GEM of the Stock Exchange (the "**Listing**") and (2) gain or loss on disposal of plant and equipment were excluded, the net profit for the year ended 31 December 2019 would be approximately HK\$7.0 million, representing a decrease of approximately 24.7% from the year ended 31 December 2018.

Profit per share of the Group for the year ended 31 December 2019 was approximately HK0.41 cents. The Directors do not recommend payment of a final dividend for the year ended 31 December 2019.

BUSINESS REVIEW

Our Group mainly undertakes (i) provision of rental services of crawler cranes, oscillators, a kind of board piling machine working with drill-string to drill through the hard rock to the designated depth (the "**RCD**") and hydromill trench cutters for construction projects mainly in Hong Kong and/or Macau; (ii) trading of new or used crawler cranes, RCDs, trench cutters, oscillators and/or related spare parts to customers in Hong Kong, Macau and Philippines; and (iii) to a lesser extent, provision of transportation services in delivering our machinery to and from customers' designated sites and other services such as arrangement of set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers.

Plant hire

Our plant hire service mainly involves rental of crawler cranes, casing oscillators, RCDs and hydromill trench cutter to customers for the use in their construction projects. We source new construction machinery for our plant hire service mainly from German, Korean and Austrian manufacturers or their affiliates in Hong Kong, while our used construction machinery is sourced from local or overseas traders in countries such as China, Korea and Singapore. We also lease certain construction machinery from other construction machinery service providers for subleasing to our customers.

The plant hire income increased from approximately HK\$31.3 million for the year ended 31 December 2018 to approximately HK\$36.0 million for the year ended 31 December 2019. The increase is due to more owned fleet was used.

General sales from trading of machinery, tools and parts

Our trading of construction machinery, tools and parts mainly involves sales of new or used crawler cranes, RCDs, trench cutters, casing oscillators and/or related spare parts, tools, or oil and lubricant to customers. In case the construction machinery or spare part required by our customers is not available in our rental fleet, or our customers request for new construction machinery, we will seek and check with our suppliers and acquire relevant construction machinery or spare part (if available) for our customers.

The general sales decreased from approximately HK\$10.6 million for the year ended 31 December 2018 to approximately HK\$7.9 million for the year ended 31 December 2019. The decrease is mainly due to the decrease in trading of construction machinery, which is partially offset by the increase in trading of tools and parts.

Provision of transportation and other services

We provide transportation services in delivering our machinery to and from customers' designated sites and other services such as set-up and repair of machinery for customers of our plant hire service, arrangement of insurance for customers of our plant hire service for projects outside Hong Kong and marketing of construction machinery for our machinery suppliers.

The transportation and other services income increased from approximately HK\$1.9 million for the year ended 31 December 2018 to approximately HK\$2.0 million for the year ended 31 December 2019. The increase is mainly due to more repair and maintenance service fees charged to customers.

Prospects

2019 marked a milestone for the Company as its shares were successfully listed on GEM of the Stock Exchange on 12 July 2019 (the “**Listing Date**”). We are very pleased that the Company has received keen interest to the public offer of its shares. Through the Listing, the Group obtained public funding to finance its future development and further capturing the opportunities in the construction market of Hong Kong and Macau.

The beginning of 2020 saw the outbreak of the coronavirus, which hit the local, as well as the global, economy, bringing ongoing uncertainties to Hong Kong’s economy. Many countries/regions are imposing varying degree of entry restrictions and discouraging social and business activities, our overseas suppliers may be unable to make delivery on time. For the same token, customers suffering from shrinkage in business may have liquidity problem and settlement of their debts may be delayed or they becoming delinquent. Fortunately, the projects of Group’s Macau customers commenced since January 2020, which will secure a stable income from the leasing of construction machinery and trading of tools and parts for the Group during the first half of 2020. We will continue to implement our business strategies as set out in the Prospectus, in order to increase the Group’s income such that we can share our fruitful results with investors.

FINANCIAL OVERVIEW

Revenue

The Group’s revenue includes plant hire income from leasing of construction machinery, general sales from trading of construction machinery, tools and parts and transportation and other services income.

The Group’s revenue increased from approximately HK\$43.8 million for the year ended 31 December 2018 to approximately HK\$45.9 million for the year ended 31 December 2019, representing an increase of approximately 4.8% which mainly due to the increase in plant hire income. The increase in plant hire income is due to more owned fleet was used.

Cost of sales and services

Cost of sales and services mainly include product purchases, machinery rent paid and depreciation on plant and machinery. For the year ended 31 December 2019, the Group’s cost of sales and services amounted to approximately HK\$21.2 million (2018: approximately HK\$18.5 million).

Gross Profit and Gross Profit Margin

The gross profit and gross profit margin of the Group were approximately HK\$24.7 million and approximately 53.8% for the year ended 31 December 2019 respectively.

Other Income

Other income mainly represent the gain/(loss) on disposal of plant and equipment, bank interest income and net exchange gain. The other income decreased from approximately HK\$3.6 million for the year ended 31 December 2018 to approximately HK\$0.5 million for the year ended 31 December 2019.

Finance Costs

Finance cost of the Group amounted to approximately HK\$3.0 million for the year ended 31 December 2019 (2018: approximately HK\$3.8 million). The decrease in finance costs was mainly due to less interest incurred on the convertible bonds during the year ended 31 December 2019. On 24 June 2019, all convertible bonds were converted into 36 ordinary shares of the Company of HK\$0.01 each upon the approval of the Listing by the Stock Exchange.

Administrative Expenses

Administrative expenses mainly include staff costs, depreciation on right of use assets and listing expenses. For the year ended 31 December 2019, the Group's administrative expenses amounted to approximately HK\$14.0 million (2018: approximately HK\$11.6 million). The increment is mainly due to the increase in listing-related expenses (including the increase in auditor's remuneration, directors' fee and compliance advisory fee incurred after the Listing).

Taxation

The Group recorded income tax expenses of approximately HK\$2.0 million and HK\$2.8 million for the year ended 31 December 2019 and 2018 respectively, the decrease in income tax expense was mainly because of the decrease in taxable profit for the year ended 31 December 2019.

There is no Macau and Philippines tax implication during both periods. Macau segment result is included in Hong Kong tax implication during both periods.

Profit for the Year

The net profit of the Group was approximately HK\$2.1 million for the year ended 31 December 2019, representing a decrease of approximately 73.4% for the year ended 31 December 2018. If (1) listing expenses incurred for obtaining a listing of the Company's shares on the GEM of the Stock Exchange and (2) gain or loss on disposal of plant and equipment were excluded, the net profit for the year ended 31 December 2019 would be approximately HK\$7.0 million, representing a decreased of approximately 24.7% for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, internally generated cash flow and proceeds received from the Share Offer (as defined in the Prospectus) of the Company's shares.

As at 31 December 2019, the Group had bank balances and cash of approximately HK\$25.9 million (2018: approximately HK\$0.3 million) and pledged bank deposits of approximately HK\$2.9 million (2018: approximately HK\$2.9 million). The increase was mainly from the receipts of the net proceeds from the Listing.

The interest-bearing loans of the Group as at 31 December 2019 was approximately HK\$29.5 million (2018: approximately HK\$69.9 million).

The scheduled repayment date of the Group's bank borrowings and obligation under finance lease amounting to approximately HK\$28.1 million (2018: HK\$52.5 million), as set out in the loan agreements and without considering the effect of any repayment on demand clauses were as follows:

	2019	2018
	HK\$	HK\$
Within 1 year	11,724,852	17,630,799
Between 1 and 2 years	5,948,514	17,707,957
Between 2 and 5 years	10,441,442	17,181,721
Total	28,114,808	52,520,477

As at 31 December 2019, the Group did not have any convertible bonds.

The gearing ratio is calculated based on the amount of total interest bearing loans divided by total equity. The gearing ratio of the Group as at 31 December 2019 was approximately 22.5% (2018: approximately 179.4%).

There has been no change in the capital structure of the Company since the Listing Date and up to the date of this announcement. The capital structure of the Company comprises of equity interest attributable to the owners of the Company (including issued share capital and reserves). The Directors regularly review the capital structure of the Company. As part of the review, the Directors consider the cost of capital and the associated risks of various types of capital.

Trade Receivable Turnover Days

The trade receivable and trade receivables turnover days increase from approximately HK\$10.3 million and approximately 78 days for the year ended 31 December 2018 to approximately HK\$15.3 million and approximately 102 days for the year ended 31 December 2019 respectively. Our accounting and human resource department would monitor the trade receivable on a monthly basis and assess whether any bad debt should be provided based on the monthly trade receivable ageing report, which would be reviewed by our Directors. When overdue amount is located, our commercial and administrative department would contact customers for settlement.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitment can meet its funding requirements.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2019, there was no significant investment held by the Group.

PLEDGE OF ASSETS

The Group's plant and machinery with aggregate carrying amounts of approximately HK\$37.0 million and HK\$94.8 million and motor vehicles with an aggregate net book value of approximately HK\$0.3 million and HK\$0.9 million as at 31 December 2019 and 2018, respectively, were pledged under finance leases.

As at 31 December 2019, the Group has pledged bank deposit of approximately HK\$2.9 million (2018: approximately HK\$2.9 million) to secure the bank facilities granted to the Group. Save for the above disclosed, the Group did not have any charges on its assets.

RISK MANAGEMENT

In the ordinary course of the Group's plant hire service, trading of new or used construction machinery, tools and parts, and transportation and other services, the Group was primarily exposed to (i) operational risks in relation to its business; (ii) credit risks relating to accounts receivable; and (iii) market risks.

Operational risk management

Chief operating officer of the Group is responsible for monitoring our operations and assessing the operational risks. He will report any irregularities in connection with our operations to our Directors and seek for directions.

The Group emphasises on ethical value and prevention of fraud and corrupt practice. The Group has established whistleblower programme in the operation manual, including methodologies to report any irregularities and confidentiality.

Credit risk management

The Group is exposed to credit risks in relation to the collectability of our trade receivables, which will cause a financial loss to the Group due to failure to discharge the payment obligation by the counterparties. Our commercial and administration department manages the settlement of account receivables, including the follow up of outstanding payments and reconciliation of relevant receivables with customers on regular basis to understand if any bad debt provision is necessary. Our commercial and administration department will follow up in writing with account receivables past due over 90 days.

Our accounting and human resources department reviews account receivables and relevant credit terms as well as monitors receivables aging on monthly basis. For past due account receivables, our accounting and human resources department will notify the commercial and administration department to communicate with relevant customers. Our accounting and human resources department conducts assessment by performing account receivables aging analysis on quarterly basis and report to our Directors for approval on any bad debt provisions. Our commercial and administration department will continue to follow up with relevant customers for settlement of the outstanding payments.

Market risk management

The Group is exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as gross domestic product, interest rates, and other market changes. Our Directors are responsible for monitoring activities in the market to identify and assess the potential risks and from time to time formulate policies to mitigate these market risks.

Foreign exchange risk

The Group mainly operates in Hong Kong and Macau and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the period.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any significant capital commitments (2018: approximately HK\$8,749,000).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have material contingent liabilities (2018: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, save for the business plans set out in the Prospectus, the Group did not have other plans for material investments and capital assets acquisition.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 13 full-time employees (not including our Directors) and two part-time employees (2018: 13 full-time employees and two part-time employees). Our total staff cost (including directors emoluments, directors' quarters, wages, salaries and allowance, staff welfare and contributions to defined contribution retirement plan) for the year ended 31 December 2019 and 2018 amounted to approximately HK\$7.5 million and HK\$6.2 million respectively. Remuneration of employees is determined with reference to factors such as qualification, responsibility, contribution and experiences.

USE OF PROCEEDS

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 12 July 2019. The net proceeds, after deduction of the related underwriting fees and issuance expenses paid by the Group in connection thereto, from the Share Offer (as defined in the Prospectus) received by the Company was approximately HK\$55.3 million.

Use of net proceeds	Planned amount as stated in the Prospectus <i>HK\$ million</i>	Actual amount utilised up to 31 December 2019 <i>HK\$ million</i>	Actual balance as at 31 December 2019 <i>HK\$ million</i>
Purchasing new construction machinery for strengthening our rental fleet (<i>note (a)</i>)	15.3	—	15.3
Settlement of remaining amount of consideration payable for a newly acquired crawler crane	10.3	10.3	—
Recruiting and expanding our team of skilled and technical personnel (<i>note (b)</i>)	1.5	—	1.5
Repayment of bank borrowings and finance leases	22.7	17.7	5.0
General working capital	5.5	5.5	—
Total	55.3	33.5	21.8

Note

- (a) After the reporting period, the Group utilised HK\$12.1 million to purchase two RCDs, instead of only one RCD as mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus, and the Group will continue to use the remaining balance to purchase two power packs once the suitable supplier is selected.
- (b) The Group is yet in the process of selecting the suitable candidate, and thus no proceeds have been spent in this regard.

EVENT AFTER THE REPORTING PERIOD

The Group does not have material event after the reporting period.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. The Directors of the Company consider that since the listing of the shares of the Company on the GEM of the Stock Exchange on the Listing Date, the Company has applied and complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules from the Listing Date up to the date of this announcement except for Code Provision A.2.1 and E.1.5.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer (“**CEO**”) should be separated and should not be performed by the same person. The Company does not have a separate Chairman and CEO and Mr. Sou Peng Kan Albert currently holds both positions. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Group with strong and consistent leadership, allows for more effective planning and execution of long term business strategies and enhances efficiency in decision-making in response to the changing environment. Our Board believes that the balance of power and authority under this arrangement will not be impaired and is adequately ensured by the six-member composition of our Board, including two executive Directors, one non-executive Director and three independent non-executive Directors.

Under the Code Provision E.1.5, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company does not have a dividend policy and the Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Group’s operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board considers relevant.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors which is on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding Director's securities transactions during the period from the Listing Date to the end of the year.

AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 21 June 2019 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the CG Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of our Audit Committee are (i) to review and monitor the independent and objective role of the external auditor to our Company; (ii) to make recommendations to our Board on the appointment and removal of the external auditor; (iii) to review the financial statement and material advice in respect of financial reporting process of our Group; (iv) oversee the risk management and internal control systems of our Group; and (v) to monitor any continuing connected transactions.

As at the date of this announcement, the Audit Committee consists of one non-executive Director, Mr. Leung Man Chiu Lawrence, and all three independent non-executive Directors, Mr. Lee Tak Fai Thomas, Mr. Yau Lut Pong Leo and Mr. Yue Wai Leung Stan. Mr. Lee Tak Fai Thomas is the chairman of the Audit Committee. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group, and discussing auditing, internal control, risk management and financial reporting matters including the review of annual results and financial statements for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, save as disclosed in the Prospectus, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This result announcement is published on the websites of the Stock Exchange (<http://www.hkgem.com>) and the Company (www.worldsuperhk.com). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of the 2020 annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22 May 2020.

By Order of the Board
World Super Holdings Limited
Sou Peng Kan Albert
Chairman and executive Director

Hong Kong, 24 March 2020

As at the date of this announcement, the Board comprises Mr. Sou Peng Kan Albert and Mr. Fok Hei Yuen Paul as executive Directors; Mr. Leung Man Chiu Lawrence as non-executive Director; and Mr. Lee Tak Fai Thomas, Mr. Yau Lut Pong Leo and Mr. Yue Wai Leung Stan as independent non-executive Directors.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and be posted and remains on the website of the Company at www.worldsuperhk.com.