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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)**

**UNAUDITED RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 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 2019*

|   | <i>NOTES</i> | <b>2019</b><br><b>HK\$'000</b> | <b>2018</b><br><b>HK\$'000</b> |
|---|--------------|--------------------------------|--------------------------------|
| Turnover  | 2            | <b>809,809</b>                 | 926,232                        |
| Cost of sales   |              | <b>(688,914)</b>               | (801,306)                      |
| Gross profit  |              | <b>120,895</b>                 | 124,926                        |
| Other income  |              | <b>18,405</b>                  | 11,986                         |
| Other gains and losses  | 3            | <b>(17,061)</b>                | 22,019                         |
| Selling and distribution costs                                      |              | <b>(87,206)</b>                | (52,600)                       |
| Administrative expenses   |              | <b>(101,269)</b>               | (192,458)                      |
| Gain on disposal of land and building                               | 9            | –                              | 1,611,880                      |
| Impairment losses under expected credit loss model, net of reversal |              | <b>(14,069)</b>                | (17,375)                       |
| Impairment loss recognised on property, plant and equipment         |              | –                              | (85,490)                       |
| Finance costs   | 4            | <b>(21,849)</b>                | (17,855)                       |
| (Loss) profit before taxation                                       |              | <b>(102,154)</b>               | 1,405,033                      |
| Taxation credit (charge)  | 5            | <b>5,872</b>                   | (238,156)                      |
| (Loss) profit for the year  | 6            | <b>(96,282)</b>                | 1,166,877                      |

|   |       | 2019                    | 2018                    |
|---|-------|-------------------------|-------------------------|
|   | NOTES | HK\$'000                | HK\$'000                |
| Other comprehensive expenses  |       |                         |                         |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                      |       |                         |                         |
| Exchange differences arising on translation of financial statements of foreign operations |       | <u>(27,903)</u>         | <u>(65,056)</u>         |
| Total comprehensive (expense) income for the year   |       | <u><u>(124,185)</u></u> | <u><u>1,101,821</u></u> |
| (Loss) earnings per share   | 8     |                         |                         |
| Basic ( <i>HK cents per share</i> )   |       | <u><u>(12.60)</u></u>   | <u><u>152.75</u></u>    |
| Diluted ( <i>HK cents per share</i> )   |       | <u><u>(12.60)</u></u>   | <u><u>150.94</u></u>    |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

|   | NOTES | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets  |       |                  |                  |
| Investment properties   |       | 37,560           | 36,390           |
| Property, plant and equipment                                     |       | 387,229          | 408,897          |
| Right-of-use assets   |       | 61,009           | –                |
| Prepaid lease payments  |       | –                | 58,320           |
| Deposits paid for acquisition of property,<br>plant and equipment |       | 17,769           | 21,197           |
| Deposit and prepayments for a life<br>insurance policy            |       | 48,937           | 49,380           |
| Long-term prepayment  | 9     | 10,750           | 10,750           |
| Long-term other assets  | 9     | 1,517,432        | 1,570,459        |
|   |       | <u>2,080,686</u> | <u>2,155,393</u> |
| Current assets  |       |                  |                  |
| Inventories   |       | 159,650          | 172,119          |
| Trade and other receivables                                       | 10    | 328,946          | 380,975          |
| Contract assets   |       | 9,405            | 9,023            |
| Taxation recoverable  |       | 1,332            | 1,332            |
| Pledged bank deposits   |       | 6,158            | 7,558            |
| Bank balances and cash  |       | 40,769           | 37,014           |
|   |       | <u>546,260</u>   | <u>608,021</u>   |
| Current liabilities   |       |                  |                  |
| Trade and other payables  | 11    | 216,106          | 220,391          |
| Contract liabilities  |       | 16,033           | 19,438           |
| Amounts due to directors  |       | 21,760           | 64,830           |
| Taxation payable  |       | 5,304            | 5,471            |
| Lease liabilities   |       | 2,732            | –                |
| Obligations under finance leases                                  |       |                  |                  |
| – due within one year   |       | –                | 2,196            |
| Secured bank borrowings   |       | 214,884          | 235,301          |
|   |       | <u>476,819</u>   | <u>547,627</u>   |
| Net current assets  |       | <u>69,441</u>    | <u>60,394</u>    |
| Total assets less current liabilities                             |       | <u>2,150,127</u> | <u>2,215,787</u> |

|                                  |              | 2019             | 2018            |
|----------------------------------|--------------|------------------|-----------------|
|                                  | <i>NOTES</i> | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Non-current liabilities          |              |                  |                 |
| Lease liabilities                |              | <b>1,238</b>     | –               |
| Obligations under finance leases |              |                  |                 |
| – due after one year             |              | –                | 1,272           |
| Amounts due to directors         |              | <b>129,352</b>   | 70,252          |
| Deposits received                | 9            | <b>107,608</b>   | 106,858         |
| Deferred taxation                |              | <b>222,901</b>   | 234,102         |
|                                  |              | <b>461,099</b>   | 412,484         |
| Net assets                       |              | <b>1,689,028</b> | 1,803,303       |
| Capital and reserves             |              |                  |                 |
| Share capital                    |              | <b>76,432</b>    | 76,432          |
| Reserves                         |              | <b>1,612,596</b> | 1,726,871       |
| Total equity                     |              | <b>1,689,028</b> | 1,803,303       |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

|                       |  |
|-----------------------|--|
| HKFRS 16              | Leases   |
| 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 Interests in Associates and Joint Ventures |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2015 – 2017 Cycle      |

### Translation and summary of effects arising from initial application of HKFRS 16

#### As a lessee

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

|   | Notes | Right-of-use<br>assets<br>HK\$'000 |
|---|-------|------------------------------------|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16                    |       | 9,099                              |
| Reclassified from prepaid lease payments  | (a)   | 60,341                             |
| Amounts included in property, plant and equipment under HKAS 17<br>– Assets previously under finance leases | (b)   | 2,179                              |
|   |       | <u>71,619</u>                      |
| By class:   |       |                                    |
| Leasehold lands   |       | 60,341                             |
| Leasehold land and buildings  |       | 9,099                              |
| Motor vehicles  |       | <u>2,179</u>                       |
|   |       | <u>71,619</u>                      |

*Notes:*

- (a) Upfront payments for leasehold lands in Hong Kong Special Administrative Region (“Hong Kong SAR”) and the People’s Republic of China (the “PRC”) were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$2,021,000 and HK\$58,320,000 respectively were reclassified to right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group reclassified the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK\$2,179,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$2,196,000 and HK\$1,272,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included:

|  | Carrying<br>amounts<br>previously<br>reported at<br>31 December<br>2018<br>HK\$'000 | Adjustments<br>HK\$'000 | Carrying<br>amounts under<br>HKFRS 16 at<br>1 January<br>2019<br>HK\$'000 |
|--|---|-------------------------|---|
| <b>Non-current Assets</b>              |   |                         |   |
| Property, plant and equipment          | 408,897   | (2,179)                 | 406,718   |
| Prepaid lease payments ( <i>Note</i> ) | 58,320  | (58,320)                | –   |
| Right-of-use assets                    | –   | 71,619                  | 71,619  |
| <b>Current Assets</b>                  |   |                         |   |
| Prepaid lease payments                 | 2,021   | (2,021)                 | –   |
| <b>Current liabilities</b>             |   |                         |   |
| Lease liabilities                      | –   | (4,333)                 | (4,333)   |
| Obligations under finance leases       |   |                         |   |
| – due within one year                  | (2,196)   | 2,196                   | –   |
| <b>Non-current liabilities</b>         |   |                         |   |
| Lease liabilities                      | –   | (8,234)                 | (8,234)   |
| Obligations under finance leases       |   |                         |   |
| – due after one year                   | (1,272)   | 1,272                   | –   |

*Note:* For the purpose of reporting cash flows for the year ended 31 December 2019, movements have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Except for the application of HKFRS 16, the application of other new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

|   |   |
|---|---|
| HKFRS 17                                      | Insurance Contracts <sup>1</sup>  |
| Amendments to HKFRS 3                         | Definition of a Business <sup>2</sup>   |
| Amendments to HKFRS 10<br>and HKAS 28         | Sale or Contribution of Assets between an Investor<br>and its Associate or Joint Venture <sup>3</sup> |
| Amendments to HKAS 1<br>and HKAS 8            | Definition of Material <sup>4</sup>   |
| Amendments to HKFRS 9,<br>HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform <sup>4</sup>   |

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

<sup>2</sup> 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

<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 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 directors of the Company anticipate that the application of some of these new and amendments to HKFRSs may have effect on the Group's financial positions and performance and/or on the disclosures set out in the consolidated financial statements.

## 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 |
| Food waste recycling   | – | food waste recycling business                          |
| Property investments   | – | investment in properties                               |

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 2019

|   | Household<br>products<br><i>HK\$'000</i> | PVC<br>pipes and<br>fittings<br><i>HK\$'000</i> | Food<br>waste<br>recycling<br><i>HK\$'000</i> | Property<br>investments<br><i>HK\$'000</i> | Consolidated<br><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>5,987</u>                                  | <u>4,335</u>                               | <u>809,809</u>                  |
| Segment profit (loss)   | 5,000                                    | (32,860)  | (8,657)                                       | (16,816)                                   | (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>                |



For the year ended 31 December 2018

|  | Household<br>products<br><i>HK\$'000</i> | PVC<br>pipes and<br>fittings<br><i>HK\$'000</i> | Food<br>waste<br>recycling<br><i>HK\$'000</i> | Property<br>investments<br><i>HK\$'000</i> | Eliminations<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|--|---|---|--|---------------------------------|---------------------------------|
| <b>Turnover</b>  |  |   |   |  |                                 |                                 |
| Sales of goods recognised at<br>a point in time                      |  |   |   |  |                                 |                                 |
| External sales   | 204,330                                  | 710,949   | –   | –  | –                               | 915,279                         |
| Inter-segment sales  | 75                                       | 372   | –   | –  | (447)                           | –                               |
| Service income recognised<br>over time                               | –  | –   | 6,496   | –  | –                               | 6,496                           |
| Revenue from contracts with<br>customers                             | 204,405                                  | 711,321   | 6,496   | –  | (447)                           | 921,775                         |
| Rental income  | –  | –   | –   | 4,457                                      | –                               | 4,457                           |
| Total segment revenue  | <u>204,405</u>                           | <u>711,321</u>                                  | <u>6,496</u>                                  | <u>4,457</u>                               | <u>(447)</u>                    | <u>926,232</u>                  |
| Segment profit (loss)  | 8,060                                    | 13,894  | (105,134)                                     | 1,604,162                                  | –                               | 1,520,982                       |
| Bank interest income   |  |   |   |  |                                 | 282                             |
| Interest income from a deposit placed<br>for a life insurance policy |  |   |   |  |                                 | 1,140                           |
| Finance costs  |  |   |   |  |                                 | (17,855)                        |
| Premium charges on a life<br>insurance policy                        |  |   |   |  |                                 | (1,542)                         |
| Unallocated corporate expenses                                       |  |   |   |  |                                 | (97,974)                        |
| Profit before taxation   |  |   |   |  |                                 | <u>1,405,033</u>                |

Inter-segment sales are charged at cost plus certain mark-up.

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<br>products<br><i>HK\$'000</i> | PVC pipes<br>and fittings<br><i>HK\$'000</i> | Food waste<br>recycling<br><i>HK\$'000</i> | Property<br>investments<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--------------------------------|--|--|--|--|---------------------------------|
| <b>At 31 December 2019</b>     |  |  |  |  |                                 |
| <b>Assets</b>                  |  |  |  |  |                                 |
| Segment assets                 | 237,845                                  | 660,433                                      | 14,267                                     | 1,554,992                                  | 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                                      | 7,513                                      | 330,998                                    | 560,527                         |
| Unallocated liabilities        |  |  |  |  | <u>377,391</u>                  |
| Consolidated total liabilities |  |  |  |  | <u><u>937,918</u></u>           |
| <b>At 31 December 2018</b>     |  |  |  |  |                                 |
| <b>Assets</b>                  |  |  |  |  |                                 |
| Segment assets                 | 261,099                                  | 718,540                                      | 6,941                                      | 1,617,599                                  | 2,604,179                       |
| Unallocated assets             |  |  |  |  | <u>159,235</u>                  |
| Consolidated total assets      |  |  |  |  | <u><u>2,763,414</u></u>         |
| <b>Liabilities</b>             |  |  |  |  |                                 |
| Segment liabilities            | 48,272                                   | 186,907                                      | 4,157                                      | 337,448                                    | 576,784                         |
| Unallocated liabilities        |  |  |  |  | <u>383,327</u>                  |
| Consolidated total liabilities |  |  |  |  | <u><u>960,111</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 (2018: obligations under finance leases) and accruals of administrative expenses in head office.

### Other segment information

#### For the year ended 31 December 2019

|  | Household<br>products<br><i>HK\$'000</i> | PVC<br>pipes and<br>fittings<br><i>HK\$'000</i> | Food<br>waste<br>recycling<br><i>HK\$'000</i> | Property<br>investments<br><i>HK\$'000</i> | Segment<br>total<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|--|---|---|--|-------------------------------------|--------------------------------|---------------------------------|
| Amounts included in the measure of<br>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<br>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<br>on trade receivables                             | –  | 12,870  | –   | –  | 12,870                              | –                              | 12,870                          |
| Impairment loss recognised<br>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<br>equipment                           | 533                                      | 462   | –   | –  | 995                                 | –                              | 995                             |
| Gain arising from changes in fair value of<br>investment properties            | –  | –   | –   | (1,170)                                    | (1,170)                             | –                              | (1,170)                         |
| Loss arising from change in fair value of<br>long-term other assets            | –  | –   | –   | 22,322                                     | 22,322                              | –                              | 22,322                          |
| Loss on modification of lease  | –  | –   | 64  | –  | 64                                  | –                              | 64                              |

For the year ended 31 December 2018

|  | Household<br>products<br><i>HK\$'000</i> | PVC<br>pipes and<br>fittings<br><i>HK\$'000</i> | Food<br>waste<br>recycling<br><i>HK\$'000</i> | Property<br>investments<br><i>HK\$'000</i> | Segment<br>total<br><i>HK\$'000</i> | Unallocated<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|--|---|---|--|-------------------------------------|--------------------------------|---------------------------------|
| Amounts included in the measure of<br>segment profit (loss) or segment assets: |  |   |   |  |                                     |                                |                                 |
| Addition to property, plant and equipment                                      | 28,043                                   | 21,485  | –   | –  | 49,528                              | –                              | 49,528                          |
| Depreciation of property,<br>plant and equipment                               | 11,054                                   | 30,717  | 13,234  | –  | 55,005                              | 1,940                          | 56,945                          |
| Amortisation of prepaid lease payments   | 868                                      | 1,411   | –   | –  | 2,279                               | –                              | 2,279                           |
| Impairment loss recognised<br>on trade receivables                             | –  | 17,375  | –   | –  | 17,375                              | –                              | 17,375                          |
| Allowance for inventories  | –  | –   | 2,228   | –  | 2,228                               | –                              | 2,228                           |
| Net foreign exchange loss (gain)   | 38,032                                   | (1,162)   | (1)   | –  | 36,869                              | –                              | 36,869                          |
| Impairment loss recognised on property,<br>plant and equipment                 | –  | –   | 85,490  | –  | 85,490                              | –                              | 85,490                          |
| Loss on disposal/write-off of property,<br>plant and equipment                 | 445                                      | 631   | –   | –  | 1,076                               | –                              | 1,076                           |
| Gain arising from changes in fair value of<br>investment properties            | –  | –   | –   | (1,480)                                    | (1,480)                             | –                              | (1,480)                         |
| Gain arising from change in fair value of<br>long-term other assets            | –  | –   | –   | (23,399)                                   | (23,399)                            | –                              | (23,399)                        |
|  | <u>          </u>                        | <u>          </u>                               | <u>          </u>                             | <u>          </u>                          | <u>          </u>                   | <u>          </u>              | <u>          </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 year ended 31 December 2019 and 31 December 2018, no customer contributed more than 10% of the Group's external revenue.

## 3. OTHER GAINS AND LOSSES

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Gain arising from changes in fair value of investment properties                                  | 1,170                   | 1,480                   |
| Net foreign exchange gain (loss)  | 5,150                   | (36,869)                |
| (Loss) gain arising from changes in fair value of<br>long-term other assets                       | (22,322)                | 23,399                  |
| Loss on disposal/write-off of property, plant and equipment                                       | (995)                   | (1,076)                 |
| Loss on modification of lease   | (64)                    | –                       |
| Fair value gain on Deposits Received from<br>Redevelopment Project ( <i>note 9</i> )              | –                       | 20,545                  |
| Compensation income from Redevelopment Project ( <i>note 9</i> )                                  | –                       | 16,021                  |
| Loss arising from changes in fair value of foreign currency<br>forwards contracts ( <i>Note</i> ) | –                       | (1,481)                 |
|   | <u>(17,061)</u>         | <u>22,019</u>           |

*Note:* The foreign currency forward contracts were mainly related to the purchase of Renminbi ("RMB") and sale of United States Dollar ("USD") at contract rates at RMB6.422 per one USD at aggregate notional amount of USD 3,000,000 equivalent to approximately HK\$23,399,000. All foreign currency forward contracts expired as at 31 December 2018.

#### 4. FINANCE COSTS

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on:  |                         |                         |
| – secured bank borrowings                                 | 11,595                  | 15,605                  |
| – finance leases  | –                       | 269                     |
| – lease liabilities                                       | 367                     | –                       |
| Interest/imputed interest on:                             |                         |                         |
| – amounts due to directors                                | 3,553                   | 1,213                   |
| – Deposits Received from Redevelopment Project            | 6,473                   | 1,285                   |
|   | <u>21,988</u>           | <u>18,372</u>           |
| Less: amount capitalised in the cost of qualifying assets | <u>(139)</u>            | <u>(517)</u>            |
|   | <u><u>21,849</u></u>    | <u><u>17,855</u></u>    |

#### 5. TAXATION (CREDIT) CHARGE

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| PRC Enterprise Income Tax (“EIT”)                         |                         |                         |
| – charge for the year                                     | 5,213                   | 6,010                   |
| – overprovision in prior years                            | (2,345)                 | (247)                   |
|   | <u>2,868</u>            | <u>5,763</u>            |
| Deferred taxation   |                         |                         |
| – (credit) charge for the year                            | (11,495)                | 128,451                 |
| – withholding tax on profits of a non-resident in the PRC | 2,755                   | 103,942                 |
|   | <u>(8,740)</u>          | <u>232,393</u>          |
| Total   | <u><u>(5,872)</u></u>   | <u><u>238,156</u></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%.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. As the Company and its subsidiaries operating in Hong Kong do not have assessable profits, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

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

## 6. (LOSS) PROFIT FOR THE YEAR

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (Loss) profit for the year has been arrived at after charging: |                         |                         |
| Directors' emoluments  | 17,162                  | 88,357                  |
| Other staff's salaries and wages                               | 76,433                  | 86,066                  |
| Other staff's retirement benefit scheme contributions          | 3,962                   | 4,738                   |
| Total staff costs  | 97,557                  | 179,161                 |
| Depreciation of property, plant and equipment                  | 39,769                  | 56,945                  |
| Depreciation of right-of-use assets                            | 4,776                   | –                       |
| Amortisation of prepaid lease payments                         | –                       | 2,279                   |
| Total depreciation and amortisation                            | 44,545                  | 59,224                  |
| Allowance for inventories, net                                 | 1,049                   | 2,228                   |
| Auditors' remuneration   | 2,983                   | 2,918                   |
| Cost of inventories recognised as an expense                   | 687,865                 | 799,078                 |
| Operating lease rentals in respect of rented premises          | –                       | 2,769                   |
| Premium charges on a life insurance policy                     | 1,572                   | 1,542                   |
| and after crediting:   |                         |                         |
| Gross rental income from investment properties                 | 4,335                   | 4,457                   |
| Less: direct operating expenses that generated rental income   | (483)                   | (370)                   |
|  | <u>3,852</u>            | <u>4,087</u>            |

## 7. DIVIDENDS

No final dividend was paid or proposed during both years ended 31 December 2019 and 31 December 2018, nor has dividend been proposed since the end of both reporting periods.

## 8. (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:

|   | 2019<br><i>HK\$'000</i>   | 2018<br><i>HK\$'000</i> |
|---|---------------------------|-------------------------|
| (Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share       | <u>(96,282)</u>           | <u>1,166,877</u>        |
|   | <b>Number of shares</b>   |                         |
|   | 2019                      | 2018                    |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share   | <b>764,317,421</b>        | 763,911,942             |
| Effect of dilutive potential ordinary shares on share options                                   | <u>–</u>                  | <u>9,166,337</u>        |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | <u><b>764,317,421</b></u> | <u>773,078,279</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.

## 9. REDEVELOPMENT PROJECT

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 constitutes part of a redevelopment project (“Redevelopment Project”) proposed by the Developer. The factory building built on the Land is 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”). At that time, the Transaction has yet to be commenced pending to certain conditions, including but not limited to, obtaining approval from the PRC government authorities.

Upon signing the Provisional Agreement, an interest-free refundable deposit amounting to RMB30,000,000 (equivalent to approximately HK\$33,445,000 (2018: HK\$34,169,000)) 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. During the year ended 31 December 2011, 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 2019, the carrying amount of the Prepayment amounted to HK\$10,750,000 (2018: 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 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”.

On 8 August 2018, the Transaction with the Ultimate Developer was considered completed as the agreement became unconditional and at which point the Group transferred the control of the Land to the Ultimate Developer and derecognised the Land and factory building. The present value of the future monthly compensation income receivable from that date to the Compensated Properties Receipt Date of RMB94,940,000 (equivalent to approximately HK\$113,024,000) and the fair value of the Compensated Properties of RMB1,271,502,000 (equivalent to approximately HK\$1,513,693,000), as at 8 August 2018 amounting to RMB1,366,442,000 (equivalent to approximately HK\$1,626,717,000) in aggregate, were recognised as consideration for the Transaction (the “Consideration”) and this amount is recognised as long-term other assets in the consolidated statement of financial position. On the same date, the Group recognised gain on disposal of land and building of HK\$1,611,880,000. During the year ended 31 December 2018, the net gain after tax was HK\$1,371,859,000 which was derived at after deducting the related taxation effect of HK\$240,021,000.

As part of the Consideration includes the Group's right to obtain Compensated Properties in future while fair value 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 on 8 August 2018 and 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 2019, the principal amount of the Deposits Received from the property developer amounting to RMB110,000,000 (2018: RMB110,000,000) (equivalent to approximately HK\$122,631,000 (2018: HK\$125,285,000)). The deposits received is measured at amortised cost using the effective interest rate at 6.00% per annum. During the year ended 31 December 2018, a fair value change (gain in the profit or loss) resulting from the revision of estimated timing of the refund of the Deposits Received, amounting to HK\$20,545,000 was recognised as income in the profit or loss (note 3).

In addition, during the year ended 31 December 2018, the Group recognised monthly compensation income of approximately RMB13,457,000 (equivalent to approximately HK\$16,021,000) in aggregate in the profit or loss (note 3) as it was considered as a unconditional payment to the Group prior to 8 August 2018.

As at 31 December 2019, the long-term other assets of RMB1,361,137,000 (equivalent to approximately HK\$1,517,432,000) (2018: RMB1,378,863,000 (equivalent to approximately HK\$1,570,459,000)) consists of the present value of the future monthly compensation income receivable of RMB69,591,000 (equivalent to approximately HK\$77,581,000) (2018: RMB87,706,000 (equivalent to approximately HK\$99,893,000)) and the fair value of the Compensated Properties of RMB1,291,546,000 (equivalent to approximately HK\$1,439,851,000) (2018: RMB1,291,157,000 (equivalent to approximately HK\$1,470,566,000)).

## 10. 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:

|   | <b>2019</b>     | 2018            |
|---|-----------------|-----------------|
|   | <b>HK\$'000</b> | <b>HK\$'000</b> |
| 0 – 30 days   | <b>131,286</b>  | 107,140         |
| 31 – 60 days  | <b>49,711</b>   | 83,271          |
| 61 – 90 days  | <b>34,333</b>   | 47,070          |
| 91 – 180 days   | <b>38,771</b>   | 49,952          |
| Over 180 days   | <b>51,965</b>   | 63,498          |
|   | <hr/>           | <hr/>           |
| Trade receivables, net of allowance for credit losses         | <b>306,066</b>  | 350,931         |
| Prepayments for raw materials, deposits and other receivables | <b>21,272</b>   | 26,450          |
| Prepaid lease payments ( <i>Note</i> )                        | <b>–</b>        | 2,021           |
| Deposit and prepayments for a life insurance policy           | <b>1,608</b>    | 1,573           |
|   | <hr/>           | <hr/>           |
| Total trade and other receivables                             | <b>328,946</b>  | 380,975         |
|   | <hr/> <hr/>     | <hr/> <hr/>     |

*Note:* Prepaid lease payments were classified as right-of-use assets upon the initial application of HKFRS 16.

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.

## 11. 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:

|                                | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| 0 – 30 days                    | 106,404                 | 91,053                  |
| 31 – 60 days                   | 15,471                  | 25,978                  |
| 61 – 90 days                   | 14,783                  | 17,497                  |
| Over 90 days                   | 34,562                  | 35,652                  |
|                                | <hr/>                   | <hr/>                   |
| Total trade and bills payables | 171,220                 | 170,180                 |
| Other payables                 | 44,886                  | 50,211                  |
|                                | <hr/>                   | <hr/>                   |
| Total trade and other payables | <u>216,106</u>          | <u>220,391</u>          |

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

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Accrued expenses  | 14,974                  | 12,583                  |
| Deposits received                                       | 4,588                   | 10,391                  |
| Payable on acquisition of property, plant and equipment | 4,105                   | 6,027                   |
| Interest payables                                       | 7,911                   | 4,800                   |
| Value-added tax payables                                | 929                     | 4,679                   |
| Wages and bonus payable                                 | 5,452                   | 4,181                   |
| Property tax and other tax payables                     | 1,077                   | 806                     |
| Others  | 5,850                   | 6,744                   |
|   | <hr/>                   | <hr/>                   |
|   | <u>44,886</u>           | <u>50,211</u>           |

## **FINAL DIVIDEND**

The directors resolved not to recommend the payment of final dividend for the year ended 31 December 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

- The Group recorded a turnover of HK\$809,809,000 for the year ended 31 December 2019, representing a decrease of 12.6% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$120,895,000 and 14.9%, representing a decrease of HK\$4,031,000 and an increase of 1.4% respectively as compared to the same period last year.
- Loss for the year was HK\$96,282,000, as compared to a profit of HK\$1,166,877,000 for the same period last year.
- Basic loss per share was 12.60 HK cents, as compared to profit per share of 152.75 HK cents for the same period last year.

### **BUSINESS REVIEW**

For the year ended 31 December 2019, the Group recorded a consolidated turnover of HK\$809,809,000, representing a decrease of 12.6% from HK\$926,232,000 last year. Gross profit and gross profit margin were HK\$120,895,000 and 14.9% respectively. Loss for the year was HK\$96,282,000.

During the year of 2019, the Group continued its business of household products, PVC pipes and fittings manufacturing, environmental feed production from food waste recycling business and property investments.

For the household products business, the business turnover was HK\$164,036,000 representing a decrease of 19.8% from last year's HK\$204,405,000. The business had contributed profit to the Group.

For PVC pipes and fittings manufacturing business, the business turnover was HK\$635,451,000 representing a decrease of 10.7% from last year's HK\$711,321,000 and the business recorded a loss.

For the feed production from food waste recycling business, the turnover was HK\$5,987,000 representing a decrease of 7.8% from last year's HK\$6,496,000 and the business was not satisfactory.

During the year under review, the turnover of property investment amounted to HK\$4,335,000, representing a decrease of 2.7% from HK\$4,457,000 of the same period last year. Gains arising from changes in fair value of investment properties was HK\$1,170,000.

The progress of the redevelopment of the Shenzhen Pingshan Urban Renewal Project (the "Redevelopment Project") was carried out by the developer in accordance with the timeline as specified in the agreements. Loss arising from changes in fair value was HK\$22,322,000.

## **PROSPECTS**

Looking to the future, the Sino American Trade War will still bring about a lot of challenges. Coupled with the outspread of recent global novel coronavirus (the "COVID-19"), all sectors of the Company's business were affected. The business of household products continues to be fragile. Business for PVC pipes and fittings sector is expected to be sluggish in the near future. The business feed production from food waste recycling business on Hong Kong EcoPark despite additional efforts is not satisfactory and the Group is considering to move the business from Hong Kong to Zhongshan in order to reduce costs. To face the challenges and the keen competitions, the Group will strive to adjust its strategies and tactics to clear all obstacles so as to expand its production and to generate profits to the Group.

In light of the COVID-19, the Group will continue to adopt preventive measures to protect the health of the employees and to ensure the smooth operation of the business. The Group will also strive to control its production costs so as to generate profits to the Group.

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

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2019, the Group had bank balances and cash and pledged bank deposits of approximately HK\$46,927,000 (31.12.2018: HK\$44,572,000) and had interest-bearing bank borrowings of approximately HK\$214,884,000 (31.12.2018: HK\$235,301,000). 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 2019 amounted to HK\$554,064,000; of which HK\$214,884,000 of the banking facilities was utilised (utilisation rate was at 38.8%).

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 31 December 2019, the Group had current assets of approximately HK\$546,260,000 (31.12.2018: HK\$608,021,000). The Group's current ratio was approximately 1.15 as at 31 December 2019 as compared with approximately 1.11 as at 31 December 2018. Total shareholders' funds of the Group as at 31 December 2019 decrease by 6.3% to HK\$1,689,028,000 (31.12.2018: HK\$1,803,303,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2019 was 0.56 (31.12.2018: 0.53).

## **CHARGES ON ASSETS**

Certain leasehold land and buildings, investment properties, right-of-use assets (2018: prepaid lease payments) and bank deposits with an aggregate net book value of HK\$163,307,000 (31.12.2018: HK\$174,959,000) 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 2019, the Group employed a total workforce of about 862 staff (31.12.2018: 950) including 816 staff (31.12.2018: 905) in our factories located in the PRC. The total staff remuneration incurred during the year was HK\$80,395,000 (31.12.2018: HK\$90,804,000). 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 2019, 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 6 June 2020 to 12 June 2020 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 12 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 June 2020.

## **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 2019.



## **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, except for one director forgot to first notify in writing the chairman or director designated by the board and receive a dated written acknowledgement before the dealings of shares of the Company during the year, that was not complied with Rule A.1 and B.8 of the Model Code. The director had been reminded that all the directors shall comply to the best of their ability with the Listing rules from time to time in force and must understand the obligation and be familiar with the Listing Rule requirements.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited financial statements for the year ended 31 December 2019.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

Due to the recent epidemic of the COVID-19 and the curbing and quarantine policies adopted and/or implemented by the Chinese government, Deloitte Touche Tohmatsu, the auditor of the Company, encountered significant practical difficulties in compiling its report as it was unable to go to certain locations of the Company for performing audit work. Accordingly, it was unable to complete the audit of the Group’s annual results for the year ended 31 December 2019 by 31 March 2020 in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The unaudited annual results contained herein have not yet been agreed with the Company’s auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has reviewed the unaudited annual results contained herein.

## PUBLICATION OF ANNUAL REPORT

The 2019 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

**Lee Tat Hing**

*Chairman*

Hong Kong, 25 March 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 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.*