



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713



2020 Interim Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing (*Chairman*)

Madam Fung Mei Po (*Vice Chairperson and
Chief Executive Officer*)

Mr. Lee Chun Sing (*Vice Chairman*)

Mr. Lee Kwok Sing Stanley

Non-Executive Director

Mr. Cheung Tze Man Edward

Independent Non-Executive Directors

Mr. Tsui Chi Him Steve

Mr. Ho Tak Kay

Mr. Hui Chi Kuen Thomas

Mr. Shang Sze Ming

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, *FCCA, CPA*

COMPANY SECRETARY

Mr. Tsui Chi Yuen, *CPA*

PRINCIPAL OFFICE

Flat C, 18th Floor

Bold Win Industrial Building

16-18 Wah Sing Street

Kwai Chung

New Territories

Hong Kong

REGISTERED OFFICE

P.O. Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank

HSBC

Bank of China

Hang Seng Bank

DBS Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

Tricor Secretaries Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

In the Cayman Islands

The R&H Trust Co. Ltd.

P.O. Box 897

Windward 1

Regatta Office Park

Grand Cayman KY1-1103

Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

<http://www.worldhse.com>

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	<i>Notes</i>	1.1.2020 to 30.6.2020 HK\$'000 (Unaudited)	1.1.2019 to 30.6.2019 HK\$'000 (Unaudited)
Turnover	3	314,096	402,293
Cost of sales		(251,111)	(315,305)
Gross profit		62,985	86,988
Other income		7,353	8,940
Other gains and losses	4	(9,643)	27,681
Selling and distribution costs		(35,026)	(39,881)
Administrative expenses		(49,245)	(63,995)
Impairment loss under expected credit loss model, net of reversal		(23,819)	(4,744)
Impairment loss recognised on property, plant and equipment		(34,634)	–
Finance costs	5	(10,108)	(10,241)
(Loss) profit before taxation		(92,137)	4,748
Taxation credit (charge)	6	2,770	(3,438)
(Loss) profit for the period	7	(89,367)	1,310
Other comprehensive expense:			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(14,482)	(1,509)
Total comprehensive expense for the period		(103,849)	(199)
(Loss) earnings per share	9		
Basic (HK cents per share)		(11.69)	0.17
Diluted (HK cents per share)		(11.69)	0.17

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Non-current assets			
Investment properties	10	36,000	37,560
Property, plant and equipment	11	343,172	387,229
Right-of-use assets		56,927	61,009
Deposits paid for acquisition of property, plant and equipment		18,327	17,769
Deposit and prepayments for a life insurance policy		48,717	48,937
Long-term prepayment		10,750	10,750
Long-term other assets	12	1,490,675	1,517,432
		2,004,568	2,080,686
Current assets			
Inventories		128,057	159,650
Trade and other receivables	13	293,445	328,946
Contract assets		9,044	9,405
Taxation recoverable		1,332	1,332
Pledged bank deposits		6,161	6,158
Bank balances and cash		53,163	40,769
		491,202	546,260
Current liabilities			
Trade and other payables	14	194,213	216,106
Contract liabilities		21,942	16,033
Amounts due to directors		40,431	21,760
Taxation payable		1,993	5,304
Lease liabilities		1,874	2,732
Secured bank borrowings	15	208,396	214,884
		468,849	476,819
Net current assets		22,353	69,441
Total assets less current liabilities		2,026,921	2,150,127

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2020

	Notes	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		–	1,238
Amounts due to directors		117,471	129,352
Deposits received	12	107,270	107,608
Deferred taxation		217,001	222,901
		441,742	461,099
Net assets			
		1,585,179	1,689,028
Capital and reserves			
Share capital	16	76,432	76,432
Reserves		1,508,747	1,612,596
Total equity			
		1,585,179	1,689,028

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Non-distributable reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Translation reserve HK\$'000	PRC statutory surplus reserve HK\$'000 (Note c)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	76,432	343,659	251,393	9,910	9,505	188,677	43,064	766,388	1,689,028
Loss for the period	-	-	-	-	-	-	-	(89,367)	(89,367)
Other comprehensive expense for the period	-	-	-	-	-	(14,482)	-	-	(14,482)
Total comprehensive expense for the period	-	-	-	-	-	(14,482)	-	(89,367)	(103,849)
At 30 June 2020 (unaudited)	76,432	343,659	251,393	9,910	9,505	174,195	43,064	677,021	1,585,179
At 1 January 2019 (audited)	76,432	343,659	251,393	-	9,957	216,580	39,993	865,289	1,803,303
Profit for the period	-	-	-	-	-	-	-	1,310	1,310
Other comprehensive expense for the period	-	-	-	-	-	(1,509)	-	-	(1,509)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,509)	-	1,310	(199)
At 30 June 2019 (unaudited)	76,432	343,659	251,393	-	9,957	215,071	39,993	866,599	1,803,104

Notes:

- (a) The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- (b) The capital reserve of the Group arose from deemed contribution from the owners of the Company.
- (c) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Statutory surplus reserve fund is non-distributable. Appropriations to such reserves are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	1.1.2020 to 30.6.2020 HK\$'000 (unaudited)	1.1.2019 to 30.6.2019 HK\$'000 (unaudited)
Net cash from operating activities	23,382	2,874
Net cash used in investing activities		
Compensation received from redevelopment project	12,616	13,018
Withdrawal of pledged bank deposits	–	1,384
Proceeds from disposal of property, plant and equipment	436	723
Proceeds from disposal of right-of-use assets	750	–
Interest received	40	75
Purchase of property, plant and equipment	(17,555)	(16,512)
Deposits paid for acquisition of property, plant and equipment	(881)	(304)
	(4,594)	(1,616)
Net cash used in financing activities		
Bank loans raised	150,653	123,320
Advance from directors	6,161	3,580
Repayment of bank loans	(155,491)	(135,475)
Other financing cash flows	(4,880)	(6,729)
Repayment of lease liabilities	(2,096)	(2,619)
Repayment to directors	–	(200)
	(5,653)	(18,123)
Net increase (decrease) in cash and cash equivalents	13,135	(16,865)
Cash and cash equivalents at 1 January	40,769	37,014
Effect of foreign currency rate changes	(741)	(537)
Cash and cash equivalents at 30 June, represented by bank balances and cash	53,163	19,612

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

1A. Significant Events and Transactions in the Current Interim Period

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped its manufacturing activities from February 2020 to mid of March 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. On the other hand, the PRC and Hong Kong government have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. The directors of the Company considered the certain of government grants in respect of Covid-19-related subsidies and rent concessions from certain lessors have no material impact on the condensed consolidated financial statements.

In addition, the business operations of the Group was resumed normal since April 2020. As such, the financial positions and performance of the Group were affected in different aspect, including reduction in revenue of household segment and PVC pipes and fitting segment. The revenue of household segment has recovered in second quarter of 2020 and PVC pipes and fitting segment was still recovering for the six month ended 30 June 2020.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

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

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

2.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

2.2.1. Accounting policies

Leases

Covid-19-related rent concessions

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 “Covid-19– Related Rent Concessions” *(Continued)*

2.2.1. Accounting policies *(Continued)*

Leases (Continued)

Covid-19-related rent concessions *(Continued)*

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



3. TURNOVER AND SEGMENT INFORMATION

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

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

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

Six months ended 30 June 2020 (unaudited)

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

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Six months ended 30 June 2019 (unaudited)

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

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

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

4. OTHER GAINS AND LOSSES

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

5. FINANCE COSTS

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

6. TAXATION (CREDIT) CHARGE

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

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

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

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

7. (LOSS) PROFIT FOR THE PERIOD

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

8. DIVIDENDS

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

9. (LOSS) EARNINGS PER SHARE

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

	1.1.2020	1.1.2019
	to	to
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share	(89,367)	1,310
	Number of shares	
	30.6.2020	30.6.2019
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	764,317,421	764,317,421
Effect of dilutive potential ordinary shares on share options	–	7,619,849
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	764,317,421	771,937,270

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

10. INVESTMENT PROPERTIES

The Group's investment properties were measured in fair value by an independent professional valuer at 30 June 2020 by reference to comparable sales transactions as available in the relevant markets and where appropriate on the basis of capitalisation of the relevant net income, resulting a decrease in fair value of investment properties of HK\$1,560,000 (increase in fair value for six months ended 30 June 2019: HK\$1,360,000), which has been recognised directly in profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred HK\$17,555,000 (for six months ended 30 June 2019: HK\$16,512,000) on acquisition of property, plant and equipment, HK\$370,000 (for six months ended 30 June 2019: HK\$1,040,000) on construction costs of new manufacturing plants in the PRC.

During the current interim period, the Group disposed of certain plant and equipment with an aggregate carrying amount of HK\$866,000 (for six months ended 30 June 2019: HK\$886,000) for cash proceeds of HK\$436,000 (for six months ended 30 June 2019: HK\$723,000), resulting in a loss on disposal of HK\$430,000 (for six months ended 30 June 2019: loss on disposal of HK\$163,000).

During the six months ended 30 June 2020, the management performed an impairment assessment on property, plant and equipment relating to the PVC pipes and fitting segment with carrying amount of HK\$203,221,000 (31 December 2019: HK\$220,588,000) as the management concluded there was indication for impairment due to the outbreak of Covid-19 during the period. The management estimated the recoverable amount of the cash-generating unit of which these property, plant and equipment have been allocated. The recoverable amount is lower than the carrying amount of these property, plant and equipment and accordingly, impairment loss of HK\$34,634,000 (for six months ended 30 June 2019: nil) has been recognised.

The recoverable amount of the cash-generating unit has been determined based on value in use calculations which use cash flow projections based on most recent financial budgets approved by management covering a five-year period, and discount rates of 12%. Cash flows beyond the five-year period have been extrapolated using an estimated zero 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. The management believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed the aggregate of its recoverable amount.

12. REDEVELOPMENT PROJECT

On 8 August 2018, the transaction in which the Group agreed to surrender a piece of land to a property developer for certain residential or commercial properties (the "Compensated Properties") to be built under a redevelopment project was completed. The consideration for the transaction includes 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 property developer up to the date of receipt of all the Compensated Properties. In addition, certain deposits were received from the property developer.

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 is subject to remeasurement at fair value at each subsequent reporting date prior to obtaining control of the Compensated Properties.

As at 30 June 2020, the principal amount of the Deposits Received from the property developer amounting to RMB110,000,000 (equivalent to approximately HK\$120,482,000) (31 December 2019: RMB110,000,000 (equivalent to approximately HK\$122,631,000)). The Deposits Received is measured at amortised cost using the effective interest rate at 6.00% per annum.

As at 30 June 2020, the long-term other assets of RMB1,360,986,000 (equivalent to approximately HK\$1,490,675,000) (31 December 2019: RMB1,361,137,000 (equivalent to approximately HK\$1,517,432,000)) consists of the present value of the future monthly compensation income receivable of RMB60,117,000 (equivalent to approximately HK\$65,846,000) (31 December 2019: RMB69,591,000 (equivalent to approximately HK\$77,581,000)) and the fair value of the Compensated Properties of RMB1,300,869,000 (equivalent to approximately HK\$1,424,829,000) (31 December 2019: RMB1,291,546,000 (equivalent to approximately HK\$1,439,851,000)).

As at 30 June 2020, the fair value of Compensated Properties situated in PRC 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. Market unit rate, which mainly taking into account time, location, frontage and size are considered as significant the unobservable input. 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 (31 December 2019: RMB22,500 to RMB50,000) and similar residential properties, which at RMB35,000 (31 December 2019: RMB36,000). 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. 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 the periods.

13. TRADE AND OTHER RECEIVABLES

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

15. SECURED BANK BORROWINGS

During the current interim period, the Group obtained new bank loans of approximately HK\$150,653,000 (for six months ended 30 June 2019: HK\$123,320,000) and repaid bank loans of HK\$155,491,000 (for six months ended 30 June 2019: HK\$135,475,000). The proceeds were used to finance the general working capital of the Group. Certain bank borrowings were secured by pledged bank deposits and certain non-current assets amounting to approximately HK\$206,637,000 (for six months ended 30 June 2019: HK\$213,420,000).

16. SHARE CAPITAL

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

17. CAPITAL COMMITMENTS

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– plant and equipment	7,186	6,329
– buildings	3,526	4,152
	10,712	10,481

18. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

(a) Compensation of key management personnel

	1.1.2020	1.1.2019
	to	to
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	9,595	10,618
Retirement benefit scheme contributions	45	45
	9,640	10,663

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

- (b) During the six months ended 30 June 2020, Joy Tower Limited, a related party of the Group, provided its residential property to secure one of the Group's banking facilities amounting to HK\$81,315,000 (31 December 2019: HK\$81,315,000). Approximately HK\$47,072,000 (31 December 2019: HK\$47,067,000) was utilised in respect of this banking facility as at 30 June 2020.

Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, the directors and controlling shareholders of the Company, are the directors and controlling shareholders of Joy Tower Limited.

- (c) During the six months ended 30 June 2020, the Group incurred interest expenses of HK\$1,110,000 (for six months ended 30 June 2019: HK\$665,000) on the amount due to a director of the Company, Ms. Fung Mei Po.
- (d) During the six months ended 30 June 2020, the Group incurred interest expenses of HK\$906,000 (for six months ended 30 June 2019: nil) on the amount due to a director of the Company, Mr. Lee Tat Hing.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

To The Board of Directors of
World Houseware (Holdings) Limited

世界(集團)有限公司

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of World Houseware (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 23, which comprises the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2020



Management Discussion and Analysis

RESULTS

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

- The Group recorded a consolidated turnover of HK\$314,096,000 for the six months ended 30 June 2020, representing a decrease of 21.9% or HK\$88,197,000 as compared to HK\$402,293,000 of the same period last year.
- Gross profit of the Group was HK\$62,985,000, representing a decrease of 27.6% or HK\$24,003,000 as compared to HK\$86,988,000 of the same period last year. The gross profit margin was 20.1%, representing a decrease of 1.5% as compared to 21.6% of the same period last year.
- Loss for the period was HK\$89,367,000, as compared to a profit of HK\$1,310,000 for the same period last year.
- Basic loss per share was HK11.69 cents, as compared to basic earnings per share of HK0.17 cent for the same period last year.
- The Board does not propose any payment of interim dividends for the six months ended 30 June 2020.

BUSINESS REVIEW

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

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

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

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

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

PROSPECTS

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, terms loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 30 June 2020, the Group had bank balances and cash and pledged bank deposits of approximately HK\$59,324,000 (31.12.2019: HK\$46,927,000) and had interest-bearing bank borrowings of approximately HK\$208,396,000 (31.12.2019: HK\$214,884,000). The Group's interest-bearing bank borrowings were mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 30 June 2020 amounted to HK\$551,762,000; of which HK\$208,396,000 of the banking facilities was utilised (utilisation rate was at 37.8%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

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

CHARGES ON ASSETS

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

STAFF AND EMPLOYMENT

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



Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 30 June 2020 the interests of the directors, chief executive and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“SFO”); or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Number of issued ordinary shares held					Total	Percentage of the issue share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests			
Lee Tat Hing	14,256,072	58,121,087 ^(a)	28,712,551 ^(c)	280,895,630 ^(d)	381,985,340	49.98%	
Fung Mei Po	58,121,087	42,968,623 ^(b)	-	280,895,630 ^(d)	381,985,340	49.98%	
Lee Chun Sing	27,815,830	2,526,000 ^(a)	-	280,895,630 ^(d)	311,237,460	40.72%	
Lee Kwok Sing Stanley	2,481,280	-	-	280,895,630 ^(d)	283,376,910	37.08%	
Hui Chi Kuen Thomas	1,300,000	-	-	-	1,300,000	0.17%	
Tsui Chi Him Steve	1,200,000	-	-	-	1,200,000	0.16%	
Cheung Tze Man Edward	2,000,000	-	-	-	2,000,000	0.26%	

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

Notes:

- (a) Mr. Lee Tat Hing is the husband of Madam Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Madam Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Madam Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by a discretionary trust of which Mr. Lee Tat Hing, Lee Chun Sing, Madam Fung Mei Po and Mr. Lee Kwok Sing Stanley are discretionary objects.
- (e) The shares are held by Madam Lai Lai Wah, the wife of Mr. Lee Chun Sing whose personal interests are also the family interests of Mr. Lee Chun Sing.

At 30 June 2020 the following director had personal interests in the deferred non-voting shares of a subsidiary of the Company:

Name of director	Name of subsidiary	Number of deferred non-voting shares held
Fung Mei Po	World Home Linen Manufacturing Company Limited	100

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

The deferred shares do not carry any rights to vote at general meetings of this subsidiary or to participate in any distributions of profits until the profits of this subsidiary which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of this subsidiary.

At 30 June 2020 save as aforesaid and options holdings disclosed under the heading of "Share Options and Directors' Rights to Acquire Shares or Debentures" and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors, chief executives or their associates had any interests or short positions in the shares or any securities of the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2020 the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interests representing 5 percent or more of the Company's issued share capital as at 30 June 2020.

Save as disclosed in this interim report, the directors and chief executive of the Company are not aware of any other person who, as at 30 June 2020 had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The following table discloses movements in the Company's share option during the six months ended 30 June 2020:

	Date of grant	Exercise price HK\$ (Note 1)	Exercisable period	Outstanding as at 31.12.2019 and 30.06.2020
Category 1: Directors				
Lee Tat Hing	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000
Lee Chun Sing	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000
Lee Kwok Sing Stanley	12.11.2012	0.309	12.11.2012 to 11.11.2022	4,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000
Cheung Tze Man Edward	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000
Tsui Chi Him Steve	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Hui Chi Kuen Thomas	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Shang Sze Ming	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000
Category 2: Employees				
	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	9,100,000
				43,500,000

Note 1: These share options are exercisable, starting from the date of options granted for a period of 10 years.

Save as disclosed above, none of the above share options were exercised since the date of grant.

Other than as disclosed above at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During the six months ended 30 June 2020, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the share options as described above, the Company had no convertible securities, options, warrants or other similar rights in issue during the period or at 30 June 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2020. The unaudited interim results have also been reviewed by the Company's external auditor.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

By Order of the Board

Lee Tat Hing

Chairman

Hong Kong, 25 August 2020