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**世界（集團）有限公司**  
**WORLD HOUSEWARE (HOLDINGS) LIMITED**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 713)**

**RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with the comparative figures for the last corresponding year:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<i>NOTES</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Turnover	2	<b>817,298</b>	809,809
Cost of sales		<b>(649,867)</b>	(688,914)
Gross profit		<b>167,431</b>	120,895
Other income		<b>21,612</b>	18,405
Other gains and losses	3	<b>(26,155)</b>	5,261
Gain (loss) arising from change in fair value of long-term other assets		<b>207,210</b>	(22,322)
Selling and distribution costs		<b>(81,096)</b>	(87,206)
Administrative expenses		<b>(111,933)</b>	(101,269)
Impairment losses under expected credit loss model, net of reversal		<b>(26,180)</b>	(14,069)
Impairment loss recognised on property, plant and equipment	4	<b>(34,634)</b>	–
Finance costs	5	<b>(19,470)</b>	(21,849)
Profit (loss) before taxation		<b>96,785</b>	(102,154)
Taxation (charge) credit	6	<b>(27,801)</b>	5,872
Profit (loss) for the year	7	<b>68,984</b>	(96,282)

		2020	2019
	<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>90,581</u>	<u>(27,903)</u>
Total comprehensive income (expense) for the year		<u><b>159,565</b></u>	<u>(124,185)</u>
Earnings (loss) per share	9	<b>HK cents</b>	HK cents
Basic		<u><b>9.03</b></u>	<u>(12.60)</u>
Diluted		<u><b>9.01</b></u>	<u>(12.60)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment properties		35,735	37,560
Property, plant and equipment		372,656	387,229
Right-of-use assets		59,243	61,009
Deposits paid for acquisition of property, plant and equipment		16,849	17,769
Deposit and prepayments for a life insurance policy		48,490	48,937
Long-term prepayment	10	10,750	10,750
Long-term other assets	10	1,741,890	1,517,432
		<u>2,285,613</u>	<u>2,080,686</u>
Current assets			
Inventories		157,274	159,650
Trade and other receivables	11	331,550	328,946
Contract assets		9,507	9,405
Taxation recoverable		541	1,332
Pledged bank deposits		6,162	6,158
Bank balances and cash		119,949	40,769
		<u>624,983</u>	<u>546,260</u>
Current liabilities			
Trade and other payables	12	303,510	216,106
Contract liabilities		9,940	16,033
Amounts due to directors		30,492	21,760
Taxation payable		6,312	5,304
Lease liabilities		613	2,732
Secured bank borrowings		197,110	214,884
		<u>547,977</u>	<u>476,819</u>
Net current assets		<u>77,006</u>	<u>69,441</u>
Total assets less current liabilities		<u>2,362,619</u>	<u>2,150,127</u>

	<i>NOTES</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		–	1,238
Amount due to directors		<b>137,578</b>	129,352
Deposits received	<i>10</i>	<b>118,186</b>	107,608
Deferred taxation		<b>252,658</b>	222,901
		<u><b>508,422</b></u>	<u>461,099</u>
Net assets		<u><b>1,854,197</b></u>	<u>1,689,028</u>
Capital and reserves			
Share capital		<b>76,432</b>	76,432
Reserves		<u><b>1,777,765</b></u>	<u>1,612,596</u>
Total equity		<u><b>1,854,197</b></u>	<u>1,689,028</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 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”.

### ***1.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material***

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

### ***1.2 Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions***

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- 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.

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRS, that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## **2. TURNOVER AND SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is arranged and organised.

Specifically, 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
Property investments	–	investment in properties
Food waste recycling	–	food waste recycling business (discontinued in current year)

No operating segments have been aggregated in arriving at the reportable segments of the Group.

## Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segments.

### For the year ended 31 December 2020

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Food waste recycling <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>					
Sales of goods recognised at a point in time	172,663	634,641	-	-	807,304
Service income recognised over time	-	-	-	1,924	1,924
Revenue from contracts with customers	172,663	634,641	-	1,924	809,228
Rental income	2,083	2,677	3,310	-	8,070
Total segment revenue	<u>174,746</u>	<u>637,318</u>	<u>3,310</u>	<u>1,924</u>	<u>817,298</u>
Segment profit (loss)	3,735	(49,669)	213,456	(15,374)	152,148
Bank interest income					73
Interest income from a deposit placed for a life insurance policy					1,180
Finance costs					(19,470)
Premium charges on a life insurance policy					(1,595)
Unallocated corporate expenses					<u>(35,551)</u>
Profit before taxation					<u>96,785</u>

For the year ended 31 December 2019

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Food waste recycling <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>					
Sales of goods recognised at a point in time	164,036	635,451	–	–	799,487
Service income recognised over time	–	–	–	5,987	5,987
Revenue from contracts with customers	164,036	635,451	–	5,987	805,474
Rental income	–	–	4,335	–	4,335
Total segment revenue	<u>164,036</u>	<u>635,451</u>	<u>4,335</u>	<u>5,987</u>	<u>809,809</u>
Segment profit (loss)	5,000	(32,860)	(16,816)	(8,657)	(53,333)
Bank interest income					112
Interest income from a deposit placed for a life insurance policy					1,164
Finance costs					(21,849)
Premium charges on a life insurance policy					(1,572)
Unallocated corporate expenses					<u>(26,676)</u>
Loss before taxation					<u>(102,154)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in notes to the consolidated financial statements. 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.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Food waste recycling <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>At 31 December 2020</b>					
<b>Assets</b>					
Segment assets	254,827	640,338	1,777,625	2,038	2,674,828
Unallocated assets					<u>235,768</u>
Consolidated total assets					<u><u>2,910,596</u></u>
<b>Liabilities</b>					
Segment liabilities	50,106	252,611	369,557	3,921	676,195
Unallocated liabilities					<u>380,204</u>
Consolidated total liabilities					<u><u>1,056,399</u></u>
<b>At 31 December 2019</b>					
<b>Assets</b>					
Segment assets	237,845	660,433	1,554,992	14,267	2,467,537
Unallocated assets					<u>159,409</u>
Consolidated total assets					<u><u>2,626,946</u></u>
<b>Liabilities</b>					
Segment liabilities	40,265	181,751	330,998	7,513	560,527
Unallocated liabilities					<u>377,391</u>
Consolidated total liabilities					<u><u>937,918</u></u>

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments other than deposit and prepayments for a life insurance policy, taxation recoverable, pledged bank deposits, bank balances and cash as well as certain leasehold land and buildings where such buildings are provided to group directors as residential accommodation.
- all liabilities are allocated to operating segments other than amounts due to directors, taxation payable, secured bank borrowings, certain lease liabilities and accruals of administrative expenses in head office.

### Other segment information

#### For the year ended 31 December 2020

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Food waste recycling <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss) or segment assets:							
Addition to property, plant and equipment	8,972	25,905	-	-	34,877	-	34,877
Depreciation of property, plant and equipment	4,966	28,646	-	7,029	40,641	1,940	42,581
Depreciation of right-of-use assets	816	1,319	-	1,922	4,057	-	4,057
Impairment loss recognised on trade receivables	-	26,018	-	335	26,353	-	26,353
Impairment loss reversed on other receivables	-	(173)	-	-	(173)	-	(173)
Net foreign exchange loss	14,913	7,430	-	300	22,643	-	22,643
Loss (gain) on disposal/write-off of property, plant and equipment	2,756	169	-	(1,389)	1,536	-	1,536
Loss on disposal of right-of-use assets	151	-	-	-	151	-	151
Loss arising from changes in fair value of investment properties	-	-	1,825	-	1,825	-	1,825
Gain arising from changes in fair value of long-term other assets	-	-	(207,210)	-	(207,210)	-	(207,210)

For the year ended 31 December 2019

	Household products <i>HK\$'000</i>	PVC pipes and fittings <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Food waste recycling <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit (loss) or segment assets:							
Addition to property, plant and equipment	9,474	20,308	-	-	29,782	-	29,782
Depreciation of property, plant and equipment	9,227	28,602	-	-	37,829	1,940	39,769
Depreciation of right-of-use assets	668	1,346	-	2,762	4,776	-	4,776
Impairment loss recognised on trade receivables	-	12,870	-	-	12,870	-	12,870
Impairment loss recognised on other receivables	-	1,199	-	-	1,199	-	1,199
Allowance for inventories, net	-	-	-	1,049	1,049	-	1,049
Net foreign exchange gain	(3,813)	(1,337)	-	-	(5,150)	-	(5,150)
Loss on disposal of property, plant and equipment	533	462	-	-	995	-	995
Gain arising from changes in fair value of investment properties	-	-	(1,170)	-	(1,170)	-	(1,170)
Loss arising from changes in fair value of long-term other assets	-	-	22,322	-	22,322	-	22,322
Loss on modification of lease	-	-	-	64	64	-	64
	<u>-</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>64</u>	<u>-</u>	<u>64</u>

### Geographical information

More than 90% of the sales of the Group's household products were made to customers in the United States of America.

More than 90% of the sales of the Group's PVC pipes and fittings made to customers in the PRC.

More than 90% of the Group's non-current assets are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

### Information about major customers

During the years ended 31 December 2020 and 31 December 2019, no customer contributed more than 10% of the Group's external revenue.

### 3. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss on disposal/write-off of property, plant and equipment	(1,536)	(995)
Net foreign exchange (loss) gain	(22,643)	5,150
(Loss) gain arising from changes in fair value of investment properties	(1,825)	1,170
Loss on disposal of right-of-use assets	(151)	–
Loss on modification of lease	–	(64)
	<u>(26,155)</u>	<u>5,261</u>

#### **4. IMPAIRMENT LOSS RECOGNISED ON PROPERTY, PLANT AND EQUIPMENT**

As affected by COVID-19, the Group had stopped its manufacturing activities in PRC from February 2020 to mid of March 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. The segment of the business of PVC pipes and fittings manufacture and distribution had recorded a loss.

During the year ended 31 December 2020, the management performed an impairment assessment on certain property, plant and equipment and right-of-use assets relating to the PVC pipes and fittings segment (the “CGU”) with aggregate carrying amount of HK\$215,810,000 (2019: HK\$240,715,000) as the management concluded there was indication for impairment due to the outbreak of COVID-19 during the year.

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate of 16% as at 31 December 2020. The annual growth rate used is 3% to 3.5%, which is based on the industry growth forecasts. The cash flows beyond the five-year period are extrapolated using 2.5% growth rate which do not exceed the average growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include expected changes in selling prices and direct costs, such estimation is based on the unit’s past performance and management’s expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of HK\$34,634,000 (2019: nil) has been recognised against the carrying amount of plant and machinery in property, plant and equipment as the fair value less cost of disposal of other categories of property, plant and equipment and right-of-use assets are above their carrying amounts.

## 5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
– secured bank borrowings	8,669	11,595
– lease liabilities	104	367
Interest/imputed interest on:		
– amounts due to directors	4,168	3,553
– Deposits Received from Redevelopment Project	6,529	6,473
	<u>19,470</u>	<u>21,988</u>
<i>Less:</i> amount capitalised in the cost of qualifying assets	<u>–</u>	<u>(139)</u>
	<u><b>19,470</b></u>	<u><b>21,849</b></u>

## 6. TAXATION CHARGE (CREDIT)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC Enterprise Income Tax (“EIT”)		
– charge for the year	6,343	5,213
– overprovision in prior years	(2,566)	(2,345)
– withholding tax on profits of a non-resident in the PRC	1,058	–
	<u>4,835</u>	<u>2,868</u>
Deferred taxation charge (credit)		
– charge (credit) for the year	18,734	(11,495)
– withholding tax on profits of a non-resident in the PRC	4,232	2,755
	<u>22,966</u>	<u>(8,740)</u>
Total	<u><b>27,801</b></u>	<u><b>(5,872)</b></u>

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% for both years.

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

## 7. PROFIT (LOSS) FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging:		
Directors' emoluments	25,990	17,162
Other staff's salaries and wages	73,789	76,433
Other staff's retirement benefit scheme contributions	1,713	3,962
Share-based payments	1,192	–
	<u>102,684</u>	<u>97,557</u>
Total staff costs		
	<u>102,684</u>	<u>97,557</u>
Depreciation of property, plant and equipment	42,581	39,769
Depreciation of right-of-use assets	4,057	4,776
	<u>46,638</u>	<u>44,545</u>
Total depreciation		
	<u>46,638</u>	<u>44,545</u>
Allowance for inventories, net	–	1,049
Auditors' remuneration	2,705	2,983
Cost of inventories recognised as an expense	649,867	687,865
Premium charges on a life insurance policy	1,595	1,572
and after crediting:		
Gross rental income from investment properties	3,310	4,335
Less: direct operating expenses that generated rental income	(238)	(483)
	<u>3,072</u>	<u>3,852</u>
	<u><u>3,072</u></u>	<u><u>3,852</u></u>

## 8. DIVIDENDS

No final dividend was paid or proposed during both years ended 31 December 2020 and 31 December 2019, nor has dividend been proposed since the end of both reporting periods.

## 9. EARNINGS (LOSS) PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share	<u><b>68,984</b></u>	<u>(96,282)</u>
	<b>Number of shares</b>	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>764,317,421</b>	764,317,421
Effect of dilutive potential ordinary shares on share options	<u><b>1,617,915</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u><b>765,935,336</b></u>	<u>764,317,421</u>

The diluted loss per share for the year ended 31 December 2019 has not taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

## 10. REDEVELOPMENT PROJECT

	<b>Fair value of compensated properties</b> <i>HK\$'000</i>	<b>Present value of compensation income receivable</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 31 December 2018	1,470,566	99,893	1,570,459
Loss arising from changes in fair value of long-term other assets	(22,322)	–	(22,322)
Imputed interest income from compensation income receivable from Redevelopment Project	–	5,414	5,414
Compensation received from Redevelopment Project	–	(25,514)	(25,514)
Exchange realignment/difference	<u>(8,393)</u>	<u>(2,212)</u>	<u>(10,605)</u>
At 31 December 2019	1,439,851	77,581	1,517,432
Gain arising from changes in fair value of long-term other assets	207,210	–	207,210
Imputed interest income from compensation income receivable from Redevelopment Project	–	4,063	4,063
Compensation received from Redevelopment Project	–	(25,457)	(25,457)
Exchange realignment/difference	<u>34,952</u>	<u>3,690</u>	<u>38,642</u>
At 31 December 2020	<u><u>1,682,013</u></u>	<u><u>59,877</u></u>	<u><u>1,741,890</u></u>

On 11 August 2011, one of the subsidiaries of the Company, Welidy Limited (“Welidy”), has entered into a conditional provisional removal remedy agreement (“Provisional Agreement”) with an independent third party property developer (the “Developer”) in relation to the redevelopment of a piece of land owned by the Group (the “Land”) and this Land constituted part of a redevelopment project (“Redevelopment Project”) proposed by the Developer. The factory building built on the Land was owned by another subsidiary of the Company, namely 世界塑膠餐墊(寶安)有限公司 World Plastic Mat (Baoan) Company Limited (“World (Baoan)”).

Under the Provisional Agreement, the Group agreed to surrender the Land, in the future, to the Developer for certain residential or commercial properties (the “Compensated Properties”) to be built under the Redevelopment Project (the “Transaction”).

Upon signing the Provisional Agreement, an interest-free refundable deposit amounting to RMB30,000,000 (equivalent to approximately HK\$33,370,000 (2019: HK\$33,445,000)) was received by the Group, which is refundable on the date of receipt of all the Compensated Properties (the “Compensated Properties Receipt Date”) or acknowledgement from PRC government authorities on the termination of Redevelopment Project, whichever is earlier. The Group also prepaid HK\$21,500,000 for legal and consultancy services to be provided by a PRC lawyer in respect of the Redevelopment Project and the amount is recognised as long-term prepayment in the consolidated statement of financial position (“Prepayment”). As at 31 December 2020, the carrying amount of the Prepayment amounted to HK\$10,750,000 (2019: HK\$10,750,000).

On 16 August 2017, Welidy and World (Baoan) further entered into a supplementary agreement to the Provisional Agreement (the “Supplementary Agreement”) with a fellow subsidiary of the Developer (the “Ultimate Developer”). In the Supplementary Agreement, the consideration for the Transaction have been finalised which includes the details of the Compensated Properties to be received upon completion of Redevelopment Project and unconditional and non-refundable monthly compensation income (“Compensation income”) to be received by the Group from the Ultimate Developer up to the Compensated Properties Receipt Date. Upon signing the Supplementary Agreement, further refundable deposits amounting to RMB80,000,000 (equivalent to approximately HK\$95,923,000), in which RMB30,000,000 is interest-free and RMB50,000,000 is interest bearing at 6%, were received by the Group, together with the deposit received in 2011 as mentioned above, hereinafter referred to as the “Deposits Received”.

The Transaction with the Ultimate Developer was completed on 8 August 2018.

As at 31 December 2020, the principal amount of the Deposits Received amounting to RMB110,000,000 (equivalent to approximately HK\$130,797,000) (2019: RMB110,000,000 (equivalent to approximately HK\$122,631,000)) with carrying amount of HK\$118,186,000 (2019: HK\$107,608,000). The Deposits Received is measured at amortised cost using the effective interest rate at 6% per annum.

As the fair value of the Compensated Properties changes from time to time, the carrying amount recognised by the Group would be subject to remeasurement at fair value at each subsequent reporting date prior to obtaining control of the Compensated Properties. The fair values of the Compensated Properties at the end of the reporting period have been arrived at on the basis of a valuation carried out on those dates by the Valuer not connected with the Group, in accordance with the HKIS Valuation Standards issued by Hong Kong Institute of Surveyors.

As at 31 December 2020 and 2019, the fair value of Compensated Properties was determined based on direct comparison method making reference to market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties. The market unit rate of the Compensated Properties used in the valuation was referenced to similar commercial properties, which ranged from RMB22,500 to RMB50,000 (2019: RMB22,500 to RMB50,000) and similar residential properties, which ranged from RMB42,000 (2019: RMB36,000). Market unit rate, which mainly taking into account of the time, location, frontage and size are considered as significant unobservable input. A significant increase in the market unit rate used would result in a significant increase in the fair value of the Compensated Properties, and vice versa. Other key inputs and significant assumptions which involve judgements, included discount rate and time to completion. The discount rate used in the valuation was referenced to the applicable market yield of similar properties. The fair value measurements of Compensated Properties are categorised as Level 3 of the fair value hierarchy. There were no transfers into or out of Level 2 or Level 3 during both years.

## 11. TRADE AND OTHER RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	<b>124,239</b>	131,286
31 – 60 days	<b>65,584</b>	49,711
61 – 90 days	<b>40,741</b>	34,333
91 – 180 days	<b>57,042</b>	38,771
Over 180 days	<b>30,861</b>	51,965
	<hr/>	<hr/>
Trade receivables, net of allowance for credit losses	<b>318,467</b>	306,066
Prepayments for raw materials, deposits and other receivables	<b>11,443</b>	21,272
Deposit and prepayments for a life insurance policy	<b>1,640</b>	1,608
	<hr/>	<hr/>
Total trade and other receivables	<b>331,550</b>	328,946
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The Group allows credit period 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.

## 12. TRADE AND OTHER PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	128,425	106,404
31 – 60 days	26,009	15,471
61 – 90 days	15,363	14,783
Over 90 days	<u>76,410</u>	<u>34,562</u>
Total trade and bills payables	246,207	171,220
Other payables	<u>57,303</u>	<u>44,886</u>
Total trade and other payables	<u><u>303,510</u></u>	<u><u>216,106</u></u>

The following is an analysis of the Group's other payables at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued expenses	17,844	14,974
Deposits received	7,732	4,588
Payable on acquisition of property, plant and equipment	6,922	4,105
Interest payables	11,445	7,911
Value-added tax payables	1,810	929
Wages and bonus payable	4,929	5,452
Property tax and other tax payables	952	1,077
Others	<u>5,669</u>	<u>5,850</u>
	<u><u>57,303</u></u>	<u><u>44,886</u></u>

## **FINAL DIVIDEND**

The directors resolved not to recommend the payment of final dividend for the year ended 31 December 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

- The Group recorded a turnover of HK\$817,298,000 for the year ended 31 December 2020, representing an increase of 0.9% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$167,431,000 and 20.5%, representing an increase of HK\$46,536,000 and an increase of 38.5% respectively as compared to the same period last year.
- Profit for the year was HK\$68,984,000, as compared to a loss of HK\$96,282,000 for the same period last year.
- Basic profit per share was 9.03 HK cents, as compared to loss per share of 12.60 HK cents for the same period last year.

### **BUSINESS REVIEW**

For the year ended 31 December 2020, the Group recorded a consolidated turnover of HK\$817,298,000, representing an increase of 0.9% when comparing with HK\$809,809,000 last year. Gross profit and gross profit margin were HK\$167,431,000 and 20.5% respectively. Profit for the year was HK\$68,984,000.

During the year of 2020, due to the Sino-American Trade War and the continued outspread of the novel coronavirus, the Group experienced difficulties in its business of the Company. The Group had stopped its manufacturing activities in PRC from February 2020 to mid of March 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic.

For the household products business, the business turnover was HK\$174,746,000 which represented an increase of 6.5% when comparing with HK\$164,036,000 last year. The business had recorded a segment profit of HK\$3,735,000.

For PVC pipes and fittings manufacturing business, the business turnover was HK\$637,318,000 representing an increase of 0.3% when comparing with HK\$635,451,000 last year. The impairment loss recognised on plant and equipment were HK\$34,634,000. The impairment losses under expected credit loss model was HK\$25,845,000 and the business had recorded a segment loss of HK\$49,669,000.

For the Hong Kong Ecopark feed production from food waste recycling business, the Group had terminated this business on 1 July 2020. The business turnover up to 30 June 2020 was HK\$1,924,000 representing a decrease of 67.9% when comparing with HK\$5,987,000 last year. The impairment losses under expected credit loss model was HK\$335,000 and the business had recorded a segment loss of HK\$15,374,000.

During the year under review, the Group had rented out part of the unused factory premises and land in Zhongshan. The rental income had increased to HK\$8,070,000 when comparing with HK\$4,335,000 last year, representing an increase of 86.2%. The redevelopment of the Shenzhen Pingshan Urban Renewal Project was progressing smoothly by the developer in accordance with the timeline as specified in the agreements. The loss arising from changes in fair value of investment properties were HK\$1,825,000 and gain arising from changes in fair value of long-term other assets were HK\$207,210,000.

## **PROSPECTS**

Looking ahead, the Sino-American Trade War and the Covid-19 pandemic will continue to bring about a lot of challenges and difficulties to the business of the Group.

The Group will continue to adopt preventive measures to protect the health of its employees and to ensure the smooth operation of the business, and will also strive to implement the Group's strategy of the business so as to generate profit to the Group.

The Group will follow through with the Shenzhen Pingshan Urban Renewal Project which is named by the developer as 「Fantasia CIFI Good Time Home」\*. It is expected that the allotment of the shopping mall, carparks and residential flats and related premises will be completed and handed over to the Group as scheduled so as to meet the target development strategy and to generate satisfactory results for the Group.

Regarding the Group's announcement on 4 January 2021 concerning the intention of the Chinese Government for the resumption to buy of the Group's land lot G05701-4 situated at 33 Xinxia Road, Pinghu Street Office, Longgang District, Shenzhen City, Guangdong Province, the People's Republic of China, the Group is still anticipating for further directions and notices from the PRC government.

\* *The English name is translated for identification purpose only.*

In the face of difficulties and unexpected challenges, the Group will strive to do its best to adjust its strategy, to control production costs, increase competitiveness so as to strengthen its core business through innovations and exploring new technologies and the Group expects a bright future.

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2020, the Group had bank balances and cash and pledged bank deposits of approximately HK\$126,111,000 (31.12.2019: HK\$46,927,000) and had interest-bearing bank borrowings of approximately HK\$197,110,000 (31.12.2019: HK\$214,884,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2020 amounted to HK\$575,368,000; of which HK\$197,110,000 of the banking facilities was utilised (utilisation rate was at 34.3%).

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 31 December 2020, the Group had current assets of approximately HK\$624,983,000 (31.12.2019: HK\$546,260,000). The Group's current ratio was approximately 1.14 as at 31 December 2020 as compared with approximately 1.15 as at 31 December 2019. Total shareholders' funds of the Group as at 31 December 2020 increase by 9.8% to HK\$1,854,197,000 (31.12.2019: HK\$1,689,028,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2020 was 0.57 (31.12.2019: 0.56).

## **CHARGES ON ASSETS**

Certain leasehold land and buildings, investment properties, right-of-use assets and bank deposits with an aggregate net book value of HK\$164,469,000 (31.12.2019: HK\$163,307,000) were pledged to banks for general banking facilities granted to the Group.

In addition, the Group also pledged the life insurance to a bank to secure general banking facilities granted to the Group.

## **STAFF AND EMPLOYMENT**

At 31 December 2020, the Group employed a total workforce of about 796 staff (31.12.2019: 862) including 768 staff (31.12.2019: 816) in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$76,694,000 (31.12.2019: HK\$80,395,000). 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 year ended 31 December 2020, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 19 June 2021 to 25 June 2021 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting of the Company on 25 June 2021, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, at Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 June 2021.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 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.

## **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 audited financial statements for the year ended 31 December 2020.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

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 2020 as set out in the Preliminary Announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The 2020 Annual 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](http://www.worldhse.com) and the website of Hong Kong Exchange and Clearing Limited, while printed copies will be sent to shareholders of the Company as soon as practicable.

By Order of the Board  
**WORLD HOUSEWARE (HOLDINGS) LIMITED**  
**Lee Tat Hing**  
*Chairman*

Hong Kong, 30 March 2021

*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 and 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. Ho Tak Kay, Mr. Hui Chi Kuen Thomas and Mr. Shang Sze Ming.*