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 2020

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 2020 together with the comparative figures for the corresponding period in 2019:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**1.1.2020 to 30.6.2020** ***HK$'000*** **(unaudited)**	1.1.2019 to 30.6.2019 *HK$'000* (unaudited)
Turnover	*3*	**314,096**	402,293
Cost of sales		**(251,111)**	(315,305)
Gross profit		**62,985**	86,988
Other income		**7,353**	8,940
Other gains and losses	*4*	**(9,643)**	27,681
Selling and distribution costs		**(35,026)**	(39,881)
Administrative expenses		**(49,245)**	(63,995)
Impairment loss under expected credit loss model, net of reversal		**(23,819)**	(4,744)
Impairment loss recognised on property, plant and equipment		**(34,634)**	–
Finance costs	*5*	**(10,108)**	(10,241)
(Loss) profit before taxation		**(92,137)**	4,748
Taxation credit (charge)	*6*	**2,770**	(3,438)
(Loss) profit for the period	*7*	**(89,367)**	1,310

	Notes	**1.1.2020 to 30.6.2020** ***HK$'000*** **(unaudited)**	1.1.2019 to 30.6.2019 *HK$'000* (unaudited)
Other comprehensive expense:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(14,482)**	(1,509)
Total comprehensive expense for the period		**(103,849)**	(199)
(Loss) earnings per share	*9*		
Basic *(HK cents per share)*		**(11.69)**	0.17
Diluted *(HK cents per share)*		**(11.69)**	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**30.6.2020** **HK$'000** **(unaudited)**	31.12.2019 HK$'000 (audited)
Non-current assets			
Investment properties		**36,000**	37,560
Property, plant and equipment		**343,172**	387,229
Right-of-use assets		**56,927**	61,009
Deposits paid for acquisition of property, plant and equipment		**18,327**	17,769
Deposit and prepayments for a life insurance policy		**48,717**	48,937
Long-term prepayment		**10,750**	10,750
Long-term other assets		**1,490,675**	1,517,432
		2,004,568	2,080,686
Current assets			
Inventories		**128,057**	159,650
Trade and other receivables	*10*	**293,445**	328,946
Contract assets		**9,044**	9,405
Taxation recoverable		**1,332**	1,332
Pledged bank deposits		**6,161**	6,158
Bank balances and cash		**53,163**	40,769
		491,202	546,260
Current liabilities			
Trade and other payables	*11*	**194,213**	216,106
Contract liabilities		**21,942**	16,033
Amounts due to directors		**40,431**	21,760
Taxation payable		**1,993**	5,304
Lease liabilities		**1,874**	2,732
Secured bank borrowings		**208,396**	214,884
		468,849	476,819
Net current assets		**22,353**	69,441
Total assets less current liabilities		**2,026,921**	2,150,127

	Notes	30.6.2020	31.12.2019
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current liabilities			
Lease liabilities		**–**	1,238
Amounts due to directors		**117,471**	129,352
Deposits received		**107,270**	107,608
Deferred taxation		**217,001**	222,901
		441,742	461,099
Net assets		**1,585,179**	1,689,028
Capital and reserves			
Share capital	*12*	**76,432**	76,432
Reserves		**1,508,747**	1,612,596
Total equity		**1,585,179**	1,689,028

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and long-term other assets that are measured at fair values at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 *Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19–Related Rent Concessions"*

2.2.1. Accounting policies

Leases

<u>Covid-19-related rent concessions</u>

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. TURNOVER AND SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 "Operating Segment" are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Food waste recycling	–	food waste recycling business
Property investments	–	investment in properties

The following is an analysis of the Group's turnover and results by reportable and operating segments for the periods under review:

Six months ended 30 June 2020 (unaudited)

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Food waste recycling *HK$'000*	Property investments *HK$'000*	Consolidated *HK$'000*
Turnover					
Sales of goods recognised at a point in time					
External sales	66,446	241,528	–	–	307,974
Service income recognised over time	–	–	1,923	–	1,923
Revenue from contracts with customers	66,446	241,528	1,923	–	309,897
Rental income	–	–	–	4,199	4,199
Total segment revenue	66,446	241,528	1,923	4,199	314,096
Segment profit (loss)	3,220	(64,318)	(3,905)	(3,288)	(68,291)
Bank interest income					43
Interest income from deposit placed for a life insurance policy					587
Finance costs					(10,108)
Premium charges on a life insurance policy					(796)
Unallocated corporate expenses					(13,572)
Loss before taxation					(92,137)

Six months ended 30 June 2019 (unaudited)

	Household products *HK$'000*	PVC pipes and fittings *HK$'000*	Food waste recycling *HK$'000*	Property investments *HK$'000*	Consolidated *HK$'000*
Turnover					
Sales of goods recognised at a point in time					
External sales	86,029	311,000	–	–	397,029
Service income recognised over time	–	–	2,964	–	2,964
Revenue from contracts with customers	86,029	311,000	2,964	–	399,993
Rental income	–	–	–	2,300	2,300
Total segment revenue	86,029	311,000	2,964	2,300	402,293
Segment profit (loss)	6,706	2,174	(761)	20,147	28,266
Bank interest income					75
Interest income from deposit placed for a life insurance policy					581
Finance costs					(10,241)
Premium charges on a life insurance policy					(788)
Unallocated corporate expenses					(13,145)
Profit before taxation					4,748

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

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of bank interest income, interest income from a deposit placed for a life insurance policy, finance costs, premium charges on a life insurance policy and unallocated corporate expenses including directors' remuneration paid or payable by the Company and certain administrative expenses for corporate use. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) gain arising from changes in fair value of long-term other assets	**(7,614)**	26,683
(Loss) gain arising from changes in fair value of investment properties	**(1,560)**	1,360
Net foreign exchange gain (loss)	**111**	(199)
Loss on disposal of property, plant and equipment	**(430)**	(163)
Loss on disposal of right-of-use assets	**(150)**	–
	(9,643)	27,681

5. FINANCE COSTS

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	HK$'000	*HK$'000*
Interest on:		
– secured bank borrowings	**4,795**	5,842
– lease liabilities	**85**	226
– amounts due to directors	**2,016**	665
Interest/imputed interest on deposits received from redevelopment project	**3,212**	3,620
	10,108	10,353
Less: amount capitalised in the cost of qualifying assets	**–**	(112)
	10,108	10,241

6. TAXATION (CREDIT) CHARGE

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
– charge for the period	**1,209**	2,077
– overprovision in prior years	**(2,543)**	(2,390)
	(1,334)	(313)
Deferred taxation		
– (credit) charge for the period	**(3,120)**	1,059
– withholding tax on profit of non-resident in the PRC	**1,684**	2,692
	(1,436)	3,751
Taxation (credit) charge for the period	**(2,770)**	3,438

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The Company and its subsidiaries operating in Hong Kong do not have assessable profits, no provision for Hong Kong Profits Tax is made in the consolidated financial statements.

PRC withholding income tax of 10% is levied on the income earned in the PRC by a foreign subsidiary.

7. (LOSS) PROFIT FOR THE PERIOD

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**19,274**	19,610
Depreciation of right-of-use assets	**2,114**	2,458
and after crediting:		
Gross rental income from investment properties	**4,199**	2,300
Less: Direct operating expenses that generated rental income	**(209)**	(285)
	3,990	2,015
Imputed interest income arising from long-term other assets	**2,172**	2,926
Bank interest income	**43**	75
Imputed interest income from a deposit placed for a life insurance policy	**587**	581

8. DIVIDENDS

No final dividends in respect of the years ended 31 December 2019 and 31 December 2018 were paid, declared or proposed during the current or prior interim period. The directors have determined that no dividend will be paid in respect of the current interim period (for six months ended 30 June 2019: nil).

9. (LOSS) EARNINGS PER SHARE

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

	1.1.2020 to 30.6.2020	1.1.2019 to 30.6.2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share	**(89,367)**	1,310

	Number of shares	
	30.6.2020	30.6.2019
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**764,317,421**	764,317,421
Effect of dilutive potential ordinary shares on share options	**–**	7,619,849
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**764,317,421**	771,937,270

The diluted loss per share for the period ended 30 June 2020 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of the Group's trade receivables presented based on the invoice date, which approximated the revenue recognition date, net of allowance for credit losses, and breakdown of other receivables and prepayment at the end of the reporting period:

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**79,846**	131,286
31 – 60 days	**51,964**	49,711
61 – 90 days	**43,402**	34,333
91 – 180 days	**34,226**	38,771
Over 180 days	**68,557**	51,965
Trade receivables, net of allowance for credit losses	**277,995**	306,066
Prepayments for raw materials, deposits and other receivables	**13,831**	21,272
Deposit and prepayments for a life insurance policy	**1,619**	1,608
Total trade and other receivables	**293,445**	328,946

The Group allows credit periods ranging from 30 days to 180 days, depending on the products sold, to its trade customers. Trade and other receivables are unsecured and interest-free.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables presented based on the invoice date and other payables at the end of the reporting period:

	30.6.2020	31.12.2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**96,989**	106,404
31 – 60 days	**8,104**	15,471
61 – 90 days	**13,080**	14,783
Over 90 days	**20,987**	34,562
Total trade and bills payables	**139,160**	171,220
Other payables	**55,053**	44,886
Total trade and other payables	**194,213**	216,106

12. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	764,317,421	76,432

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Board of Directors (the "Board") of World Houseware (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020. This interim results announcement has been approved by the Board and the Audit Committee of the Company.

- The Group recorded a consolidated turnover of HK$314,096,000 for the six months ended 30 June 2020, representing a decrease of 21.9% or HK88,197,000 as compared to HK$402,293,000 of the same period last year.

- Gross profit of the Group was HK$62,985,000, representing a decrease of 27.6% or HK$24,003,000 as compared to HK$86,988,000 of the same period last year. The gross profit margin was 20.1%, representing a decrease of 1.5% as compared to 21.6% of the same period last year.

- Loss for the period was HK$89,367,000, as compared to a profit of HK$1,310,000 for the same period last year.

- Basic loss per share was HK11.69 cents, as compared to basic earnings per share of HK0.17 cent for the same period last year.

- The Board does not propose any payment of interim dividends for the six months ended 30 June 2020.

BUSINESS REVIEW

Household products, PVC pipes and fittings manufacturing, feed production from food waste recycling business and property investments are the major businesses of the Group during the period under review.

Being affected by the global novel coronavirus (the "COVID-19") and Sino American Trade War, the business turnover of household products and PVC pipes and fittings manufacturing dropped by 22.8% and 22.3% respectively during the same period last year. The business of household products recorded a segment profit. The business of PVC pipes and fittings manufacturing recorded a segment loss.

The business of feed production from food waste recycling was terminated and the business recorded a segment loss.

For the property investments during the period under review, the loss arising from changes in fair value of investment properties was HK$1,560,000.

The redevelopment of Shenzhen Pingshan Urban Renewal Project as carried out by the developer is progressing in accordance with the schedule as specified in the relevant Provisional Agreements. Loss arising from changes in fair value was HK$7,614,000.

PROSPECTS

Looking to the future, facing with the COVID-19 effect and Sino American Trade War, the global business environment is still challenging.

The Group will strengthen the preventive measures against the COVID-19 so as to protect the health of our staff. Whilst maintaining the normal business operations, the Group will continue to adjust its business strategies with a view to stabilize our core businesses and to control production cost so as to increase our competitiveness. The Group will also strive to improve the state of our business operations so as to increase profit and generate good return.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, terms loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 30 June 2020, the Group had bank balances and cash and pledged bank deposits of approximately HK$59,324,000 (31.12.2019: HK$46,927,000) and had interest-bearing bank borrowings of approximately HK$208,396,000 (31.12.2019: HK214,884,000). The Group's interest-bearing bank borrowings were mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 30 June 2020 amounted to HK$551,762,000; of which HK$208,396,000 of the banking facilities was utilised (utilisation rate was at 37.8%).

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 2020, the Group had current assets of approximately HK$491,202,000 (31.12.2019: HK$546,260,000). The Group's current ratio was approximately 1.05 as at 30 June 2020 as compared with approximately 1.15 as at 31 December 2019. Total shareholders' funds of the Group as at 30 June 2020 decreased by 6.15% to HK$1,585,179,000 (31.12.2019: HK$1,689,028,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 30 June 2020 was 0.57 (31.12.2019: 0.56).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, right-of-use assets, deposit and prepayments for a life insurance policy and bank deposits with an aggregate net book value of HK$206,637,000 (31.12.2019: HK$212,244,000) were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 30 June 2020, the Group employed a total workforce of about 815 (30.6.2019: 923) including 782 staff in our factories located in the PRC. The total staff remuneration incurred during the period was HK$31,869,000 (30.6.2019: HK$40,184,000). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training programmes were also provided to staff in our PRC factories.

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

During the six months ended 30 June 2020, 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 2020. The unaudited interim results have also been reviewed by the Company's external auditor.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the Directors' opinion, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the first six months ended 30 June 2020.

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.

PUBLICATION OF INTERIM REPORT

The 2020 Interim Report of the Company containing all the information as required by Appendix 16 of the Listing Rules will be published on the Company's website at www.worldhse.com and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders of the Company as soon as practicable.

By Order of the Board
Lee Tat Hing
Chairman

Hong Kong, 25 August 2020

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, Mr. Lee Kwok Sing Stanley; the non-executive director of the Company is Mr. Cheung Tze Man Edward; the independent non-executive directors of the Company are Mr. Tsui Chi Him Steve, Mr. Hui Chi Kuen Thomas, Mr. Ho Tak Kay and Mr. Shang Sze Ming.